The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

MEETING OF THE PARLIAMENT

Tuesday 10 March 2015

Session 4

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Scottish Parliament

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[The Deputy Presiding Officer opened the meeting at 14:00]

Time for Reflection

The Deputy Presiding Officer (Elaine Smith): Good afternoon. The first item of business is time for reflection. Our time for reflection leader today is Father Vincent Lockhart of St Monica's parish, Coatbridge.

Father Vincent Lockhart (St Monica's Parish, Coatbridge): Presiding Officer and members of the Scottish Parliament, good afternoon.

Today marks the 400th anniversary of the death of St John Ogilvie at Glasgow Cross: an important day in the life of the Catholic community. John Ogilvie was born near Keith in Banffshire and raised in the Calvinist tradition. At the age of 17, he converted to the Roman Catholic faith while studying in Belgium. He then entered the Society of Jesus—the Jesuits—and was ordained a priest of that order in Paris in 1610.

After his repeated appeals to be sent to minister to the few remaining Catholics in his native country, Ogilvie arrived in Scotland in November 1613. However, within a year—much of it spent on the run—he was captured, imprisoned and tortured in Paisley jail. Although Ogilvie recognised the king's temporal authority, he refused to accept his jurisdiction in spiritual matters, and for that he was tried for treason and executed on 10 March 1615. St John Ogilvie was officially proclaimed a saint of the Catholic Church by Pope Paul VI in 1976.

Some 87 years prior to Ogilvie's disembowelling and hanging at Glasgow Cross, the Scottish Protestant reformer Patrick Hamilton was burned at the stake as a heretic by the Catholic establishment outside St Salvator's chapel in St Andrews. Some years later, two other Protestant reformers, Walter Mill and George Wishart, met the same fate.

Hanging, disembowelling and burning at the stake are no longer used against political opponents in Scotland, as far as I am aware. We have come a long way from Glasgow Cross, and North Street in St Andrews, in the past 400 years.

As a nation, we still owe much to the example of those Catholic and Protestant martyrs. They were men of principle who were not swayed by popular opinion and who valued integrity over personal comfort and safety. Rather than seeing our past crimes against one another as an obstacle, our acknowledgement of them can also make us humble and more open to tolerance and dialogue.

Last month saw the warm and cordial meeting of the Right Rev John Chalmers, Moderator of the General Assembly of the Church of Scotland, and His Holiness Pope Francis, in the Vatican. In his speech, Pope Francis said:

> "We are pilgrims and we journey alongside one another".

Let us be grateful for one another, and for the fact that we now live and journey together in peace.

Topical Question Time

14:03

Air Passenger Duty

1. Colin Keir (Edinburgh Western) (SNP): To ask the Scottish Government what its response is to the Edinburgh Airport report, "The impact of reducing APD on Scotland's airports". (S4T-00965)

The Cabinet Secretary for Infrastructure, Investment and Cities (Keith Brown): The Scottish Government welcomes the report from Edinburgh Airport. We have long called for the devolution of air passenger duty to the Scottish Parliament. A move to devolve APD as soon as possible is backed by leading aviation industry figures in Scotland and will help to unlock the country's full economic potential and bring more international flights to and from Scotland as well as cutting costs for passengers. We have confirmed that we intend to reduce APD by 50 per cent within the next session of Parliament, with a view to eventually abolishing the tax when public finances allow.

Colin Keir: Given the importance of this issue to the Edinburgh and wider Scottish economy, has the Scottish Government received any indication as to why APD could not be devolved sooner, as recommended by Calman and asked for by business leaders and the cross-party group in the Scottish Parliament on aviation?

Keith Brown: As Colin Keir knows, the timetable for the devolution of APD is a matter for the United Kingdom Government, and it has given no specific timetable for passing the new Scotland bill. However, we are continuing to press for this to happen as soon as possible. Only when the necessary legislation has been passed by the Westminster Parliament will the Scottish Parliament be able to legislate for a replacement tax that is better suited to the needs of Scotland's economy.

That said, Scottish ministers have written to the UK Government on several occasions, most recently in January 2015, to call for the devolution of APD through the order-making power that was introduced for such purposes by the Scotland Act 2012. That would be a quicker route for devolving the tax than via the new Scotland bill and would, as Colin Keir has made clear, bring forward the benefits of the change that we propose to make.

Colin Keir: Does the cabinet secretary agree that it is wrong that while the UK's major hub facilities remain in London Scottish passengers are at a financial disadvantage? Will he work with operators and airports to encourage more direct flights to and from Scottish airports?

Keith Brown: I am happy to give that undertaking. I also point out that we have been doing just what Mr Keir has suggested, mainly through incentive packages to different airlines and airports for marketing and other benefits, and we have seen substantial success from that at our larger airports. However, he is right to suggest that we could massively increase those benefits not only to airlines and airports but to individuals by having one of the most punitive taxes of its kind in the world first of all reduced and then eliminated.

David Stewart (Highlands and Islands) (Lab): Does the cabinet secretary share my view that Scotland's airports would also benefit from the reintroduction of the route development fund, which came to an end in 2007 but which had contributed to a dramatic improvement in Scotland's direct international air network, with more than 50 new services being introduced? Will he agree to meet me to look at the introduction of a European Commission-compliant scheme funded from the APD budget?

Keith Brown: I am of course happy to meet David Stewart on that issue—I have no problem at all with that. However, as I have pointed out in response to Colin Keir, we have already undertaken a number of initiatives that have been designed to maximise the number of direct routes and the number of passengers going to and from our airports. Increasing the number of direct routes also has a beneficial impact on the environment. We have done all that with what we believe to be a European Commission-compliant scheme; if Mr Stewart believes that we could do something else, I am more than happy to meet him to discuss the matter, but I think that he should acknowledge that we have already done a great deal to increase passenger numbers. The airports around Scotland such as Aberdeen, Glasgow and Edinburgh, with which we work very closely, would say the same but, as I have said, I am happy to meet him and discuss the issue further.

Alex Johnstone (North East Scotland) (Con): The minister will understand that the most vital routes that are run from Scottish airports are those to London and that, as a consequence, any attempt to devolve APD can only ever result in our being able to abolish half of the tax that is paid by Scottish passengers travelling to that destination. Will he undertake to continue to work with the UK Government to seek the tax's abolition across the board instead of seeking to devolve to Scotland the right to make decisions about our part of it?

Keith Brown: We have been asking for this for some time now, but I find it strange that, although the Conservative Party and its unionist colleagues agreed through the Calman commission that the power should be devolved, we are still waiting for that to happen six years on. It is therefore a little bit rich of Alex Johnstone to stand up and say that APD should be abolished. He can make the case to the UK Government, but it appears that it has been listening neither to us nor to him over the past six years.

Underlying Mr Johnstone's question is, I hope, an acknowledgement that this is one of the most punitive taxes of its type in the world and that it does a huge amount to discourage business from coming to Scotland. According to the estimates that I have, by 2016, more than £210 million will have been foregone every year as a result of the tax, and many other countries such as the Irish Republic have realised how bad this tax is for their wider economy. Alex Johnstone might be willing to support our attempts to get this tax reduced by 50 per cent, which I think is a very positive move, and then ultimately abolished, but, as I have said, the UK Government seems not to have been listening to him just as it has not been listening to us. Perhaps it should start to listen and get on with devolving this tax.

George Adam (Paisley) (SNP): Does the cabinet secretary agree that a 50 per cent cut in APD could mean Glasgow international airport in Paisley receiving a projected 200,000 extra passengers? Is it not also the case that the sooner APD is devolved to Scotland, the sooner our airports, passengers and the economy will see the massive benefits that have been detailed in this report?

Keith Brown: I am glad that George Adam has reminded us that Glasgow airport is in Paisley, and he is quite right that the cut would be of massive benefit to the airport. Indeed, it has said the same thing to us, as have the airlines.

Over the past four or five years, I have been at meetings with all the major airports in Scotland and most of the major airlines—airlines that in other situations will sometimes be at each other's throats in a competitive environment—and it is remarkable that they sit together and say the same thing. There would be the same benefits in Glasgow, in Edinburgh, in Aberdeen and throughout the country, and in particular there would be benefits to individuals who currently have to endure one of the highest taxes of its kind in the world.

Even better for the Scottish economy, we would have an increase in passengers coming to this country, many of whom, we know, have said, "We're not going to go to the UK. We're going to go to France." People from South America and various other parts of the world will go to France, not least because the visa requirements are less onerous, but especially because the airport tax that is applied to them is much lower there. Let us get the tax devolved and let us get that business back.

Patrick Harvie (Glasgow) (Green): The economics of the report seem pretty spurious. It is claimed that APD is a barrier to growth, yet we know that aviation levels have continued to grow and, even in the report, projections show that they are expected to continue to grow.

Aside from the economics, there is—astonishingly—not a word in the report about the environmental or social impact of the potential change. Given that the Scottish Government is now committed not to scrapping but instead to replacing APD with a different tax regime, what can the minister tell us about how that new regime will be assessed in terms of not just its economic but its social and environmental impact so that any future decision can be informed by something rather more thorough than this transparent piece of industry spin?

Keith Brown: I think that it is true to say that reports other than the one by Edinburgh Airport, which Patrick Harvie mentioned, have also pointed to some of the benefits. I point out to him, as I have done before, that there is a benefit to the environment if, through the reduction and then perhaps elimination of the tax, we ensure that we have more direct flights to Scotland, as that will cut out the more environmentally damaging shorter flights that we need to connect to longer flights around the world.

Patrick Harvie is right to say that, as he has heard in the past from ministerial colleagues such as Paul Wheelhouse, there is likely to be a small net increase in emissions from the reduction in APD, but there will be a positive impact on passengers, businesses, costs and connectivity from our taking that action. In addition, the APD assessment takes no account of other trends in the aviation sector such as the improving fuel efficiency of jet aircraft, which is something that we want to encourage.

There are pluses and minuses in relation to the change. There are pluses for the environment, and there is a huge plus for the economy and for the businesses that comprise our airports. That is why we intend to move forward as soon as we have the power and reduce the tax by half with a view to eliminating it all together.

Oil and Gas Sector (Support)

The Presiding Officer (Tricia Marwick): The next item of business is a debate on motion S4M-12587, in the name of John Swinney, on action that is needed to support the oil and gas sector.

14:12

The Minister for Business, Energy and Tourism (Fergus Ewing): We recently marked 50 years of the North Sea oil and gas industry—an industry that has made an enormous contribution to the Scottish and United Kingdom economies. In production taxes alone, the sector has paid in excess of £300,000 million to the UK Exchequer in today's prices. However, the sector's contribution is far more than simply production tax revenues: it is a supply chain, in which there are 2,000 companies in Scotland; it is an export market with international sales reaching £10,000 million a year; it is 225,000 skilled jobs and people who make a significant contribution to the Scottish economy; and it is Aberdeen and Aberdeenshire being a globally renowned hub of engineering expertise.

When the independent expert commission on oil and gas published its report "Maximising the Total Value Added" last July, it made it clear that the industry stood at a critical crossroads and that urgent action was needed. The message was compounded by the snapshot of the sector that was presented in Oil & Gas UK's "Activity Report 2015", which was published last month.

With just over one week until the UK Government's budget, I reiterate the Scottish Government's call for a transparent, predictable and competitive fiscal regime. I know that that call has been echoed by members from across the chamber, with even Ruth Davidson publicly calling in *The Press and Journal* on 27 February on the Chancellor of the Exchequer to reduce the tax burden on industry.

For too long, the UK Government has used the North Sea as a cash cow, and has picked short-term tax grabs against, and instead of, a considered and collaborative approach. No one, other than the Conservatives, doubts that truth—certainly not in Aberdeen. Experts such as Professor Alex Russell made it clear last week that

> "The UK Government has been very slow. They are trying to time it just prior to the General Election. They are playing politics with the future of the North Sea oil industry."

That is not good enough.

Lower oil prices have exacerbated the challenges that face the industry and have increased the urgency for fiscal reform. Low oil prices are not new—the industry has been here before. There is little doubt that the price will go up again, but that alone will not secure the long-term future for the industry.

Oil & Gas UK's "Activity Survey 2015" provides a snapshot of industry activity. I will outline a few of the facts from this year's survey. First, the cost of operating on the UK continental shelf—the UKCS—has been rising steadily: costs rose to a record £9.6 billion in 2014, which was a rise of almost 8 per cent on the previous year. That comes on top of increases of 10 per cent and 15.5 per cent in the previous two years.

Secondly, although there has been significant capital investment in recent years, the level of investment is set to fall, and could drop from £14.8 billion in 2014 to as low as £9.5 billion this year, which would be a 35 per cent fall in investment.

Thirdly, "Activity Survey 2015" concluded that the North Sea faces

> "the lowest rate of exploration drilling since 1965",

with just 14 exploration wells being drilled in 2014. That number is likely to drop into single figures in 2015.

The industry recognises the challenge of rising costs and is working to address them. Cost reductions are necessary alongside fiscal reform, because at current prices many prospective new projects are not viable before tax. I have made it clear that that must be done sustainably in order to preserve skills, knowledge and talent for the future.

Recent analysis by Professor Alex Kemp concluded that if cost reductions are carried out in a manner that retains the skills base, that could result in a healthier industry over the medium and long terms, with enhanced investment, employment and production.

In addition to retaining employment and skills capacity, cost efficiency must also be addressed, with safety at the forefront; the safety of the offshore workforce is paramount. The Health and Safety Executive, representatives of which I met recently, has made that clear, and the Scottish Government stands firmly behind that approach.

Lewis Macdonald (North East Scotland) (Lab): I recognise entirely that cost reduction is key to the short-term, medium-term and long-term future of the sector. Who does the minister believe has the lead in planning and delivering cost reduction in the oil and gas industry?

Fergus Ewing: The general issue of cost reduction is primarily the responsibility of the industry. It is the industry that devises how projects are managed, how they are specified and how they are delivered. The industry would be the first to agree that that is its responsibility. I know because representatives have told me so in many meetings. We all have a responsibility to ensure that the framework within which the industry operates is correct and that health and safety interests are paramount. I know that Lewis Macdonald and others have argued that case.

For the same reasons, it is also important that, in pursuing cost reductions, industry operators listen carefully to the views and experience of the people in the supply chain, who are often best placed to advise on how costs can be reduced. It can be done by agreeing simpler specifications, by standardisation of parts and processes and through take-up of technical deployment and innovation. Operators, contractors and the supply chain need to work more collaboratively. That is the very clear feedback that I have received from the industry.

The North Sea must be seen as an attractive place to do business, and it is clear that the pace of progress on fiscal reform has been too slow. We have consistently called for a transparent, predictable and competitive fiscal regime. In 2011, we published proposals that included the introduction of an investment allowance to mitigate the chancellor's tax grab when he raised the supplementary charge from 20 per cent to 32 per cent.

In 2013 we published "Maximising the Returns for Oil and Gas in an Independent Scotland", setting out the approach that we would take to stewardship. Following the publication of Sir Ian Wood's interim report in 2013 and the final report in the summer of 2014, we made clear our full support. We agreed with him then when he said that

"clear views were expressed that fiscal instability has been a significant factor in basin under-performance"

and we agreed with him last month when he said that

"6 billion barrels of oil reserved could be lost unless radical measures are taken by the UK Government."

In January, we published an oil and gas discussion paper that set out the fiscal measures that we believe are necessary and, in responding to the consultation on an investment allowance, we set out how a well-designed investment allowance could address many of the underlying challenges that exist in the North Sea.

Given the stark outlook that is highlighted by the industry's latest activity survey, I want to outline our proposals for urgent and substantive tax reform in the budget. First, the UK Government must reverse the misguided supplementary charge increase from 2011. That will provide a strong signal to investors that the North Sea is open for business. Secondly, we are calling for a basin-wide investment allowance with a single rate of 62.5 per cent. That will simplify the fiscal regime and boost investment. Thirdly, we are calling for an exploration tax credit. Failure on the part of the UK Government to introduce sufficiently strong measures to address the dearth of exploration would be a serious error.

Although it is essential that the chancellor use his budget next week to introduce those fiscal reforms with immediate effect, the Scottish Government is clear that that is only part of a longer-term process of reform, which must involve action on regulation. The UK Government must maintain momentum on regulatory reform. We welcomed the announcement of the Oil and Gas Authority and the appointment of Andy Samuel as chief executive. On 25 February, Andy Samuel published his "Call to Action: The Oil and Gas Authority Commission 2015" , which set out the two most immediate risks. The first is the risk that the profitability of producing fields will not be sufficient to attract continued investment, which could lead to premature decommissioning of assets, and the second is that confidence in the potential of the UKCS will continue to decline, which would result in critical long-term investment not being committed.

The potential risks simply cannot be overstated and inaction is not a rational option. Two things are imperative. First, the UK Government must ensure that the Oil and Gas Authority is consulted on all fiscal policy. Secondly, it is essential that the Oil and Gas Authority has the resources and people in place now to take forward the action that is needed to mitigate the risks. It must have sufficient people to do so.

I want to talk about action by the Scottish Government. As I have outlined, it is clear that both fiscal and regulatory reform must be instituted now. I want to assure Parliament that the Scottish Government is continuing to make best use of our devolved powers, and I am committed to examining any further ways in which we could do more.

I want to summarise some of the measures that the Government has taken. We have supported the skills needs for the sector through our energy skills investment plan and the creation of Energy Skills Scotland. We have also established the energy jobs task force. I am encouraged by the commitment and collaboration that all the members of the task force have shown. That commitment has seen the establishment of a website to help match individuals with employers—I believe that that suggestion came from one of the industry leaders on the task force. In addition, a large-scale partnership action for continuing employment event is to be held in

Aberdeen this month, which will be targeted at individuals in the sector who face redundancy.

Gavin Brown (Lothian) (Con): The energy jobs task force last met two weeks ago. What were the main conclusions of that meeting?

Fergus Ewing: I have outlined that one main conclusion was that a website be set up. Another main conclusion was on ensuring that individuals and job opportunities come together. A third main conclusion was that a major event should be arranged and that all the necessary preparation should be carried out to ensure that all appropriate individuals attend that event. Those are urgent measures, which have been brought forward urgently.

One should give some credit to Lena Wilson, who is the chief executive of Scottish Enterprise, for the vigour, the commitment and the drive that she is displaying on the matter. I speak to her weekly; I get a full briefing. No one can persuade me of anything other than the truth, which is that she is delivering the goods and that she will do everything possible, working with the Scottish Government and all our partners, to ensure that we do everything that we can for the people who are affected.

We are also supporting innovation and technology. Last year saw the establishment of the oil and gas innovation centre with funding of £10 million over five years.

Our enterprise agencies are also supporting innovation. Today saw the announcement of a £1.7 million project that will see a Scottish SME—small and medium-sized company—Raptor Oil, leading a project on wireless telemetry through the memorandum of understanding that Scottish Enterprise has signed with Statoil.

We have invested and are continuing to invest in the north-east, with over £300 million having been spent on health infrastructure in the north-east since 2007. There is also the Aberdeen western peripheral route and Balmedie to Tipperty road scheme, which has received a total overall capital investment of £745 million. That scheme is urgently required and is comprehensively supported in Aberdeen city and Aberdeenshire.

There is a long-term sustainable future for the North Sea, and we are committed to using every lever at our disposal. What is needed now is action from the UK Government. We have eight days until the budget. I hope that all members in this chamber can build consensus that substantive action along the lines that I have set out is required at the budget next week.

I move,

That the Parliament notes the Oil and Gas UK Activity Survey, which was published on 24 February 2015 and highlighted the challenges facing the North Sea oil and gas sector and the impact on investment and exploration from a lack of action; agrees that the Scottish Government continues to do all that it can to support the sector, the supply chain and the economy, and urges the UK Government to follow suit by announcing in the forthcoming 2015 Budget the immediate introduction of a substantial package of fiscal measures, including an immediate reversal of the misguided supplementary charge tax hike in 2011, the introduction of a basin-wide investment allowance with a single rate of 62.5% and the introduction of an exploration tax credit.

The Deputy Presiding Officer (Elaine Smith): At this stage of the debate, we have a little time in hand for interventions.

14:26

Lewis Macdonald (North East Scotland) (Lab): It is not possible to live and work in Aberdeen today without being sharply aware of the current crisis in the oil and gas industry. Tens of thousands of people in and around the city work in the sector and tens of thousands more are directly affected by how well the sector is doing. That is why the most common topic of conversation today is who is still working where, who has lost their job and who has moved away.

That is an issue not just for Aberdeen. The oil and gas industry supply chain stretches right across Scotland and the rest of the UK, offshore workers are as likely to live in Glasgow or Gateshead as in Grampian, and the industry matters as much in the Highlands and Islands as it does in the north-east. The health of the oil and gas sector affects the whole economy, and everyone who works in it agrees that action is required. The question is, what action is required from whom?

In our view, the Scottish Government took too long to acknowledge the scale of the crisis and still has too little to say about areas for which it is responsible. The setting up of an energy jobs task force chaired by Lena Wilson is, indeed, welcome. It needs to be more transparent and to tell us what it is doing to pre-empt and prevent job losses before decisions are made instead of simply dealing with the consequences of redundancy, but there is a good deal of work for that task force to do if it is given the right remit and the right resources and if it is able to achieve the right level of public confidence.

Nigel Don (Angus North and Mearns) (SNP): The suggestion that Lena Wilson and anybody else at Scottish Enterprise should be transparent about what they are doing to intervene before there are redundancies sounds a little improbable to me. How does the member expect industry to discuss publicly its very private affairs?

Lewis Macdonald: It would be helpful if we knew who was attending the meetings of the task force, where the meetings were due to be held, what time they were at and what was on the agenda. Of course, I do not expect commercially confidential discussions to be revealed, but I expect some degree of transparency from a body in which the minister encourages us to have confidence as it deals with such a critical sector.

When the task force was set up, we were told that apprentices in the industry would not face redundancy, because the Scottish Government would step in. That is welcome, but it is disappointing to learn that no extra resources have been made available to support that commitment. Those small steps are welcome, but they are not enough.

Last week, we saw an assessment by the Fraser of Allander institute of the impact of a falling oil price, which confirmed that it is good for some parts of the Scottish economy but painful and potentially damaging for others. What we have not seen—and what the minister did not tell us about this afternoon—is a proper assessment by the Government itself. Last year, ministers were more than happy to proclaim the good news about North Sea oil; this year, they seem strangely reticent.

Christian Allard (North East Scotland) (SNP): The member talks about an assessment. How can we make an assessment before we know what the fiscal regime will be?

Lewis Macdonald: The minister has said that we should not wait until five minutes before an election before we change the tax regime. We certainly should not wait for any reforms to the fiscal structure before the Government of Scotland takes action on the biggest economic crisis that Scotland has faced in months—indeed, in years. Let us get on with doing that. Let us get that assessment done and let us see the Government taking the issue as seriously as it deserves to be taken.

It is clear that a low oil price is bad news for ministers’ policy of full fiscal autonomy. In that respect, their reticence is perhaps not surprising, but given their responsibilities for enterprise and economic growth, they need to carry out a full assessment of the economic impact of the low oil price without delay and to publish the results. We need to know how many jobs have gone, for example. That is a simple question. I asked the Government that question last month, and the minister replied. However, his reply referred to some of the job losses that had been announced by then, but not to others. We know that many more jobs have gone since then.

If the Government wants to mitigate the impact of the squeeze on Scotland’s oil economy, it could start by simply measuring it. Once it has done that, perhaps it will recognise the case that Labour has made for a resilience fund. We need all levels of government to work together to protect jobs and businesses, and a resilience fund will help that to happen.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): In June 2009, when the oil price was $40 a barrel, Jim Murphy said that there was no case for an oil fund in Scotland. What has changed?

Lewis Macdonald: What has not changed is that Stewart Stevenson is not paying particularly close attention to what I am saying. I am not talking about a fund for depositing profits from the oil industry that the Government has made; I am talking about a resilience fund that has been created by the Scottish Government to help local government to work with sectors that are under pressure, whether in the oil industry or anywhere else in the Scottish economy. Let us have support from the Scottish National Party for that proposal and evidence that it takes those issues seriously.

A city deal for the Aberdeen city region would be a good thing, too. The oil jobs summit that was held in Aberdeen last month reached very clear conclusions about the importance of major new infrastructure investment in and around the city over the next 20 years. Those conclusions were reflected yesterday in the launch of the city deal proposals, which were strongly supported by Oil and Gas UK and many companies in the oil industry. Both the Scottish Government and the UK Government need to get behind that approach to make it happen. I hope that the Scottish ministers will confirm during the debate their commitment to a city deal.

The Scottish Government’s political priority, which we have heard today—it has been the same throughout the crisis—has been to demand that the UK Government cut taxes for oil companies. The oil industry will, of course, argue for tax cuts. There is nothing unusual about any business looking for ways to cut its costs and seeing tax cuts as a pain-free way to save money. For the industry to argue for that is one thing; for the Government simply to accept that case without asking for any public benefit would be a different proposition. I hope and expect that changes in the fiscal regime will be announced in the budget next week.

Fergus Ewing: For the purpose of clarity, can Lewis Macdonald state what the Labour Party’s proposals are on which tax reduction measures should be brought in by the chancellor next week?

Lewis Macdonald: Our proposal is that the Government should look at significant fiscal changes to incentivise investment and support the industry, but we should go beyond that. We need to address that today. Again, I look to the Scottish Government not simply to talk about tax changes by a different Administration, but to talk about what it can do and what other changes it will support. Whether we are talking about a new investment allowance, a change in the headline rate of supplementary charge or some other adjustment, surely the important thing is the net effect of any tax changes on the willingness of oil and gas companies to invest their capital in the North Sea. That effect is critical, and that is what we want to see.

We believe that tax changes are required, but simply cutting tax will not do the trick. Oil companies are not paying taxes on assets that do not make a profit. Therefore, revenues to Government have fallen sharply in recent months and they will fall sharply again later this year.

The biggest risk is not from taxes on those fields that still make enough profit at $60 a barrel, because those fields will continue to produce; rather, the biggest risk is that those fields that are not currently profitable will be shut in and closed down sooner than they need to be.

Kevin Stewart (Aberdeen Central) (SNP): I noticed that Lewis Macdonald did not respond to the minister, so I will ask some simple questions. Does the Labour Party support an exploration tax credit? Does it support an investment allowance? Should the supplementary charge be reduced further? A yes or no response on all three questions would be good, please.

Lewis Macdonald: The Labour Party supports tax changes that are designed to achieve the objective of greater investment and exploration. That is a simple proposition. It would be good to see the SNP, rather than simply micromanaging someone else's budget, introducing proposals on the areas for which it is responsible.

Sir Ian Wood's best estimate last year was that 16 billion barrels of oil might still be produced from the UK continental shelf. In the current circumstances, as the minister has acknowledged, that number could fall as low as 10 billion barrels if too many marginal fields go straight to decommissioning. Even at today's prices, that amounts to potential lost production worth more than $300 billion, or more if the price recovers.

UK ministers should go beyond fiscal incentives to work directly with the operators of those marginal fields, to ensure they are not abandoned prematurely. Rather than offer only tax cuts that mostly benefit profitable fields, the Government could offer to share production costs on marginal fields. Many first-generation fields are at the end of their life or depleting fast. Yet many of the platforms in those mature fields host vital infrastructure that allows more recent, smaller discoveries to export their product to shore.

Patrick Harvie (Glasgow) (Green): I was waiting to hear from Lewis Macdonald about co-investment. We have got ourselves into a terrible situation in the UK in which the public sector is willing to hand over to the private sector anything that is profitable, but to prop up with taxpayers' money anything that is not profitable. Surely that is not Lewis Macdonald's approach to public ownership?

Lewis Macdonald: Far from it. There is a clear public interest in maintaining the offshore oil and gas industry's infrastructure, even if the fields are not a commercial proposition. In those circumstances, the Government could step in as a lender, a co-investment partner or even as a facilitator, to ensure that the assets are safely maintained for as long as they are required.

The Oil and Gas Authority that was set up in response to the Wood report is in place. It is tasked with promoting more collaboration in the industry, not least in the area of infrastructure. The sooner that it can get on with that job, the better. We know that company after company in the north-east has laid off staff and contractors by the hundreds. Thousands of jobs—mostly onshore—have been lost. Where in the past it was easy to leave an employer on a Friday and find a new job on a Monday, the sector-wide downturn leaves people with far fewer options.

The next big issue will be the terms and conditions of offshore workers. Many in the construction trades who work offshore do two weeks on and three weeks off. They are facing employer demands to move to three on and three off. Those demands are being resisted by their unions. It is easy to understand why, given the tough environment that the offshore workers face.

The Deputy Presiding Officer: It would be helpful if you could begin to draw to a close. Thank you.

Lewis Macdonald: I certainly will.

Some of those who are most likely to walk away if shift changes are imposed are precisely the older workers with the greatest know-how—the people whom the industry cannot afford to lose.

We need to see action not only from the Scottish and UK Governments, but by the industry to protect the jobs and the skills that are needed for the future. Industry must step up to the plate, cut out wasteful practices, support its workforce to protect skills and work with Government to maximise economic recovery. In that way, the oil and gas sector can hope to produce in Scottish waters for another 40 or 50 years, securing jobs for another generation and providing an even stronger basis for a global marine energy industry based here long after that.

I move amendment S4M-12587.2, to leave out from "agrees" to end and insert:

"calls on the Scottish Government to undertake a full assessment of the impact of the current low oil price on employment and economic activity and to establish a resilience fund to support local and regional economies hit by sudden economic shocks; urges the UK Government to go beyond fiscal measures and to support continuing production by working in partnership with operators, including where appropriate through co-investment in marginal fields, and calls on the oil and gas industry to pursue cost savings and efficient working by increased collaboration and sharing data, not by driving down the terms and conditions of the offshore workforce."

14:39

Murdo Fraser (Mid Scotland and Fife) (Con): I welcome the chance to debate the future of the oil and gas sector. The debate is timely, given the pressures on the sector as a result of the fall in the oil price. However, I have to say gently to the minister that, for a man who claims to be seeking consensus, he spent a great deal of his opening speech trying to score political points.

I have made the point many times that a fall in the oil price is good news for the overall economy. Businesses' costs are coming down, particularly in energy-heavy sectors such as manufacturing. Those involved in transport are seeing a welcome bonus, and the ordinary consumer has more money in his or her pocket and therefore more money to save or to spend in the shops. As Lewis Macdonald pointed out, the Fraser of Allander institute said that the Scottish economy could grow by an extra 0.25 per cent as a result of the fall in the oil price, which could mean up to 10,000 new jobs.

However, as members have acknowledged, the fall in the oil price is bad news for the oil and gas industry and has created acute short-term pressures. Sir Ian Wood has warned that as many as 15,000 jobs are at risk if the oil price remains low. To tackle that, everyone—that means the industry, the UK Government and the Scottish Government—must work together.

In that context, the Scottish Government's motion is disappointing, with its bare-faced statement that

"the Scottish Government continues to do all that it can to support the sector".

Is there no room at all for improvement? Is there nothing that could be done better? That statement reeks of complacency.

Mike MacKenzie (Highlands and Islands) (SNP): Does Murdo Fraser believe that the UK Government is doing all that it can in good time to support the oil and gas industry?

Murdo Fraser: Mike MacKenzie did not listen to what I just said. I said that all sectors—the industry, the UK Government and the Scottish Government—must do more. I do not know why he did not hear me make that point.

It is not enough just to say that this is all somebody else's fault. The minister spoke for 13 minutes; he spent 10 minutes setting out why the UK Government had to act, then in a few minutes at the end he set out the action that the Scottish Government has taken, without a word of what additional work would be done.

Chic Brodie (South Scotland) (SNP): Will the member take an intervention?

Murdo Fraser: No—I need to make progress.

We agree with the Scottish Government that, as the minister acknowledged, more needs to be done to create an attractive fiscal regime. The Treasury cut the supplementary charge from 1 January as part of an ambitious programme of reform across the wider oil and gas tax regime. We have also called for fast tracking of the new investment allowance; that call has been widely echoed by those in the industry.

As an economic liberal, I am always pleased to welcome broad support for the principle of tax cuts, but we need to recognise that tax cutting is not a panacea for all the North Sea's problems. Sir Ian Wood said a few weeks ago that, even if all the tax cuts called for were delivered, it could be six months or more before the changes had any impact. There is more that can and should be done, and it is extremely disappointing that the Scottish Government's motion concentrates only on that one aspect, when action is required in other areas.

The minister did not quote this, but Sir Ian Wood also said:

"let's put that divisive referendum away on a back burner ... for a long, long period of time".

During the referendum campaign, we were treated to regular oil and gas statistical bulletins, all of which predicted boom times ahead. The first oil and gas statistical bulletin, issued by the Scottish Government on 11 March 2013, said that Scotland was in line for a "renewed oil boom". It predicted that production in Scottish waters could generate up to £57 billion in tax revenue by 2018.

Speaking on that day during a visit to Aberdeen harbour with John Swinney, the then First Minister, Alex Salmond, said:

"there can be little doubt that Scotland is moving into a second oil boom".

There is little doubt that Mr Salmond was talking out of a hole in his head.

Chic Brodie *rose*—

Murdo Fraser: Alex Salmond is not here to defend himself, which is not unusual, so perhaps Chic Brodie would like to do that for him.

Chic Brodie: Murdo Fraser went on about the Scottish Government forecast. Two days after that was published, the Office for Budget Responsibility forecast that the price of oil would be $100 per barrel until 2019. Was it wrong, too?

Murdo Fraser: We do not know how such forecasts will work out. It seems extraordinary that the OBR's forecasts were dissed all the way through the referendum debate by Mr Brodie and his colleagues, who said that they were too pessimistic. As we well know, the entire case for independence was built on an oil price of $110 a barrel as a minimum. I am astonished that Mr Brodie has the brass neck to stand up in the chamber—as Alex Salmond's vicar on earth, it seems—and try to make that case.

What has happened to the statistical bulletins? We saw them regularly before the referendum. Why do we no longer see them? Are the figures so dismal that the Scottish Government is afraid to publish them?

Today, Scotland will be breathing a collective sigh of relief that we did not vote yes to independence based on the promise of a second oil boom and that we did not go for that financial model, which assumed an oil price of $110 a barrel when the price is half that today. Thank goodness the Scottish people had the sense to vote to remain part of the United Kingdom and not to gamble their future on the say-so of Mr Salmond or his colleagues.

I said that more could and should be done to assist. In the few minutes remaining, I will talk about the Aberdeen city region deal. It will be worth about £2.9 billion over 20 years, with proposals for transformational investment in transport infrastructure, significant expansion of housing and city centre regeneration. A specific proposal to help the oil and gas sector is the new oil and gas technology institute, which would establish a world-class centre of innovation and excellence in the city to support innovation. All that is underpinned by an economic strategy that focuses on internationalisation, innovation and skills.

That exciting parcel of proposals to benefit Aberdeen city and Aberdeenshire requires the support of the UK Government and the Scottish Government. It demonstrates leadership and ambition from two local authorities, and it has widespread buy-in from many in the private sector and enthusiastic support from Oil & Gas UK.

Today, the Scottish Conservatives are happy to lend our voice in support of those calls. If the Scottish Government is looking to do more than just sit on its hands and blame Westminster, it should join us in supporting the city bid proposal.

I move amendment S4M-12587.1, to leave out from "and the impact" to end and insert:

"; believes that the industry, and both the Scottish and UK governments, all have a responsibility to work together to help safeguard jobs; supports calls for fiscal measures to encourage future investment; calls on the Scottish Government to resume publication of its regular Oil and Gas Analytical Bulletin, and backs the Aberdeen City Region Deal bid to assist economic growth in the city and wider area."

The Deputy Presiding Officer: We move to the open debate. Speeches should be of six minutes, with about 30 seconds for each member to take interventions.

14:46

Kevin Stewart (Aberdeen Central) (SNP): I welcome the opportunity to discuss the oil and gas industry. As members can well imagine, there is uncertainty in Aberdeen, which is being exacerbated by the UK Government's inaction in response to the drop in oil prices.

The inaction is summed up in comments made by Professor Alex Russell—the minister has mentioned them, but I will add to them. Professor Russell said:

"The UK Government has been very slow. They are trying to time it just prior to the General Election. They are playing politics with the future of the North Sea oil industry ... the pace of change from Westminster has been just dire, absolutely dire".

He concluded that

"the UK Government has been very tardy about making things happen."

We should not be surprised that short-term party-political gain for the current UK Government has come into play as we near a general election, because short-term political gain has always been the attitude of Westminster Governments in their handling of the North Sea oil basin. Mismanagement rules supreme, and their cavalier attitude is summed up in the words of Malcolm Webb, who wrote in Energy Voice on 5 January 2015:

"There have been times when I have been truly bewildered by the way in which successive governments have treated the UK offshore oil and gas sector.

We have experienced repeated and increasingly aggressive tax hits, pushing taxation rates on production up to a maximum of 81%, while at the same time an under-resourced, overstretched regulator failed to deliver the expert and engaged stewardship which this mature and complex basin so badly needs."

That was from industry leader Malcolm Webb.

We have seen a myriad of ministers taking decisions about the industry and a mass of Whitehall civil servants mapping plans and strategies from desks that might as well be light years away from the operations in the North Sea. Malcolm Webb says that we have had

"Years of confused and confusing energy policy, not helped by a revolving door approach to the appointment of Ministers (we've seen a total of 35 different Energy and Treasury Ministers given responsibility for our industry in the last 14 years)."

The Oil & Gas UK "Activity Survey 2013" said:

"Taking into account the two to three year average time lag between investment decisions and first production, the lack of new fields coming on-stream can be attributed to the damage done to investors' confidence by the numerous adverse tax changes in the early and mid-2000s."

On 24 February, I lodged a motion about the situation in the North Sea basin. In it, I pointed out that, since 2005, when the exploration tax credit in Norway was introduced, drilling there has increased fourfold, leading to the discovery of more oil reserves, including the Johan Sverdrup field. Here, meanwhile, 14 wells were drilled last year and, as the minister pointed out, probably fewer will be drilled in the coming year.

In the motion, I called for an exploration tax credit, a reduction in the headline rate of tax in the North Sea and an investment allowance. I am really surprised that Lewis Macdonald could not tell us today whether the Labour Party supports those moves, which I think are vital to ensuring the future of our North Sea economy.

Lewis Macdonald: Given Mr Stewart's apparent expertise in such matters, can he tell us simply what he believes the appropriate rate of offshore oil and gas taxation should be?

Kevin Stewart: That depends on the field. To be honest, one of the reasons why it is evident that Mr Macdonald is not paying attention to what is going on is that he would ask such a silly question. He might think of me as only a so-called expert in the field, but his ignorance has been shown today by his not being forthcoming about what he does and does not support.

I want the North Sea workforce to thrive for many decades to come. The sensible measures that are being put forward by a minister who has been in post for a long time and is engaged with the industry are the right things and are what the industry wants to happen.

Today's N-56 "Scotland Means Business" report talks of the Norway-style long-term strategy to

"fully exploit the oil and gas reserves left in the North Sea."

It says:

"This plan would far exceed the scope, scale and ambition of the myriad of existing strategies and business plans. It echoes the strategic approach taken in Norway where policy has been developed by government, the industry, public sectors and others working collaboratively to identify the measures required to maximise the sector's long term economic contribution, giving much greater support to the industry from Government."

The report also recommends that key decision makers should be relocated to Aberdeen so that they can be at the heart of the industry and hear not only from the high heid yins but from all the men and women who work in it. I fully endorse that view.

Those of us who live in the north-east and those who have family and friends working in the industry live and breathe what is going on in the North Sea basin and in the onshore supply chain and know how the industry's morale affects all north-east businesses. If Department of Energy and Climate Change and Treasury officials were there, they would feel that, too, and they might think differently before recommending the implementation of damaging policies and strategies.

It is vital that we maximise the yield from the North Sea if we are to protect jobs, remain world leaders and safeguard the economy of north-east Scotland. The Scottish Government has laid out its long-term strategic vision for the industry and I hope that Westminster will undergo a Damascene conversion and do likewise, for all our sakes.

14:53

Michael McMahon (Uddingston and Bellshill) (Lab): I began my welding career in 1977, at a time when many of those who worked in that trade were transferring from the declining shipbuilding yards on the upper Clyde to the emerging yards that were expanding into the production of jack-up and semisubmersible rigs for the North Sea oil fields. I was acutely aware from that time of just how important the success of the North Sea oil industry was for manufacturing in and around the Clyde.

I was also aware at that time that politicians and people in the industry were already looking to a time when the oil would run out, and I commend to the chamber an adjournment debate on the subject that was secured by Dick Douglas some years ago.

In those days, people talked about a depletion policy. That was not a negative thing; it was just being realistic. We are talking about a finite resource that will run out and has to be managed. That is the point that was being made.

Recently, I spoke at a public meeting in Bellshill and warned the audience of the danger that a sudden reduction in the economic position of North Sea oil would be not only for the north-east of Scotland but for our local economy. It is always easy to be wise after the event but, soon after that, because of the downturn in demand from the oil industry, a local company in my area made some of its employees redundant immediately and will now allow the workforce to decline further through natural wastage over the rest of this year. That is a direct consequence of the situation in the north-east, and it confirms to me the potential impact in Lanarkshire of continually making our economy overly reliant on the volatile oil sector.

The Scottish Government's prospectus for separation ignored the risks that an oil price shock would have for us, but those of us who were concerned about the oil industry's future were only being realistic. Unfortunately, we have seen not only the loss of those local jobs but the publication of a series of reports that tell us how serious the situation is for the oil industry overall as we look to the immediate future. The message could not be clearer, and it asks the Scottish and Westminster Governments to change their thinking.

Fortunately, a blueprint for the way forward that would help the oil sector through the immediate problem has existed for some time. It is now crucial that the reforms recommended by the eminent oil expert Sir Ian Wood in his strategy for economic recovery in the North Sea be implemented. That was needed even before the oil price crisis, as the North Sea oil industry was already in decline.

Statistics tell us that, last year, there was a record level of investment of £14.8 billion in the North Sea, but we must recognise that investment rose from the previous year because of slippage in projects and cost overruns. There has been a gradual decline in oil production over a number of years now, although the rate of that decline has been getting much less steep. Over the previous three years, the rates of decline were 19 per cent, 14 per cent and 8 per cent but the rate was only 1 per cent down during last year.

That is a good thing, but it has to be noted that there have been several years of investment from producers so, in 2015, we should see the first rise in production since the peak 15 years ago. However, that means that it has taken a huge increase in investment for production to rise by only by 1 per cent. Although there has been a welcome increase in the amount of finance going into oil extraction recently, it takes all of that increase to squeeze more out of the mature fields.

Nothing can disguise the bad news from this year's Oil & Gas UK activity report, which reflects the plummet in the oil price. The report covers a period when the oil price was still around $75 per barrel so it does not capture the full extent of the slashing of operating costs, investment and drilling. In 2012, the cost of producing the average barrel was £13.50. Last year, it hit £18.50. The cost of finding the average barrel of oil has risen from £4 in 2009 to £22 now. In total, around half the number of wells that were being drilled 10 years ago are now being drilled.

In response to those facts, the industry's message to Government is a call for smarter regulation and lower taxes, in line with the recommendations of Sir Ian Wood's industry review last year. We seriously need Government action to sustain confidence in the industry over the next few years. We cannot simply turn the oil industry on and off. We must maintain a degree of support for the sector.

Chic Brodie: Like prices elsewhere and for other commodities, oil prices are volatile. Does Michael McMahon agree that, if we had had an oil fund many years ago, we would not have problems that we have with volatility?

The Deputy Presiding Officer: Mr Brodie, we cannot hear you if you do not address your microphone.

Michael McMahon: Unfortunately, I could hear the question. The point that Mr Brodie misses is that he cannot have his cake and eat it. The SNP always talks about the oil fund that would have saved all the money that was spent on the capital infrastructure from which the country has benefited. It talks about the Norwegian oil fund but does not tell us that Norway does not have a comparable motorway system to the one that we have in Scotland. I say to Mr Brodie that he cannot save money and spend it. He will have to come to terms with that fact at some point in the future if he wants to be taken seriously.

The Scottish Government has to stop the pretence behind its overly confident projections and accept that the process of winding down is happening now. It is right to pursue the Westminster Government over the responsibility to promote a more conducive investment climate for the oil industry in the North Sea. Although the problem affects the north-east most acutely, the supply chain reaches across the whole of Scotland.

The SNP's predictions for oil's future range from the optimistic to the wildly optimistic. The Oil & Gas UK analysis adds to Sir Ian Wood's and shows that we need to ensure that Government action is taken to support investment in the North Sea now and for as long as possible into the future. As Fergus Ewing stated, there have been fluctuations over the years, but that need has not existed very often since the industry poured money into platform fabrication yards in the 1970s ahead of the revenue tap being turned on in the 1980s.

Action is needed now from the UK and Scottish Governments. We may no longer talk about a depletion policy—we can call it what we want—but it has to happen, and it has to happen now.

15:01

Nigel Don (Angus North and Mearns) (SNP): This is going to be one of those interesting debates that goes from the absurd to the extraordinarily important. Of course, the important bit is that the oil and gas sector is a significant part of the economy; the absurd is the speed with which colleagues across the chamber are pointing the finger at somewhere else rather than recognising that, actually, we are all in this together.

I cannot be surprised that Murdo Fraser spent so much of his time telling us that we should not rerun the referendum, and then did so. Michael McMahon told us that we should not make savings because that reduces expenditure, but he ignored the fact that we should save when we are expending a finite resource—we should be spending recurring income.

Murdo Fraser commented on the Scottish Government's motion, which says that the Scottish Government is doing "all that it can". I think that the Scottish Government is doing all that it feels it can and all that it has identified, but I think that the minister said that, if other people have suggestions about what we should do, they should please pass them on. I see that he is nodding as I speak. There is a serious willingness in the Government, which I certainly support from the back benches, to consider anything that anybody comes up with, although—as always—if we are going to spend money, the issue is where it will come from. We ought to establish that as the Government's opening position.

I will not repeat what the minister and others have said about what the Scottish Government is doing, as I want to talk about what the UK Government should do, not because I want to rerun the referendum but because everybody knows that the fiscal regime is set by Westminster. It is straightforwardly the case that the tax regime, however we would like it to be modified, is the UK Government's responsibility.

The Scottish Government has come up with specific numbers and, although the Labour Party will not come up with specific numbers, I take Lewis Macdonald's comments about the basis on which he would like those numbers to be established. However, it is the UK Government's responsibility, so please let us stop pretending that it might not be. The issue comes down to the budget in a week's time. We really want something to be done, as it is already long overdue.

I admire Lewis Macdonald's attempts to man the guns as the Labour Party ship sinks around him. That is nothing other than what I would have expected, as Lewis Macdonald would be the best leader of the Labour Party, if it only managed to elect him. He insists on telling us that the Scottish Government should put together a resilience fund at a point when our budget is not only lower than it has ever been but is still going down. He then insists that the fund, which his new boss Jim Murphy—

Gavin Brown *rose—*

Michael McMahon *rose—*

Nigel Don: Hang on a moment. Let me get to the end of the sentence.

Mr Macdonald wants to say that the fund that his new boss Jim Murphy told me was inappropriate should now not be put together by the UK Government, which gets all the revenue from oil and gas, but somehow come from the Scottish budget, which as I mentioned is falling.

The Labour Party now wants a Scottish Government fund to do what the UK Government has steadfastly refused to do over the period.

Michael McMahon: Will the member give way?

Lewis Macdonald *rose—*

Nigel Don: As I am talking about Mr Macdonald, I will let him in first.

Lewis Macdonald: Surely Mr Don accepts the logic that the Scottish Government, with its responsibilities for enterprise and with its central purpose of sustainable economic growth, has a direct responsibility for supporting sectors of the Scottish economy that are under pressure.

Nigel Don: I do not have any doubt about that, and that is precisely what Scottish Enterprise does and precisely why a PACE team will be in Aberdeen next week, if I recall correctly, worrying about those things. However, the Scottish Government is not responsible for the huge amount of taxation that has come from the North Sea and therefore it is not responsible for setting up the very fund that should be there—which the Labour Party, as I recall, was responsible for and the Tories are now responsible for.

On the issue of retraining, clearly the Government is trying to do everything that it feels is appropriate and, if there are other things that we have missed, perhaps people could suggest them. I would like to make one suggestion, because comments have been made to me by constituents who are being made redundant within the oil and gas sector. Being made redundant is not much fun—I have the T-shirt, but it was not in relation to the oil and gas sector. I am also very conscious, as the minister will be, that the construction industry is growing a little at the moment. It is expanding, and there are some pretty large projects going on.

I wonder whether the retraining is necessarily sufficiently focused on the very short-term retraining that might be necessary to enable the very skilled people from the North Sea oil and gas industry to find their way into the construction industry. For example, it would not take four years for a fitter from the North Sea sector to turn into someone who could build the woodwork around a house. They do not have joinery skills, but it would take them weeks rather than years to get from the position of being able to do one to being able to do the other because they have most of the manual and intellectual skills that are needed. I wonder whether such training facilities and opportunities are available, as they should be.

Fergus Ewing: Mr Don has raised a very good point, which is that some of the people who face redundancy may wish to think about moving into other sectors of the economy. That, incidentally, is why a representative of Scottish Engineering is on the task force. I will make sure that Mr Don's specific suggestion is relayed to Lena Wilson so that it is considered by the task force. I would welcome any other specific suggestions of a positive nature in the debate, such as Mr Don's suggestion.

Nigel Don: Thank you, minister. The only other thought that I have on this issue is that, talking to businesses within my own constituency, I have the feeling that some of the structures within the service industry in the North Sea are building in costs that the industry has been able to sustain over a period but which are probably no longer sustainable. I think that the industry needs to look at whether some of its service contracts should be renegotiated.

I share Lewis Macdonald's concern that the cost efficiencies should come out of the structure—out of the way things are done—and not necessarily out of the pay packets of those who are doing the job, although inevitably market forces will mean that, when people are in greater supply, their premium is bound to fall. We cannot do anything about market forces, but we should be encouraging the industry to look seriously at its cost structure for the future.

15:07

Tavish Scott (Shetland Islands) (LD): I refuse to talk the oil and gas industry down. At a careers convention at the Anderson high school in 1982, the then BP terminal manager said Sullom Voe would be closed by the year 2000 but that there would be great oil careers around the world. My children's generation now work at Sullom Voe, and I believe that their children will, too.

However, as the minister, Lewis Macdonald and Murdo Fraser rightly said, this is a very tough period. The industry does indeed need action here in Edinburgh—and, of course, in London as well. As Jeremy Cresswell puts it in his introduction to the 50th anniversary energy edition of *The Press and Journal*,

"With the right fiscal regime, ... government policies and incentives, and a vigorous mix of adventurous oil and gas companies partnered by a switched-on supply chain, the North Sea could easily buzz for another 50 years".

I entirely endorse that sentiment.

There are three essential pillars of change: reform of the fiscal regime; the cost competitiveness of the North Sea industry versus the rest of the oil world; and the assistance that the Government here in Edinburgh should provide on infrastructure and on skills.

Yes, there must be cuts to tax rates for the UK continental shelf. All Governments will of course seek to extract revenue from profitable businesses. The SNP's independence white paper, which the minister mentioned in his opening remarks, based its estimates on $110 a barrel and maintaining existing tax rates, so a nationalist Government is no different from any other in wanting oil tax revenues.

Oil is now $60 a barrel or thereabouts, having been in the low $50s in recent weeks. Where the price will settle is beyond most economists, never mind politicians or Governments. However, tax must fall to help the industry invest in the long-term future of the North Sea industry.

The supplementary charge should be reduced in next week's UK budget. The UK Government has, since 2011, introduced field allowances that offset profits from that charge. However, the regime now seems to satisfy neither the requirement of Government to extract a fair and true economic rent nor the need to sufficiently encourage capital investment in the industry.

The UK Government should hold to the Wood review's objective of obtaining maximum economic recovery, in Scotland and in the UK, which is very much in the industry's interests. There should be a new investment allowance to simplify the plethora of existing schemes, as BP's Tim Smith said at the cross-party group on oil and gas here in Parliament just the other week. Capital expenditure in the UK continental shelf is not about BP versus Shell versus Taqa; it is about BP's North Sea team winning the investment case within BP against other worldwide opportunities with lower wage costs, less regulation and easier geographic and climatic conditions.

A simplified and lower tax regime helps the industry to win that bidding round. A newer, lower tax regime helps the industry to give clear sight to a future and shows the UK Government's commitment to that future. In my constituency, Shetland, we have escaped the worst impact of the falling crude oil price, although, as Murdo Fraser rightly pointed out, petrol prices falling at the pump have been a welcome upside to oil being $50 a barrel, both for households and for businesses.

BP has now announced a delay to its Sullom Voe gas sweetening plant. BP's North Sea boss, Trevor Garlick, explains that it is a delay, not a cancellation. I agree. The French major, Total, is investing £3.3 billion in the enormous Laggan Tormore gas field west of Shetland. A huge new gas plant is being built at Sullom Voe that will export to St Fergus near Peterhead. BP will also need gas sweetening for the gas fields west of Shetland. BP believes, too, that the vast Clair field west of Shetland has 30 or 40 years of production life. The issue there is not so much what can happen in the future, but it is in the interests of the industry, as other members have rightly mentioned, to get their costs under control. The legs of the industry are the costs that need to be maintained and kept under control.

In the east Shetland basin and the central North Sea, the key is to ensure that decommissioning does not happen too quickly—a point that I have heard the minister make in previous debates. Mature production fields are costly both to maintain and, on current prices, to operate as well. Once key infrastructure, production rigs and pipelines are turned off and removed, other fields cannot export. By 2019, more than half of UK continental shelf production is likely to come from fields that started production since 2012. The new Oil and Gas Authority mentioned by others in the debate will have a vital role here in extending the life of mature production fields.

Decommissioning will be a huge industry. We need only to look at Shell's Brent field, and many of us would be disappointed if Shell did not choose to place that work in Scotland. I recognise that Aberdeen does get a huge amount of the office-based work that will come through that decommissioning, but the trick is to win as much as possible of the actual decommissioning work—the hard engineering involved in pulling apart those enormous platforms—here in Scotland and in places such as Shetland.

West of Shetland is enormously challenging. The region hosts, on the latest figures, at least 17 per cent of the remaining oil and gas reserves, and I suspect that that is an underestimate. It was challenging at $110 a barrel. Chevron pulled the plug on its Rosebank development at $110 a barrel, and that was not because of a fiscal regime but because of the cost of doing business in Scotland and in the UK at this time.

All the oil companies, and Oil & Gas UK, make an important case about cost. In passing, we should welcome Deirdre Michie as the boss of Oil & Gas UK. Getting costs under control is the second pillar of building a new future for the industry.

The other week, I sat next to an engineer flying home to Shetland from Aberdeen. He told me about the hikes in wages that Lewis Macdonald and Kevin Stewart described, which have taken place over the past number of years, with people flitting from one company to another. That was a bubble that had to burst at some stage. There is no doubt that that causes real pain, and we need to help with that, but with industry changes and with Government help on tax there is a strong future.

Sir Ian Wood has rightly been mentioned by others in the debate. He did not just produce a report on the North Sea last year; he also chaired a commission on developing Scotland's young workforce. I hope that many of Scotland's next generation of young engineers, both men and women, will want to work in the oil and gas industry.

The Deputy Presiding Officer: I am afraid that I have to advise members that the extra time that I have—the 30 seconds—is for interventions only and will quickly run out.

15:14

Mike MacKenzie (Highlands and Islands) (SNP): I am pleased to follow Tavish Scott, who made the best speech that I have heard him give in the chamber. I am happy to say that I agree with a lot of what he said, although perhaps not everything.

With 35 UK energy ministers over the past 14 years and 16 major fiscal changes over the past decade, it is no wonder that our oil and gas industry has never performed as well as it might have done. Energy is a complex subject, and UK energy policy has been inconsistent for a long time and is not fit for purpose in terms of supporting industry, delivering value for the consumer or providing energy security.

We know that for several reasons. There is a lack of investment in new generation, which means that spare capacity generation is now well below 4 per cent. The fuel poverty rate is more than 30 per cent across Scotland, and more than 50 per cent on our islands. There is whole-scale despondency across the energy sectors, and nowhere is that more true than in Scotland's oil and gas sector.

Anyone who is in any doubt about that has only to read the oil and gas review that Sir Ian Wood published just over a year ago. It is couched in respectful language, but is nevertheless a biting criticism of DECC and the Treasury. Ian Wood complains that DECC has failed to provide a proper regulatory regime that is up to date with current practice; that fiscal policy has been inconsistent and has strangled the industry, creating uncertainty and deterring investment; that DECC has failed to talk to Treasury colleagues; and that regulation and taxation have often worked at cross purposes.

The report suggests that the implementation of its recommendations will lead to an extra four billion barrels of oil equivalent over the next 20 years. It suggests—I appreciate that this is a long-term projection—that the value of that oil to the economy could be more than £200 billion.

The report does not calculate the losses that we have suffered over many years as a result of the UK's disastrous oil and gas policies, nor does it estimate the losses to the economy, the oil and gas industry or the Treasury.

The UK Treasury has benefited by at least £300 billion from oil and gas since the 1970s. How much more might have been raised under an effective regulatory and fiscal regime? We can perhaps look at the Norwegian sector of the North Sea and make an estimate. Norwegian recovery rates are approaching 60 per cent, whereas ours are stuck at 40 per cent.

Sir Ian Wood's report does not mention an oil fund, nor does it mention the fact that, of all the oil-producing countries around the world, only the UK and Iraq do not have an oil fund. The report does not say that our Norwegian neighbours have an oil fund that is worth more than £550 billion. Despite what Michael McMahon says, I find it hard to feel sorry for the Norwegians with their massive oil fund. Sir Ian Wood's report does not describe the failure to establish an oil fund as the tragic mistake that it was. The report was published at a time when oil prices were relatively high, but the conclusions are even more relevant now.

That is enough of what the experts say: Jim Murphy has decided that it is now time to have a different type of oil fund. His oil fund will involve the Scottish Government introducing cuts in public services to bail out the oil industry when oil prices are low, while the Treasury rakes in the profits when prices are high.

Some months ago in the chamber, Iain Gray asked where the money for an oil fund would come from. Jim Murphy has provided an answer: it will come from cuts in Scotland's services.

Jackie Baillie (Dumbarton) (Lab): Perhaps I should remind the member that it was in this chamber during the debates on the budget that we called for a resilience fund, that we identified the money from Barnett consequentials and that, unfortunately, the cabinet secretary rejected our proposal.

Mike MacKenzie: Jackie Baillie and her Labour Party colleagues are very good at spending money twice over.

The sad thing is that this is just part of an oppositional agenda from the Labour Party that is much more concerned with harming the SNP than with helping Scotland. The Labour Party has no vision for improving Scotland; it has no vision for Scotland other than half-heartedly mitigating the damage done by Westminster; and it has no vision beyond austerity, peppered with the odd bits of back-of-a fag-packet policy that Mr Murphy dreams up overnight. I suspect that that is why the electorate is withdrawing its mandate. Labour has talked for a long, long time now about the broad shoulders of the UK; it is now time for those broad shoulders to provide proper support for our oil and gas industry.

The Deputy Presiding Officer: Many thanks. I ask members hoping to contribute to the debate to ensure that they have pressed their request-to-speak button.

15:21

David Stewart (Highlands and Islands) (Lab): Last weekend, as I was clearing out mountains of old books to send to charity, I came across a dust-covered copy of Tony Benn's diaries and, reading them again, I was struck by the sense of optimism and expectation in the public psyche in the early 1970s with regard to the discovery of oil and gas in the UK continental shelf. Of course, members will be aware that Tony Benn was Secretary of State for Energy. At the time, the press alleged that he had been demoted to that post by Harold Wilson. However, energy was, like now, so important that a tabloid cartoon of the time suggested that Tony Benn's next demotion would be to Prime Minister—I see a faraway look in Fergus Ewing's eye as I make that comment.

I want to touch on the wider international scene faced by oil and gas; refer, as many members have, to the Wood review; and, finally, talk about the fabrication industry, which has been only marginally discussed this afternoon.

As members will know, Tony Benn came up with two excellent initiatives in the 1970s that I believe are still valid today and which are echoed in the

Wood review's recommendations. The first was the creation of a state-run British National Oil Corporation, which, like Statoil in Norway and Total in France, would be a national champion for the UK. The second was the setting up of the Offshore Supplies Office and, like other members, I refer to the P and J's excellent energy supplement, which this month contains a comprehensive and excellent analysis of the OSO. Members will also know that Margaret Thatcher—I see Alex Johnstone getting excited—privatised the production business in 1982, and it was subsequently taken over by BP.

Mike MacKenzie: Does the member agree that Tony Benn was honest enough in later life to admit that, as energy minister, he had made a mistake in commissioning new nuclear power stations and in not establishing an oil and gas fund?

David Stewart: I think that Tony Benn's achievement was the two centres of excellence that he set up. We do not have time for an analysis of the state of the market when oil and gas were first discovered in the UK, but clearly there was an underestimation. The work that Tony Benn carried out, particularly with regard to the Offshore Supplies Office, was first class.

In 2011, I asked a few questions about the OSO; in fact, I think that it was Fergus Ewing who responded to them. He said:

"the work of the Offshore Supplies Office lead to an increase in the share of the UKCS market obtained by British industry and many companies obtained benefits which enabled them to flourish both domestically and overseas in later years",

and he cited

"the development of sub-sea technologies as a particular success story."—[*Written Answers*, 21 October 2011; S4W-03020.]

When he winds up, perhaps the minister could address the question whether we need a new Offshore Supplies Office to support Scottish industry and manufacturing and help them to grow and develop, particularly with a view to increasing supply chain capability. I am, of course, well aware that European Union procurement rules were different when the OSO was set up.

Fergus Ewing: Mr Stewart makes a good point. Assistance with manufacturing is required, and it is provided by the Scottish manufacturing advisory service—SMAS—through Scottish Enterprise. Just last week, I visited Hydrasun in Aviemore, and the assistance of SMAS was praised to the hilt.

David Stewart: I thank the minister for that helpful intervention.

As many members have said, Sir Ian Wood's review of the industry is comprehensive and insightful, and in it he has made a series of important recommendations about future strategy. Although the UK is now a net importer of oil and gas, the UK continental shelf plays a crucial role in energy security, the economy and employment. In 2012, it met 67 per cent of the UK's oil demand and more than half of its gas demand.

As we have heard from other speakers in the debate, about 42 billion barrels of oil have been produced. Estimates for the remaining oil vary, but the range is generally accepted to be between 12 billion and 24 billion barrels. The UK continental shelf is one of the most mature offshore basins in the world but, crucially, it is not uniform. It has a combination of introductory, maturing and declining fields. I appreciate that there are some exceptions, but in general, new discoveries tend to be smaller, in geologically more challenging situations, and more expensive and difficult to exploit. Many rig assets are more than 30 years old and are well beyond their intended design life.

I ask the minister, when he winds up, to address the potential for the decommissioning of rigs in Scottish yards such as those at Arnish and Nigg. I take the point, which he made last week, that we do not want to prematurely decommission rigs because of the expense involved, but if we accept that, as Sir Ian Wood said, many rigs are beyond their natural shelf life, decommissioning, particularly in Scottish yards, is vital.

The Wood review makes a number of important recommendations, including the creation of a strategy for maximising economic recovery, the creation of a new regulatory body, and the development of sector plans for areas such as decommissioning, enhanced oil recovery and exploration. Sir Ian Wood argues that full implementation of the recommendations would deliver 3 billion to 4 billion barrels of oil over the next 20 years, even at the lower-end probability.

I am conscious of the time, but I would like to touch on one other point that has not yet been mentioned. In early 2000, the Westminster Labour Government introduced the licence information for trading—or LIFT—initiative, which encouraged smaller companies with lower overheads to swap licences with large multinational companies to encourage development. Currently, there are 80 to 180 underdeveloped fields, and UK block leasing terms do not always encourage companies to maximise development. That leads to the issue of fallow fields, which is a real problem.

The oil and gas sector is crucial to the Scottish and UK economies for employment and energy security. Historically, the industry has been volatile and cyclical and it has been heavily influenced by production decisions taken in Riyadh, Moscow and Washington. Nevertheless, if the industry continues to adapt, learn and be flexible, and if a resilience fund is established, we can all be confident of a dynamic oil and gas sector for generations to come.

15:28

Rob Gibson (Caithness, Sutherland and Ross) (SNP): So far in this debate on the Government's motion on the future of the oil and gas industry, the focus has mostly been on Aberdeen and the North Sea basin. We are missing the big picture, although some members have mentioned it, including Tavish Scott and, to some extent, David Stewart. We must recognise that an awful lot of people who are involved in the oil and gas industry and developments from it deserve our attention today, and I want to turn our attention to some of them.

I welcome one or two of the suggestions in the N-56 five-point plan that was issued today, including the relocation from London to Aberdeen of key Government policy and decision makers who are responsible for oil and gas taxation and regulation. We also see the necessity for that movement to where the action is in another area that I am interested in—the renewables sector. That is something that Government can do better, and if this is a united kingdom, that should be no difficulty at all. It is one way in which the UK can show its commitment to the North Sea, and it should do that as well as deal with exploration taxes and the like.

In looking at the way that the development of oil and gas has gone, we must recognise that there has been quite a lot of investment—as members should know—in areas such as my constituency, in the Cromarty Firth and on the north coast at Scrabster.

Tens of millions of pounds have been invested in the Cromarty Firth Port Authority, which now calls itself Port of Cromarty Firth. It says that it

"is the UK's premier port facility for IRM works, with dedicated berths and mooring facilities, adjoining hard standing and heavy lift crane pads."

There have been 650 visits of oil rig platforms for servicing in the Cromarty Firth, and that is a big part of the job of getting the oil out and keeping the systems going. At the same time, firms such as Global Energy, in the Cromarty Firth and other places, have been

"supplying subsea and topside equipment to operators".

It is not just places such as Aberdeen that have had a major part to play in the North Sea and beyond. It is important to recognise that Government investment was made there to ensure that the industry could develop.

Tavish Scott mentioned west of Shetland and in particular the large gas fields there, which involve £3 billion-worth, £5 billion-worth or even £7 billion-worth of investment for the future. That is a huge and important driver of the economy.

When people talk about a crisis in the North Sea, they should recognise that there are parts of the oil industry in Scotland that involve very long-term projects and which are continuing to develop. A little snapshot of that is shown by the fact that Wick John O'Groats airport has had its highest number of passengers ever in the past month. They go on from there to work west of Shetland. In parts of this country, the developing parts of oil and gas are providing jobs and development both in Shetland and on the mainland. That is an important point in the whole argument.

I have a second point to make about Aberdeen. Lots of our people from Caithness fly there every week to work. Land is much cheaper in the north of Scotland than it is in Aberdeen, and it is important that the strategy for the future spreads out the benefits from the firms that work in Aberdeen, so as to cut costs in delivering for the future of the oil industry. That is why we must broaden out the debate, and it is why the Norwegian model is so important. The long-term strategy that that model involves considers the various parts of Norway, not just a small part.

Fergus Ewing: Mr Gibson makes an extremely good argument. Does he agree with me that the work of the energy north oil and gas task force, which I chair, has been a very good means of ensuring that we fully use the resources, people and businesses in places such as his constituency and other parts of Scotland to spread the benefit of the industry beyond its centre and hub in Aberdeen and Aberdeenshire?

Rob Gibson: I do indeed.

It is important to ensure that Aberdeen works and that there is investment there, but it is also essential for the future of the industry to recognise the importance of west of Shetland and perhaps—who knows?—the Atlantic rim.

I turn to the way in which oil and gas are used. First, we should remind ourselves that there are many transferable skills available to the oil industry. That has partly been demonstrated through the development of the Talisman offshore wind project at the Beatrice platform.

We need to consider the use of oil and gas seriously as a feedstock for the chemical industries. As we reduce the use of oil and gas as fuels, we should ensure that we still use them well into the future. I would like more of that thinking.

The Norwegian model ensures that many Norwegian nationals get a chance through skills development. The Norwegians do not allow the subcontractors to employ people in too many places at the lowest level of pay, and they ensure that many more local people have a chance to get jobs. I would like the energy skills investment plan to consider that carefully.

Above all, it is important to recognise that, while most MSPs want to see the development of oil and gas into the future, both as an employer and as a transition industry, when the UK Government added supplementary charges on four occasions, Alistair Carmichael, John Thurso, Charles Kennedy and Danny Alexander voted for those charges. Therefore, they are fighting against the interests of my constituency and of every other part of the Highlands.

15:35

Patrick Harvie (Glasgow) (Green): I have to admit that, when I see topics for debate such as today's in the *Business Bulletin,* my heart sinks a wee bit, and I know that I will have to dig deep to summon up the energy to even bother getting to my feet. [*Interruption*.]

The Deputy Presiding Officer: Order, please.

Patrick Harvie: Rob Gibson's speech gave me a glimmer of hope that there is at least a recognition that the debate is coming to its end and that this tiny period in human history—this blip; this aberration—when we shunted the world's energy systems into reverse is coming to its end.

Every one of us knows what happens to a community and to an economy when an industry that they have been overreliant on goes. Every one of us knows that that will happen to the oil and gas industry. We might disagree about when or how quickly that will happen, but every one of us knows that the industry will not last for ever. Every one of us also knows that none of us is doing enough to begin to chart a long-term transition to a real future.

Fergus Ewing: Will Patrick Harvie take an intervention?

Patrick Harvie: I will make some progress, if I may.

Instead, the UK and Scottish Governments disagree about whose responsibility it is to manage better the same basic policy—that of maximum extraction. Why are we not talking about the policy that will have to come after that? Why are we not talking about how to manage the transition away from the use of oil and gas? Why are we not talking much more substantively about the opportunities not only for decommissioning but for transferring skills into the renewable energy industry and into the development of a wider range of non-petrochemical feedstocks so that our economy and our lives, so much of which are daily growing ever more reliant on this finite commodity, just as our economy is overreliant on it and overexposed to it, can become less reliant on it?

Fergus Ewing: Is Mr Harvie concerned about the fate of the people who face redundancy at the moment? Does he agree that all of us, regardless of which party we are in, should do everything that we can to minimise and avert further redundancies in the oil and gas industry?

Patrick Harvie: I made it clear that we all know what happens to an economy and to a community when an industry that they are overreliant on goes. We should all be concerned about—

Fergus Ewing: Answer the question.

The Deputy Presiding Officer: Order, minister.

Patrick Harvie: If the minister stopped barracking, I might be able to answer.

Every one of us knows what happens to people who are overreliant, and the worst thing that we can do is dig ourselves ever deeper into that hole and thereby leave ourselves ever more exposed to that vulnerability. Let us remember that the oil and gas industry—the fossil fuel industry—is valued according to its reserves. It is valued on the basis of an assumption that all those reserves will be turned into profit. Another thing that every one of us—or, at least, anyone who has bothered to find out—knows is that that will not happen. The world has far more fossil fuel than we can afford to burn if we are remotely serious about handing on to the next generation not just a viable economy but a viable ecosystem in which that next generation can live.

Mike MacKenzie: Will the member take an intervention?

Patrick Harvie: Not at the moment.

If we are remotely serious about that, the world has far more fossil fuel than we can afford to burn. We are looking at an economic bubble—an industry that is profoundly overvalued—and Scotland's economy is overexposed to that vulnerability.

There is an alternative to the single policy objective of maximum extraction that unites the Scottish and UK Governments, and aspects of it are not so far away from what we have heard about in Norway. In Norway, far more revenue has come into the public purse per barrel of oil.

Over the six years or so prior to 2008, the UK lost out on something like £74 billion of income if we compare the UK level of revenue with the Norwegian level of revenue. The opportunity that we have is not to maximise long-term extraction but to maximise short-term revenues and to use those revenues to fund the transition away from the oil and gas industry.

Every one of us—particularly those who work in the oil and gas sector and those who live in the north-east, but not just them—knows how dependent on hydrocarbons every aspect of our lives has become, and every one of us knows that that will end. One day, perhaps not very long from now, somebody living with the consequences of the decisions that we are making now will read in the *Official Report* the words spoken in this debate. They will read the words of Fergus Ewing, who said that

"inaction is not a rational option."

Let us not earn the scorn of that generation by our inaction. I am afraid that that is what everybody knows we are doing now.

15:40

Christian Allard (North East Scotland) (SNP): I was a bit surprised by the tone of Patrick Harvie's speech. He seems to be angry, but he is angry in the wrong place and with the wrong people. Of course, we would all have wanted to ensure that all the money had been invested correctly over the years instead of having been squandered by successive UK Governments. Of course, we would all want the money to be invested in renewable energy—that is what we, the minister and the Scottish Government always call for. Unfortunately, that is not within the Scottish Parliament's remit. I understand how angry Patrick Harvie is, but I suggest that he is angry with the wrong people in the wrong place.

I am delighted to speak in the debate, because action is needed now. There is nothing new in that—we have heard that over the years. So, what are we waiting for?

The Scottish Government has established the energy jobs task force, headed by Lena Wilson of Scottish Enterprise, both to maintain jobs—that is important to north-east Scotland—and to mitigate the potential impact of any job losses following the oil price drop. As well as jobs being lost, positions have been lost and a lot of highly qualified people have found other jobs. I have spoken on the subject before in the chamber, but I will repeat myself for the minister.

Such people came to the north-east to work; they have a lot of expertise and, if they lose their position, they are likely to go and work somewhere else, particularly abroad in oil-producing countries where the tax regimes are very different. It is therefore important to understand that, in talking about job losses, we are talking not just about people who will have no job to go to but about the relocation of people who have acquired a lot of skills over the years.

It is important to understand that the North Sea could easily buzz for another 50 years. Tavish Scott talked about that, and Patrick Harvie could have read about it in the *Press and Journal* energy supplement this month. It is a good read, and I encourage any member who wants to know more about how we react to oil prices or about the Westminster Government's inaction to read that supplement.

Since 2011, the Scottish Government has called on Westminster to reform its fiscal regime. What are we waiting for? Let me be clear: this is not about tax cuts. What we want, and what the industry must have, is a reversal of the tax hike that the UK Government imposed on the industry in 2011.

I welcome the Oil & Gas UK "Activity Survey 2015", which was published on 24 February. I wish that some Labour and Conservative members had read it. If they had, they would have read the foreword by Malcolm Webb, who is still the chief executive of Oil & Gas UK. Tavish Scott is not in the chamber, but I join him in welcoming Deirdre Michie to her post. I have lodged a motion in Parliament to that effect, and any member who wants to sign it is welcome to do so.

In his foreword, Malcolm Webb writes:

"A permanent shift to a lower and simpler tax regime is now urgently required to allow investors to shift their focus away from fiscal risk and towards investment opportunities in the UKCS"—

the UK continental shelf—

"of which there still remain a significant number."

We have to understand that there are a significant number of opportunities and that a shift to a lower and simpler tax regime is urgently required. What is not to understand? We really do not understand why Westminster is still not listening to what the industry has been telling it for years.

The sector is implementing the Wood review recommendations while the Westminster Government is doing absolutely nothing. The UK Government accepted the recommendations. What are we waiting for?

Oil & Gas UK and Sir Ian Wood are not alone in beating the drum for the north-east economy. I refer to what the members of the multi-award-winning Aberdeen and Grampian Chamber of Commerce had to say in a recent survey. When asked what the UK Government's top priority should be for the oil and gas sector, 62 per cent of respondents identified revision of the fiscal regime to encourage exploration and extraction as the most important issue. That was not the SNP or the Scottish Government asking for that; the sector is asking and nobody is listening. The Liberal

Democrat and Conservative coalition Government and the Labour Opposition at Westminster are not listening. I do not know what we are waiting for.

I thank Aberdeen and Grampian Chamber of Commerce's policy executive, Rachel Elliott, for the briefing. The second most common view in the chamber of commerce's survey was on the development of a new strategy for maximising economic recovery. That was identified by 17 per cent of firms.

We have again established that the industry is calling for a reversal of the tax hike that Westminster imposed on it without consultation. We know that members of Aberdeen and Grampian Chamber of Commerce are calling on the UK Government to stick to its promise on reversing the North Sea oil and gas tax hike and to maintain fiscal stability, and we are all aware that industry experts think that the North Sea oil and gas industry can buzz for another 50 years with the right fiscal regime.

I welcome all the new people to their posts. Lena Wilson is heading the jobs task force. Deirdre Michie will take up her functions at Oil & Gas UK on 1 May. Rachel Elliott provided the briefing from Aberdeen and Grampian Chamber of Commerce, and Jenny Stanning is an external affairs manager for Oil & Gas UK and the secretary of the cross-party group on oil and gas. All those women are in the oil and gas industry, which is important. I make a plea to the minister: let us think about the future for the men and women of the North Sea of Scotland.

15:47

Richard Baker (North East Scotland) (Lab): The debate has focused on issues relating to taxation in the oil and gas industry. As a member for North East Scotland, I would be the first to acknowledge that the sharp drop in the oil price requires a different taxation approach to be taken. That is vital to protect investment and production in the North Sea and crucial for jobs in Aberdeen and the wider north-east.

That is why I was pleased that Aberdeen City Council hosted an oil and gas summit in February and that Ed Balls and, more recently, Gordon Brown have made it clear that the Government needs to implement tax measures to boost the industry in these difficult times. However, I was somewhat surprised to hear SNP members extolling the Norwegian taxation regime, given that many fields in Norway are taxed at rates far higher than the UK Government taxes in the UK continental shelf. There is a lack of consistency there.

Kevin Stewart: SNP members have talked about the exploration tax that Norway put in place in 2005, which has been hugely beneficial. As I said, that has seen a fourfold rise in drilling. Does Mr Baker support that exploration tax? It seems that his colleague Mr Macdonald does not.

Richard Baker: We have made it absolutely clear that we want measures to incentivise exploration. It is rather funny that Mr Stewart fails to refer to the fact that some fields in Norway are charged some 20 per cent more than fields in the UK are and that he has neglected to talk about that in discussing the wider measures on exploration and other important issues. A bit of balance is needed in how that is presented.

Taxation is of the utmost importance, but I want to look at other policy areas that affect the industry and in which action by the Scottish Government in particular and by our local authorities could bolster oil and gas businesses at this crucial time. There is no doubt that they are hurting because of the sudden drop in the oil price; oil and gas workers are hurting, too, with thousands losing their jobs.

Yesterday, I met Amec Foster Wheeler's leadership team. The company employs 3,000 people in Aberdeen and offshore to deliver brownfield and asset management services to the industry in the North Sea and globally. It made clear the importance of not only taxation changes but cost reductions. Cost-reduction exercises often impact on staff. Later, I will return to that and to my views on how that impact must be minimised.

A concern for the company is the cost of doing business in Aberdeen and Scotland more generally. Amec has offices across Scotland. Improved and more efficient transport links from Aberdeen to the rest of the country would help to reduce costs, as would improved transport links in Aberdeen. Amec is based in the south of the city but, like oil businesses in the north of Aberdeen, it faces congestion problems, which are a drag on the efficiency of its business and workforce.

I hope that the Aberdeen western peripheral route will alleviate some of the problems, but there is no doubt that comprehensive investment in Aberdeen's infrastructure is required to bolster the North Sea and to ensure that the city is an industry hub for the long term. Investing in the city, in its infrastructure and in affordable housing is of even greater importance to the industry at this time. It is therefore vital that the Scottish Government gets behind Aberdeen's bid for a city deal.

A number of members have mentioned the Aberdeen city region deal, which aims to release £2.9 billion of infrastructure funding. That is vital not just for the city region but for the oil and gas industry. Malcolm Webb, who is indeed still in place as chief executive of Oil & Gas UK, made that clear when he said:

"Aberdeen City and Shire requires investment in its transport, commercial, housing and communications infrastructure on a scale beyond the finances of the local authorities ... Without this investment, the greater Aberdeen area could limit the future development of the UK oil and gas industry".

Such developments must be pursued to stimulate the industry and make it more efficient.

Another important issue is the need to reduce wasteful duplication in the industry and, as our amendment puts it, the need for

"increased collaboration and sharing data".

Trade unions have made the case that, rather than cutting jobs and terms and conditions, a focus on greater co-operation in the industry will drive increased efficiency. As Unite and others have pointed out, it is crucial that, at this time of talk about the need to reduce expenditure, health and safety must never be sacrificed for cost's sake. We are all too aware of the toll that that has taken in the industry's history.

I have proposed two members' bills that, through the operation of Scots law, would encourage employers to take a rigorous approach to such matters. We must all remember that the Civil Aviation Authority's recent report on helicopter safety raised concerns over the impact of sudden cuts in contract terms.

The final issue that I will speak about is exploration. Gordon Brown highlighted the importance of that in his recent contribution to the debate. When I met Aker Solutions, it emphasised that the greatest challenge that it faces is not the one that it faces now or tomorrow because, even though a number of projects have been cancelled, a good number of new projects are being developed. The concern is post-2017, because of the lack of drilling and exploration now. That issue was highlighted in the Oil & Gas UK activity survey. I say to Mr Allard that I have read that survey. The industry is clear that action to incentivise exploration is essential. I hope that the UK Government will take on board that message.

Let us call for action from UK ministers on the tax regime. Let us also ensure that on training, skills and infrastructure in the north-east, Scottish ministers play their part in supporting the oil and gas sector at this crucial time and, in doing so, enable our local authorities in the north-east to do all that they can for this vital industry for Scotland, too.

15:54

Alex Johnstone (North East Scotland) (Con): The situation in the north-east reflects the oil price. The oil price is volatile and we can never be entirely sure where it will go next, despite our having had in relatively recent times a particular politician who liked to look into his crystal ball and make wild predictions about oil prices. We now know—if we did not know before—that such predictions can never be made.

Today we are one week from the budget—a budget for which we have high expectations that the Chancellor of the Exchequer will deliver on behalf of the industry. I have no doubt that he will. However, today we have heard a range of speeches that indicate just what people want and what they are prepared to settle for.

When the minister opened the debate, sadly we heard from him that successive Governments' knee-jerk changes to the tax regime have done the industry no good. The problem is that his proposal seems to some extent to be another knee-jerk change to the tax regime. Last year, when the oil price was beginning to decline, the Chancellor of the Exchequer took the opportunity to make a 2 per cent cut to the supplementary charge across the board and to enter full consultation with the industry to discuss what was necessary to achieve the objectives that the industry shared with the Government.

Christian Allard: Will Alex Johnstone take an intervention?

Alex Johnstone: No, thank you.

That consultation's objective is to ensure that we get a regime that will reflect the industry's needs, but today a number of things have been said that give me some concern that the chancellor will not get the complete picture if he listens to people in this debate.

A lot has been said about Norway. Comparisons between the experience of Norway and its North Sea oil and gas production and ours are viable in some cases but, unfortunately, not always. In fact, it could be said that Norway's experiences and the experiences of Scotland and the UK have been different most of the time and are currently particularly divergent. However, the grass is always greener on the other side of the median line, and we have seen from the Government today the old habit of pick and mix. It chooses the bits of Norwegian experience that it thinks are good and ignores the bits that it thinks are bad, as Richard Baker pointed out in his speech.

Fergus Ewing: Will Alex Johnstone take an intervention?

Alex Johnstone: Let me make some more progress.

Specific demands are being made. Tax relief to encourage exploration is always a good thing—I am sure that we can always agree on that—but the experience in Scotland is different from that in Norway. Scotland's area for exploration is geographically constrained, to some extent, with the exception perhaps of the extreme north-west, where we have particularly hostile conditions. Meanwhile, Norway continues to explore further north up its coast and into the Arctic circle: it has an almost unlimited range in which its exploration can take place. A different effect could be caused by encouraging exploration in Norway, because there is more to find.

During this depression, in the North Sea we need more of the standard run-of-the-mill development drilling that goes on in existing reserves. The last time oil prices hit rock bottom, the problem was that drilling was scaled back on existing reserves. The effect was that, five years down the line, yield from those existing reserves was lower than it would otherwise have been. It is essential that we include opportunities to give tax concessions to companies that will continue to drill in existing reserves and not just carry out exploration drilling.

Fergus Ewing: I accept the last point—that drilling in existing fields is important—but discovering new reserves is important, too. Does Alex Johnstone agree that one of the benefits of the Norwegian tax credit of 78 per cent was that, according to Wood Mackenzie, it yielded an additional $4 billion of tax revenue, and so was actually a cost-effective measure for Norway?

Alex Johnstone: I agree. However, the differences between us and Norway come to the fore once again. The fact is that we already know where a great deal of our oil reserves are: they have been discovered and explored previously. The situation in which we find ourselves, and which Lewis Macdonald spoke of in his speech, is that some of the fields have entered production and are currently unprofitable. Worse still, we know where pockets of oil and gas exist, but they are simply not viable at current levels of taxation and pricing. We need a system that is designed to acknowledge that we know where the reserves are and we need to try to bring those reserves into production. The tax regime must deal with that, if we are to extend the life of our industry.

When we look at taxation, there is an impression given that somehow any cut in tax is the Government giving money away to huge international companies. Let us never make the mistake of thinking that this is a tax giveaway. The companies already pay levels of tax that would make the pips squeak if we tried to enforce them as income tax levels, for example. These are companies that have yielded enormous amounts of tax to the UK Exchequer, and here in Scotland we have benefited massively from that.

What we are talking about is reducing tax a little to make our industry more viable in the future, to give us the opportunity to extend the life of our industry and perhaps to take it to new heights.

The minister asked for specific suggestions of a positive nature. I know an industry in the north-east of Scotland that is perfectly well equipped to tap the 83 trillion cubic feet of gas and the 6.1 billion barrels of oil that it is estimated exist under Scotland in on-shore capacity. Let us have a Government that might look positively at developing that in the near future.

16:00

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): The debate has been interesting and there has been some measure of agreement.

I will start by offering a slight olive branch to Patrick Harvie. It is quite clear that crude oil has been vital for transport for the past 100 years, but it is equally clear that in well under the next 100 years we will have—because we will have had to—weaned ourselves off crude oil playing that particular role. However, oil will remain of substantial commercial value; it will remain central to developed economies around the world, not as a fuel for transport but as a chemical feedstock. The progress that we have made in trying to replace crude oil as a chemical feedstock is substantially less than the progress that we have made in replacing it in transport.

Patrick Harvie: Stewart Stevenson makes a very fair point. We have made a lot less progress than we need to in replacing hydrocarbons for those other uses. Is he really suggesting that although the already-high prices that are being spent on extracting ever harder to reach oil will be viable once fuel is no longer a legitimate use for those substances?

Stewart Stevenson: That will play out however it plays out. The balance of my view is that the price of oil will continue to rise and that we will continue to find that it is, for some time to come, the most economic solution to many of our needs. We will have to divert investment into finding out how to replace oil as feedstock, but it will take a long time.

Some technological things will happen that will help all that. One is that communications will improve. We will have videoconferencing via hologram that will, essentially, be just like sitting in the same room as the other people. We will travel less for fewer purposes. Yes—we have to reduce our consumption of non-renewable material, but we will find that technology will help us do that.

It is not easy to look forward. Churchill said—I do not think that he was the first person to say it—that prediction is difficult, especially about the future. We certainly know that there will be a $100 barrel price in the future. We certainly expect that there will be a $200 barrel price in the future and we should not be surprised by a $300 barrel price in the future. However, nobody here can tell us with any certainty when any of those things will happen. If I could work out when, I would end up a very wealthy man indeed.

The uncertainty is not so much in the pricing as in the timing. That is precisely why in what one might term the economically good times in the oil industry we must store up the nuts to feed us through the bad times. That is what works. It is worth saying that the proportion of Norway's gross domestic product that is down to the industry is more than two and a half times that of Scotland. They are very different and yet, in respect of the pain that Norway is experiencing now, it is able to ride over the difficulties because it has stored away the nuts in the appropriate way, as a squirrel would to prepare for winter.

Michael McMahon quite properly highlighted the dangers of over-reliance on one industry and, indeed, the first law of epigenetics is that the more highly optimised an organism is for one environment, the more adversely it will be affected by a change in that environment. There is an intrinsic value in diversity rather than specialism, although specialism gives great short-term benefits.

Mr McMahon spoiled his speech a bit by saying that Norway has no motorway system. He obviously has not been there. Yes, that is true, but they have the most wonderful ferry system and the most wonderful network of regional airports that get people around. That is related to the geography of Norway, which I know very well because my niece stayed in Norway for many years.

The real legacy of oil is not the black stuff that comes out of the ground: some 50 per cent of the value that we get from the industry involves exports not of oil, but of skills and talent. The reservoir of skills in our communities in Scotland, the north of England and beyond is substantial. The N-56 report suggests that Brazil will be spending £250 billion on the industry over the four years from 2013 to 2017, and a report from Scottish Development International this month says that Scotland is widely admired around the world for its expertise.

The resilience that we have heard about is about controlling the nuts that we put aside in the good times. The trouble is that Lewis Macdonald confirmed that oil would not be paying for the resilience fund, even though it is precisely the thing that should be.

Before I talk about engineers, I should declare my membership of the Institution of Engineering and Technology. We have huge talent and skills here, but we do not recognise them properly in a professional way. The Germans elevate engineers to a much higher social standing and give them much more academic support. We probably have to do the same. Our engineers can develop oil elsewhere and can become engaged with offshore construction for wind and tidal energy and in engineering projects in general, such as those involving the extraction of water, which will become increasingly important. We have the skills and the talent. Half of the value of our industry is being drawn from offshore to onshore. The issue now lies in our people, and we must ensure that we support them.

16:07

Graeme Pearson (South Scotland) (Lab): Few subjects attract misinformation, misunderstanding and assertion in the way that the one that we are discussing today does. We should remember that the UK oil and gas industry has for decades proved to be manna from heaven in its contribution to Britain's economic wellbeing. The output from the oil and gas industry amounts to about 10 per cent of Scotland's gross domestic product.

We know that production levels in the North Sea have been in decline for over a decade. Given the nature of the business, the oil and gas industry's future relies on technological innovation as well as on new discoveries. Certainly, the last BP briefing that I attended in Parliament oozed confidence with regard to the future, based on those elements.

As we have heard, the recent downturn in the oil price has had some positive effects for industries that are associated with the oil sector, such as the food, cosmetics, tyre and petrochemical industries. There has also been some welcome respite from high fuel costs for motorists and haulage groups.

However, the geopolitical situation in Russia and Europe as well as that in the middle east, and the reduction in demand for services that has resulted from the global economic downturn of the past several years, combine to ensure volatility in the oil price for years to come. It is evident that short-term planning has not worked.

The SNP Government has been in power for 10 years now. Given the importance of the oil and gas industry to the Scottish and British economies, I would have expected the Scottish and British Governments to have developed a contingency plan that would be ready for implementation in the circumstances that we face now. Every well-run business that I have encountered devises a risk register that is designed to list the elements that could, logically, affect the business. With oil and gas amounting to more than 10 per cent of our GDP, I would have expected volatility in the oil and gas industry to come high in Scotland's priorities on such a register.

Nationalists said much last year about Scottish Labour's supposed assertion that Scotland's oil reserves were, in some way, a curse. Today, we see that our only point was that oil and gas are not simply benefits to our nation but present a potential problem if we depend too much on their bounty. We now face the responsibilities that arise from a plunge in barrel prices, with more than £6 billion being wiped off the tax revenues that are generated by North Sea production.

If the minister agrees, he should tell us when the risk assessment was drawn up and how often it was revisited. What steps has he taken to prepare Scotland for the eventualities that we now face? Is the current situation on the risk register at all, or did the Government presuppose that the price of oil would continue in long-term upward movement?

The one proposal that the Scottish Government has played out is to demand that the UK Government cut tax and transfer jobs. I agree that the UK Government has much to do and has not done enough, but we also need to know precisely what measures the Scottish Government has implemented to address the dangers that the new reality has created.

It is not enough for the Scottish Government to suggest that it does not have enough powers. Last year's referendum reflected the public's views on independence. An effective response would deal with the range of options that are available to ministers and their army of civil servants and experts. What options were put before the minister and which has he decided to implement?

The task force that has been widely welcomed, the website and support—whatever "support" means in the round—are all to be welcomed in the current environment, but what additional actions is the minister able to announce that will assist the region around Aberdeen and, indeed, communities throughout Scotland that rely on the important oil and gas industry?

Lewis Macdonald called for a contingency fund to be created to meet the challenges that are associated with sudden industrial downturns of all kinds. The recent collapse in the oil price and the consequential economic impact on the north-east are clearly such a challenge. However, he has been derided by the SNP for having the audacity to ask the Scottish Government to take meaningful action.

What will the minister suggest in place of a contingency fund? The N-56 suggestion of shifting a few key jobs from London to Aberdeen seems to be tokenistic, in the circumstances. Most global players resort to London to implement transnational business decisions. Moving offices ignores the modern convention of technological support, which was referred to earlier, and the conferencing that is prevalent in global business environments.

We face a change in circumstances that could cause structural damage to our economy for years to come. Urgent action is required from the UK and Scottish Governments working, as Mr Ewing indicated, in harmony. Sir Ian Wood's review made significant recommendations including the setting up of a new regulator, revitalising exploration and ensuring that oil operators maximise economic recovery. In his consideration of the risks, has the minister decided to implement the recommendations that fall under the devolved powers? Is he prepared to consider public-private funding of exploration and production opportunities at this time of financial stress?

People throughout the country, particularly those who work daily in the oil and gas sector, deserve to know what the Scottish Government will do, from today.

16:14

Chic Brodie (South Scotland) (SNP): Yesterday morning, I spent two hours talking to a small precision engineering company in Ayr. It is one of the many key and smaller members of the supply chain to the oil and gas industry and is, of course, concerned about its current prospects in the industry—prospects that are not helped by the ill-informed commentary of some of our principal Opposition members in the Parliament. The challenge is affecting not just the company's current situation but its on-going prospects. I believe that we can meet the challenge.

In last week's debate on the economic strategy, I charged the Labour Opposition with being devoid of any forward-looking capacity, and I do the same in this debate. That is compounded by the supine approach of the Chancellor of the Exchequer and is further compounded by the revolving-door approach to the appointment of energy and Treasury ministers with responsibility for the oil industry—we have had 35 in the past 14 years. How on earth can we manage a major asset in that way? As Kevin Stewart pointed out, Professor Alex Russell has said that the UK Government is

"playing politics with the future of the North Sea oil industry."

He also said that, because of mismanagement,

"the pace of change from Westminster has been ... dire".

The chancellor is no rabbit caught in the headlights of an existing crisis; rather, he will pull a rabbit out of the hat in his budget next week. He is not alone in creating illusions. His bedmate is the leader of the Scottish Labour Party, the emperor with no clothes who is again borrowing ours when necessary. On 6 June 2009, Jim Murphy—for it is he—said that an oil fund is

"not a viable choice for Scotland."

Hey presto, when the oil price drops to $50, he calls for a resilience fund. Just for information, at 1.30 pm today, Brent crude stood at $59 a barrel. In 2008-09, when Jim Murphy was Secretary of State for Scotland and oil prices fell from $144 to $40 a barrel of oil equivalent, he made no mention of a resilience fund.

Lewis Macdonald: Does Mr Brodie recognise that, although there have been previous falls in the price of oil, the current circumstances are different from those previous occasions because of the position of marginal fields in the North Sea?

Chic Brodie: There may have been different circumstances, but that just indicates the volatility. I spoke earlier about how we can handle that.

As for the sorcerer's apprentice, Ed Balls, as *Energy Voice* reported on 21 January, on visiting Aberdeen, he refused to be "drawn on the specifics" of Labour's plan for the oil industry. There is no strategy and no plan. In this theatre not of magic but perhaps of tragedy, we have a headline act of no economic strategy and a follow-up this week of no plan for Scotland's greatest asset.

Let me help them. They criticise the forecasts of the price of oil that the Scottish Government made last year. Of course, there is no mention of the OBR forecast of $100 a barrel through 2019, which underpinned the chancellor's last autumn statement. Let us leave the magic and illusions aside. As I pointed out, we have been here before. In 2008-09, the price of oil dropped by more than $100 a barrel. Today, we have a challenge that we have to face.

This morning, I looked at forecasts for west Texas intermediate and Brent crude oil prices. Today, the WTI price is $52 a barrel and, for August 2015, the projection is $73. For Brent crude, which stands at $59, the Economy Forecast Agency long forecast predicts an average of $79 in March 2016, while the prediction for July 2016 is an average of $110. That underpins the point about volatility and shows why we require a different kind of management of today's challenge.

That is why the Scottish Government has rightly, with the industry, set out its policies and strategy for the industry in the short term to maintain the apprenticeships and to maintain as best it can jobs through the energy jobs task force. It has also called on the UK Government to reverse the iniquitous 2011 supplementary charge and to amend and adjust the criteria for investment to address the many challenges that the industry faces and develop incentives for deep sea exploration. The challenges are for those at the front end and for those in the supply chain, but the industry will meet them.

Of course, we support the need for the industry, in the current circumstances, to rationalise its costs. It is right that it looks for efficiencies. Over the years, there may have been inefficiencies that now have to be eliminated.

All those development opportunities can—and, I believe, will—be exploited by the working group, for example on the Clyde, the west coast, Clair ridge, and the Western Isles, and new opportunities will be opened up in the future.

However, never in business have I seen such an asset, which at one point produced $17.7 a barrel, burdened by such complexity and taxation. Exploit it as the price rises; create the oil fund that we have asked for; create the jobs, particularly for our young men and women engineers; and to the UK Government I say—please, do not smother this industry ever again.

16:20

Jayne Baxter (Mid Scotland and Fife) (Lab): I am glad to have the chance to speak in a debate about oil and gas, which are without doubt some of Scotland's most important natural resources.

Thousands of jobs in my region of Mid Scotland and Fife rely upon the oil and gas industry, both directly as well as indirectly through the manufacturing and supply of components that are vital to the sector. That means that the crisis in Scotland's oil and gas industry is of real concern to hundreds of local families.

My colleague Claire Baker has previously raised the 170 potential job losses at BiFab in Methil and Burntisland. The low oil price is a factor in BiFab's future prospects and there is huge concern in those communities about the current situation. We must do all that we can to save and protect local people's jobs, and I would be grateful for an update in the minister's closing speech on what further action the Scottish Government has taken to intervene and help save those jobs, as well as help secure a sustainable future for Fife energy park.

Fergus Ewing: I assure Ms Baxter that I and Scottish Enterprise are fully engaged with BiFab and with Mr Robertson, as I have mentioned previously in the chamber.

Does Ms Baxter also recognise that companies such as FMC Technologies and Oceaneering, which I have met on more than one occasion in Houston and here, make a tremendous contribution to the Fife economy because of the high quality of the work that they do in the subsea sector?

Jayne Baxter: Yes, absolutely; I agree with the minister on that.

We need a complete assessment of the true impact that the low oil price is having on employment and the economy across the whole of Scotland. I would have thought that it was essential for ministers to arm themselves with the full facts so that they could respond thoroughly and effectively. I can understand the political reasons why the Scottish Government may be avoiding that, but the need for an understanding of the real impact on the lives of Scottish families must take priority.

I pay tribute to the quick and decisive reaction of my Scottish Labour colleagues to the crisis that has hit the oil and gas sector. I must express my surprise at the terms of the Scottish Government's motion in asking us to agree that it is doing all that it can and that the onus is now solely on the UK Government to act. That is not our position at all, and I urge ministers to consider the ideas that my colleagues have set out in their speeches. We must use the powers that exist in this Parliament to do everything that we possibly can to help the people who have lost—or are at risk of losing—their jobs. It is just not good enough to sit back and look to Westminster.

Now that the Government has acknowledged the scale of the crisis in Scotland's oil and gas industry, there is, in fact, much more that it can do. Scottish Labour's call for a £10 million resilience fund would provide an instant source of support for areas that suffer a sudden economic shock, such as the communities that are currently affected by the oil and gas crisis. It would provide local authorities with an immediate pot of funds to offer assistance to local businesses and to those facing redundancy.

Gordon Brown has also called for the establishment of a North Sea reserve fund, which would see companies and Government investing in the future on the basis of partnership, working together to secure better prospects for the industry.

I urge the Scottish Government to consider those and other ideas, which would help to make a real difference to people who are worried about the future. Oil is hugely important to our economy but the folly of placing too much emphasis on a finite and notoriously volatile resource continues to be exposed.

For decades, the SNP has been overly reliant on oil as a way to fund its economic plans for our nation. I am keen to look to the future, but it is impossible not to look back to some of the economic mistakes that the SNP made in the referendum campaign. Alex Salmond was fond of lambasting many of us who support the union for treating oil as though it were a curse and not a blessing. We were told that we were talking Scotland down in refusing to accept that oil could be the funding source for an abundance of different spending proposals in Scotland's future.

It is not Scotland that is cursed, but the SNP's economic plans, when they are based on a resource whose value has almost halved in recent months. A barrel of Brent crude is today worth less than $59, whereas the SNP based its plans on a price of $113 a barrel. Even in December, John Swinney was still basing parliamentary answers on an oil price of $110 per barrel.

Scrapping the Barnett formula and relying on oil, as the SNP wishes to do with its election platform of full fiscal autonomy, is yet another grave error. The Scottish Affairs Committee has today confirmed that that would see a £6.5 billion black hole in Scotland's budget—more than half of the national health service budget in Scotland. That really matters, not because we are having a political debate here in this chamber but because the livelihoods, prospects and futures of families, companies and communities across the country rely on the Scottish Government getting its sums right. It is about funding for our hospitals, our schools and our pensions; so, as well as reconsidering its own economic plans, I urge the Scottish Government to look again at the action that it can take to make a difference to our oil and gas sector, to the companies that are struggling, the workers with jobs at risk or terms and conditions being squeezed, and the communities that are being hit. It is time for ministers to act without delay.

16:26

Gordon MacDonald (Edinburgh Pentlands) (SNP): The oil and gas sector, despite its current problems, is still an important industry for the UK, whether in relation to employment, public finance or the UK's energy needs. The oil and gas strategy group's 2012 to 2020 report, produced by the industry leadership group, highlights the fact that the industry supports employment for 440,000 people across the UK, with around 200,000 jobs in Scotland. Of the UK total, an estimated 240,000 are employed directly by oil and gas companies and the wider supply chain.

Although there has been a reduction of jobs in the North Sea since the report was published, OPITO, the skills organisation for the oil and gas industry, estimated in December that there are 12,000 vacancies for new entrants to join the offshore workforce in the next five years. Oil and gas companies realise that they have to invest in the next generation, and therefore 86 per cent of those companies have in place across the UK programmes that support 6,000 graduates and 13,000 apprentices. The sector currently provides one in 80 jobs in the UK.

When it comes to public finances the oil and gas sector is responsible for almost 20 per cent of the corporation tax paid to the UK Government. The UK Exchequer has received in excess of £300 billion over the past four decades, as a result of 42 billion barrels of oil being recovered from the North Sea. Of the top 20 oil producers, only the UK and Iraq do not have a sovereign wealth fund.

Then there are the UK's energy needs that are predominantly met from North Sea resources. Nearly a fifth of electricity generation is dependent on gas turbines, almost all of our transport depends on oil, and 80 per cent of our homes are heated by natural gas. Oil and gas are going to play a major part in our energy supply for at least the next 40 years.

Given the importance of the oil and gas sector to our employment, public finances and energy needs, what has the UK Government done to protect that vital industry? At an oil and gas summit in February, Malcolm Webb of Oil & Gas UK stated:

"Three of the most critical components of the business environment for our industry are Cost Base, Regulatory Regime and Tax Regime."

He went on to say that

"the regulatory regime has been a problem for at least the past fifteen years. In that time we have suffered 35 changes in UK Energy and Finance Ministers and a Regulator, variously housed in DTI, BERR and DECC, which became seriously enfeebled and eventually not ... fit for purpose."

With regard to the tax regime, he was just as scathing, saying that

"the Fiscal Regime has, above all else, given the UK a reputation for instability and today burdens a mature North Sea with an outdated, complex and unpredictable regime including tax rates ranging from 60 to 81%."

The "Economic report 2012" from Oil & Gas UK highlighted that

"The offshore oil and gas industry is the most highly taxed business in the country. Fields developed since March 1993 are taxed at 62 per cent, being liable for both Corporation Tax at 30 per cent and a Supplementary Charge at 32 per cent ... The marginal tax rate rises to 81 per cent ... for fields which received development consent before mid-March 1993, these also being liable for Petroleum Revenue Tax at 50 per cent."

The supplementary charge was introduced by Labour in 2002 when the price of oil was $25 per barrel, but it was the Tory budget of 2011, which overnight increased the charge from 20 to 32 per cent, that created much of the uncertainty in the industry today. The UK Government has since reduced the charge, but only by 2 per cent.

In 2014, just 14 exploration wells were drilled—the lowest number since the beginning of the industry in the 1960s—and the appraisal wells have now fallen to almost zero. Without that exploration work, the oil industry is not able to build up reserves for future development and will have difficulty in retaining skilled workers.

The Scottish Government has proposed three key measures to support the industry. One is an investment allowance to provide support for fields that incur higher costs to develop, which could support up to 26,000 jobs. Another is a reversal of the increase in the supplementary charge that was implemented by the UK Government in the 2011 budget, which could support another 5,600 jobs. The third is the introduction of an exploration tax credit to help to increase levels of exploration and sustain future production. The introduction of an exploration tax credit has had a significant effect in Norway, where it was introduced in 2005 when exploration was in gradual decline. Since then, the number of exploration wells has increased fourfold over the successive three years.

Sir Ian Wood has warned that, if the UK Government fails to bring forward support for the North Sea oil industry, six billion barrels of oil reserves could be abandoned if there is no reform of the tax regime for offshore drilling.

The North Sea is the second biggest oil and gas producer in Europe and has become a global centre of excellence for the oil and gas industry, producing nearly £15 billion of export revenue in 2014. The power to retain that position is in the hands of the UK Government, as the powers relating to taxation are currently reserved to Westminster. We need the Tory-Lib Dem Government to act next week to safeguard the thousands of jobs that are dependent on the North Sea industry, to create the correct investment climate for our future energy needs and to provide a stable fiscal regime.

16:33

Gavin Brown (Lothian) (Con): My colleague Murdo Fraser hit the nail on the head by noting in his amendment that we need both Governments to work together with industry to ensure that we get things right in the short, medium and long term. Everyone needs to roll up their sleeves and get round the table to work out the detail, and we need to ensure that we get it right as we move forward.

Murdo Fraser made a positive suggestion in his speech with regard to the Aberdeen city region deal bid, which is something that Oil & Gas UK has discussed. Industry representatives have said that the deal would be worth approximately £2.9 billion of investment, which would help Aberdeen to build the new infrastructure that is essential for keeping the UK oil industry competitive. That would allow Aberdeen to be seen as a global energy hub, and it would help to anchor the supply chain. That is the sort of proposal that every member in the chamber ought to get behind so that we can try to drive things forward.

We need to hear from the Government about its energy jobs task force. What kind of budget has the task force been given, and what powers does it have? When I asked a written question a month or so ago, I was given the clear answer that that vital task force would not have any form of budget. Perhaps we will hear from the minister in his closing speech whether that position has changed.

The Scottish Government could also look at using the powers that it has. Can it do something about business rates, for example, to help Aberdeen? If Aberdeen and the supply chain more widely are struggling, could something be done with business rates in the short term to try to help the city and indeed the north-east get back on their feet? The minister is shaking his head. He always does that when he has the power to do something, but he is less keen to do so when he does not have that power. Perhaps he will explain why he was shaking his head.

Fergus Ewing: The reason why I was shaking my head is that, in the large number of visits that I have conducted to Aberdeen since the difficulties with the oil price, not one business has raised business rates as an issue. That is not what they want; what they want is a decent tax deal that will bring back investor confidence in the sector.

Gavin Brown: I do not represent Aberdeen—perhaps those who do will want to speak—but I am genuinely surprised that not a single business in Aberdeen wants any kind of business rates—

Richard Baker: Will the member give way?

Gavin Brown: I give way to Mr Baker, as he is a local member.

Richard Baker: The member might be interested to know that Aberdeen chamber of commerce has made it clear that effective implementation of a business rates incentivisation scheme, which has long been promised by this Government, would make a real difference to business in Aberdeen, including the oil and gas sector.

Gavin Brown: That comment does not surprise me in the slightest, whereas the minister's certainly did. What about ministers doing something with the powers that they actually have?

We have heard that fiscal measures are needed. Alex Johnstone made the point that the UK Government has already acknowledged that in the autumn statement. We heard in that statement that the supplementary charge would be cut from 32 to 30 per cent, but the UK Government went further and said clearly that it aims to reduce the rate further to send out a strong signal that it is open for business. We also heard about a fast-track consultation with industry on a new streamlined, basin-wide investment allowance. The UK Government has looked closely at that with industry, running a full consultation that closed at the tail end of last month, to ensure that we get things right for the longer term.

Things have deteriorated since the autumn statement, but that is why the UK Government has been working hard behind the scenes and engaging deeply. That is why I am optimistic—without, of course, knowing for sure—that we will see further progress next week so that we have a system that is fit for purpose for a mature basin and we can maximise recovery.

I turn to the Scottish Government. The tone of this debate was unfortunately set by the minister in his opening remarks. He spent 80 per cent of his speech kicking the UK Government, basically suggesting, as the SNP usually does, that it has got absolutely everything wrong and the Scottish Government, in its wisdom, has got absolutely everything right. That is simply not true and it is not credible.

This is the minister who said just two years ago that oil will last for the rest of the century. We all want the industry to last; industry experts say that it could last until 2050 at best if we get everything right; but Fergus Ewing thinks that it will last for 50 years beyond that.

We then heard from the Government that we are going to get £7 billion or £8 billion a year from the industry from 2016-17 onwards—and not only are we going to get £7 billion or £8 billion a year, but the Government believes that that is a cautious estimate. That was clearly bogus at the time, and I guess that that will be proven to be the case again tomorrow, which is one of the reasons why the Government has worked really hard behind the scenes to ensure that this debate takes place the day before the "Government Expenditure and Revenue in Scotland" figures are published, instead of the day after. As Murdo Fraser asked, where are the bulletins that the Government said it was going to publish regularly to tell us where the industry is?

This is a Government that was extremely slow off the mark when the crisis hit. I have looked back over First Minister's question times from the tail end of last year, and on 18 December Kezia Dugdale talked of oil workers and their families and asked the First Minister:

"What security do they have this Christmas...?"

The First Minister's response was:

> "I will meet ... Oil & Gas UK on 14 January."—[*Official Report*, 18 December 2014; c 11.]

They were asking for security and they got a response that the First Minister would meet Oil & Gas UK a month later.

This is also a Government that has clearly not kept on top of the energy jobs task force. I asked the minister what happened at its most recent meeting and he gave the impression that he did not know—he was pretty unsure of what happened at that meeting. I hope that he has managed to read the minutes in the intervening couple of hours and will give a better response in his summation.

I will explain one of the reasons why I ask. The minutes for the first meeting, under "Agenda Item 2", said this about Scottish Enterprise, for which Fergus Ewing is responsible:

> "Scottish Enterprise had undertaken a survey of their account managed companies"

in the oil and gas supply chain. The survey said that 43 per cent of companies believed that they would get an increased or the same turnover over the next 12 months, with only 24 per cent expecting it to reduce. More people thought that they would take on staff over the next 12 months than lose staff, and—get this—six times as many companies were feeling positive about the next 12 months than were feeling negative or concerned.

That is clearly a ridiculous survey, for which the minister is responsible. Did he trash the survey when it came out? No, he did not—and he is shaking his head. He decided that it should be circulated to everybody and that the survey should be repeated a few months later to see what results would be obtained.

The Scottish Government should focus on the powers that it has and get on with the job that it was elected to do—industry would then be in a far better position than it is.

16:40

Jackie Baillie (Dumbarton) (Lab): The coming seven days will be key to defining the future of Scotland, and they will be crucial to the oil and gas industry.

Tomorrow, Scotland's accounts, "Government Expenditure and Revenue Scotland 2013-14", will be published. Income from oil and gas make up a significant proportion of Scotland's revenues, so this absolutely matters for our public finances, just as it matters to the economy. The UK budget will be announced the following week. We have heard from across the chamber about the need for action to be taken in the budget to support the oil and gas industry. Both those budgets will be key milestones in the nation's economic future.

Before turning to the support that the oil and gas industry needs, I will briefly touch on why revenues from the industry are so important for our public services. Ministers have heard me speak about this theme before. The SNP Government will publish Scotland's annual accounts tomorrow morning. They will show how much tax was raised in Scotland in the past year compared with the level of public spending. In effect, they are Scotland's balance sheet for 2013-14.

That involves looking back. The plummeting oil price is expected to have an impact on Scotland's public finances in that year, although, to be frank, the accounts for 2014-15 are likely to be even worse, given that the price of oil fell to below $50 a barrel at the start of this year. It is evident for both the previous year and this coming year that, without doubt, our expenditure exceeds our income.

The debate in the run-up to the general election is between two different forms of devolution within the United Kingdom.

Stewart Stevenson: Would the member give us the list of developed countries where income is not exceeded by expenditure?

Jackie Baillie: I would be happy to waste some time doing so, but the proposition before us is between what Labour believes, which is the continuation of the Barnett bonus—which secures money for our public services—coupled with more powers for the Scottish Parliament, or the SNP plan, which is for full fiscal autonomy for Scotland while remaining in the UK.

I see the member nodding, which is interesting. The SNP plan would mean that Scotland would be responsible for raising all its own taxes in Scotland to cover all our expenditure. It would mean scrapping the extra spending that Scotland gets through the Barnett formula. We would need to rely on oil for the funding of schools, hospitals and pensions. There are two very different choices.

The risk of the SNP plan has been illustrated today in a report by the House of Commons Scottish Affairs Committee. It confirms that full fiscal autonomy, which is what the SNP wants, would result in a £6.5 billion black hole in Scotland's budget. I see Mr Swinney laughing—I do not think that it is funny. That is equivalent to more than half the funding for Scotland's NHS or the entirety of its schools budget. We have either huge cuts or an increase in taxes that would be of the order of £2,400 per household.

We rightly condemn Tory austerity plans, but let us be frank: what we would experience with the

SNP's full fiscal autonomy is austerity max. It would be like taking the Tory cuts, more than doubling them and then inflicting them on the people of Scotland. However, I will reflect on that more tomorrow—I know SNP members are looking forward to it—when the Government's annual accounts are published.

I think that we would all agree that the oil industry is a great Scottish success story. It undoubtedly sustains thousands of jobs and is central to our economy, but the plummeting oil price has put jobs at risk and has hit our public finances.

I turn to jobs. Lewis Macdonald pointed out the significance of oil and gas jobs in the north-east of Scotland—that is all that those local communities are talking about—but the impact is felt all the way across Scotland. The oil and gas industry's supply chain stretches across Scotland and the UK. Although 133,000 jobs that rely on the industry are concentrated in the north-east—of those, more than 17,000 are in Aberdeen North, more than 56,000 are in Aberdeen South and more than 46,000 are in Gordon—people who work in the North Sea are evident in every constituency in Scotland.

Thousands of jobs have already been lost. The action of the PACE team is welcome, but it is too late for those who have already been made redundant.

Christian Allard: I think that the member is confusing the loss of positions and the loss of jobs. Many of the people in companies such as BP who lost their position were relocated within the company or found another job elsewhere. We should be careful about scaremongering and discouraging our young people from joining a thriving industry.

Jackie Baillie: I am afraid that that is just not an accurate reflection of the position. Indeed, in an answer to a parliamentary question, the minister indicated the scale of the job losses that have taken place, and there will be knock-on consequences for the local economy and the supply chain. I see that Christian Allard is shaking his head, but if he would like me to, I can refer him when the debate finishes to the parliamentary question that the minister answered.

We need action from the UK and Scottish Governments. Let us be honest: both have been slower to act than was needed—I think that it was Lewis Macdonald who summed it up as too little, too late. I was surprised that the Scottish Government was so slow to act. I would have expected that the fact that the biggest economic crisis was unfolding in the North Sea would have attracted attention and pace from the SNP Government. Given how much the industry matters to our economy and to our public finances, simply wringing our hands and pointing to delayed action by Westminster is, frankly, a weak response. Although that does not absolve the UK Government from the need to take action, it requires more of the Scottish Government.

I welcome the potential that is represented by the task force, but we need to know the answers to the questions that Gavin Brown asked. What budget will it have to operate with? What transparency can we expect from it? We want it to succeed and we want to know what is going on. Equally, we want to know how much is being spent on ensuring that we protect apprenticeships. I do not think that any of that detail is out in the public domain. Action in that area is welcome.

Murdo Fraser raised the issue of the "Oil and Gas Analytical Bulletin", which has been posted missing in action since the referendum. He was right to call for its return, so that we can at least try to assess and forecast the challenges ahead. That would help us to understand the impact, but we also need a full economic impact assessment to ensure that our interventions are properly targeted.

I thought that Nigel Don was joking when he said that the Scottish Government would support all ideas. We proposed a resilience fund. We costed it and identified the source of the funding, which would have been Barnett consequentials. That modest proposal would have supported sectors that are under significant pressure, and I am genuinely disappointed that even such a modest proposal was not supported.

A number of Opposition members raised the importance of the city deal for Aberdeen and Aberdeenshire, which will help in shaping essential infrastructure development in the area. It will also help the oil industry, and Labour supports it. It would be good to hear from the cabinet secretary whether the Scottish Government does, too, and whether it will contribute to the investment package on the same basis as it did for the city of Glasgow.

Many members have spoken about the fiscal regime. There is a desire to simplify the tax allowance structure and to reduce the headline rate of tax, just as there is a desire to stimulate exploration, but it is not just a case of tax reductions. We must also consider what we can do not just to benefit profitable fields but to extend the life of existing fields. Perhaps that can be done through a partnership between Government and industry.

George Osborne will deliver his budget next week. He must take the action that is urgently needed to secure investment in the North Sea over the long term. We must ensure that both the

Scottish Government and the UK Government take the action that is required to help the North Sea. We will support them if they do so, but they need to get a move on, because thousands of jobs have already been lost and decisions are being taken to decommission fields faster. We need a better deal for the North Sea; we need a better plan for Scotland.

16:50

The Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy (John Swinney): I do not want to cause Tavish Scott any damage, but I must say that his speech was an exceptional contribution to the debate. He started on a point that it is essential to consider as we debate all aspects of the oil and gas sector: he made it clear that he refuses to talk the industry down. In all the discussion of oil and gas that goes on, there is a sense—just a whiff of it—that there is a desire to prey on the difficulties that the industry faces because of the lower oil prices. What also came out of his speech was an understanding that a range of factors must be addressed in considering the oil and gas industry's circumstances now, including the fiscal regime, the cost of running the industry and the infrastructure and skills issues that are fundamentally for the Scottish Government to address. I will work my way through those issues and some other points that members raised.

I turn first to the fiscal regime. Gavin Brown said that the key point is that ministers of both Administrations should work together on the issue. He does not need me to tell him that I have no responsibility for the fiscal regime of the North Sea oil and gas sector. However, the Chancellor of the Exchequer and I had an entirely productive discussion of the matter last Monday in London, and I set out to him, as the First Minister has done to the Prime Minister, the importance that the Scottish Government attaches to having a credible and attractive fiscal regime in the North Sea.

The fact that the UK Government is considering the issues, is consulting and has recently changed the regulatory regime in the North Sea shows that it is patently obvious that the current fiscal and regulatory regime has not been fit for purpose. I welcome the fact that there is a new regulatory regime for the North Sea. That was a recommendation of Sir Ian Wood that had to be acted on. It would not have been acted on had the existing regime not been so inappropriate and ineffective.

Last Monday, I set out to the chancellor the emphasis that the Scottish Government places on the investment allowance. I welcome the fact that the UK Government has consulted on that, because we believe that an investment allowance that exempts a proportion of a company's profits from the 30 per cent supplementary charge is essential.

We think that the increase that the UK Government implemented back in 2011 in the supplementary charge should be immediately reversed. The UK Government partly removed that in the autumn statement when it realised the scale of the damage, but it needs to go much further.

I also put to the chancellor, as the First Minister put to the Prime Minister, the importance of the exploration tax credit to increasing exploration levels and sustaining future production. In among all the activity, we must ensure that there is no premature decommissioning of fields, which Dave Stewart referred to, as that would be a loss of economic opportunity for the country.

We have taken every opportunity to advance our arguments privately and publicly, and I am pleased to have had the opportunity to have that conversation with the chancellor.

Lewis Macdonald: Does Mr Swinney agree with the proposition that we have put forward today—that government can go beyond fiscal change and actively work in partnership with the operators of marginal fields to ensure that those fields' lives are extended?

John Swinney: Of course. However, in the debate, the most that we could get out of Mr Macdonald was that he thinks that the UK Government should look at fiscal changes.

The time for looking is well and truly over; we need to know where people stand. It has been patently obvious today that Mr Macdonald and the Labour Party have no idea where they stand on the fiscal changes that are required. If Labour members want to stand up and tell me whether they support our three calls on the investment allowance, the removal of the supplementary charge and the introduction of an exploration tax credit, I will happily give way. I am glad that Mr Macdonald is going to do that.

Lewis Macdonald: I am glad that Mr Swinney is taking my intervention. If he had paid attention to the debate, he would recognise that, when Ed Balls and Jim Murphy met the oil industry in Aberdeen in January and again today, they made it clear that they want UK Government action on the investment allowance. I am interested in the fact that Mr Swinney talked a moment ago about the removal of the supplementary charge. Will he confirm that that is his position?

John Swinney: That is the position. We want the increase in the supplementary charge to be removed. If I did not express that in that fashion, I should have done so.

It is interesting that there is nothing specific. We know that Mr Macdonald wants action—of course he does—but what action? Can we get specific about what that will be? I have given him the opportunity to be specific, but he is not being specific. That tells us a bit about where the Labour Party is on the question.

Mr Scott raised the issue of infrastructure and skills, which is material to comments that have been made about the role that the Scottish Government has taken. The Scottish Government has been engaged in discussions with oil and gas companies throughout our term in office. Fergus Ewing regularly spends time in north-east Scotland in direct discussions with oil and gas companies. I am not talking about the past couple of weeks—although that has happened in the past couple of weeks; I have hardly seen him, as he has hardly been here—but since his appointment as the energy minister.

Scottish Enterprise and Highlands and Islands Enterprise both support individual companies and take forward investment. Highlands and Islands Enterprise has invested £10.6 million in 2014-15 in 31 account-managed companies that are active in oil and gas, and Scottish Enterprise has funded the oil and gas sector with approximately £15.1 million through account management, innovation, the manufacturing advisory service and regional selective assistance. That is the type of focused support that members would expect the Government to put in place through our dialogue with the agencies.

We have supplemented that with support on skills through the energy skills investment plan and the establishment of Energy Skills Scotland, which was put in place to support the development of appropriate skills in the oil and gas sector. That has included the continuation of our ring-fenced budget for 500 modern apprenticeships for the energy sector in each year of the current session, of course.

Back in November, we added to that by supporting the recommendations of the expert commission on oil and gas on the establishment of the Oil & Gas Innovation Centre, which is in place to ensure that we have proper support for a pipeline of innovative activities to support the development of the North Sea oil and gas sector. The Government will continue to do that, and we will explore other ways in which we can assist.

Through business rates, we are supporting 5,000 businesses in Aberdeenshire and 2,000 businesses in Aberdeen city. Over the past few years, we have invested £300 million in health improvements in north-east Scotland, and there is, of course, the £745 million investment in the Aberdeen western peripheral route, which I know will be a significant benefit to companies in north-east Scotland. I discussed that issue with them only yesterday.

The Government is therefore committed to sustained investment in north-east Scotland and in the country's infrastructure.

Murdo Fraser: Mr Swinney may be coming to this, but I will ask my question in case he is not. Does the Scottish Government have a view on whether the Aberdeen city region deal should be supported?

John Swinney: The proposals have just been published, and we will be happy to engage with Aberdeen on the proposals, which are imaginative.

I have put on record the investment that the Government is making before any of that comes along to show the scale of our investment, and I have not even mentioned the £170 million Aberdeen to Inverness rail improvements, the dualling programme on the A96, a variety of other propositions and, I say to Mr Baker, the application of the business rates incentivisation scheme, which is in place and available in the north-east.

Those are some of the Government's measures to support the north-east economy. We remain absolutely focused on ensuring that we do all that we can to support oil and gas. We should follow Tavish Scott's advice—no one in the chamber should talk down the oil and gas sector, because it represents a fantastic opportunity for the people of our country.

Decision Time

17:00

The Presiding Officer (Tricia Marwick): There are three questions to be put as a result of today's business. The first question is, that amendment S4M-12587.2, in the name of Lewis Macdonald, which seeks to amend motion S4M-12587, in the name of John Swinney, on action needed to support the oil and gas sector, be agreed to. Are we all agreed?

Members: No.

The Presiding Officer: There will be a division.

For

Baillie, Jackie (Dumbarton) (Lab)
Baker, Claire (Mid Scotland and Fife) (Lab)
Baker, Richard (North East Scotland) (Lab)
Baxter, Jayne (Mid Scotland and Fife) (Lab)
Beamish, Claudia (South Scotland) (Lab)
Bibby, Neil (West Scotland) (Lab)
Boyack, Sarah (Lothian) (Lab)
Chisholm, Malcolm (Edinburgh Northern and Leith) (Lab)
Dugdale, Kezia (Lothian) (Lab)
Fee, Mary (West Scotland) (Lab)
Ferguson, Patricia (Glasgow Maryhill and Springburn) (Lab)
Findlay, Neil (Lothian) (Lab)
Grant, Rhoda (Highlands and Islands) (Lab)
Gray, Iain (East Lothian) (Lab)
Griffin, Mark (Central Scotland) (Lab)
Henry, Hugh (Renfrewshire South) (Lab)
Hilton, Cara (Dunfermline) (Lab)
Hume, Jim (South Scotland) (LD)
Kelly, James (Rutherglen) (Lab)
Macdonald, Lewis (North East Scotland) (Lab)
Malik, Hanzala (Glasgow) (Lab)
Marra, Jenny (North East Scotland) (Lab)
Martin, Paul (Glasgow Provan) (Lab)
McArthur, Liam (Orkney Islands) (LD)
McCulloch, Margaret (Central Scotland) (Lab)
McDougall, Margaret (West Scotland) (Lab)
McInnes, Alison (North East Scotland) (LD)
McMahon, Michael (Uddingston and Bellshill) (Lab)
McMahon, Siobhan (Central Scotland) (Lab)
McNeil, Duncan (Greenock and Inverclyde) (Lab)
McTaggart, Anne (Glasgow) (Lab)
Murray, Elaine (Dumfriesshire) (Lab)
Pearson, Graeme (South Scotland) (Lab)
Pentland, John (Motherwell and Wishaw) (Lab)
Rennie, Willie (Mid Scotland and Fife) (LD)
Scott, Tavish (Shetland Islands) (LD)
Smith, Drew (Glasgow) (Lab)
Smith, Elaine (Coatbridge and Chryston) (Lab)
Stewart, David (Highlands and Islands) (Lab)

Against

Adam, George (Paisley) (SNP)
Adamson, Clare (Central Scotland) (SNP)
Allan, Dr Alasdair (Na h-Eileanan an Iar) (SNP)
Allard, Christian (North East Scotland) (SNP)
Beattie, Colin (Midlothian North and Musselburgh) (SNP)
Biagi, Marco (Edinburgh Central) (SNP)
Brodie, Chic (South Scotland) (SNP)
Brown, Gavin (Lothian) (Con)
Brown, Keith (Clackmannanshire and Dunblane) (SNP)
Buchanan, Cameron (Lothian) (Con)
Burgess, Margaret (Cunninghame South) (SNP)
Campbell, Roderick (North East Fife) (SNP)
Carlaw, Jackson (West Scotland) (Con)
Coffey, Willie (Kilmarnock and Irvine Valley) (SNP)
Constance, Angela (Almond Valley) (SNP)
Crawford, Bruce (Stirling) (SNP)
Cunningham, Roseanna (Perthshire South and Kinross-shire) (SNP)
Davidson, Ruth (Glasgow) (Con)
Dey, Graeme (Angus South) (SNP)
Don, Nigel (Angus North and Mearns) (SNP)
Doris, Bob (Glasgow) (SNP)
Dornan, James (Glasgow Cathcart) (SNP)
Eadie, Jim (Edinburgh Southern) (SNP)
Ewing, Annabelle (Mid Scotland and Fife) (SNP)
Ewing, Fergus (Inverness and Nairn) (SNP)
Fabiani, Linda (East Kilbride) (SNP)
Fergusson, Alex (Galloway and West Dumfries) (Con)
Finnie, John (Highlands and Islands) (Ind)
FitzPatrick, Joe (Dundee City West) (SNP)
Fraser, Murdo (Mid Scotland and Fife) (Con)
Gibson, Kenneth (Cunninghame North) (SNP)
Gibson, Rob (Caithness, Sutherland and Ross) (SNP)
Goldie, Annabel (West Scotland) (Con)
Grahame, Christine (Midlothian South, Tweeddale and Lauderdale) (SNP)
Harvie, Patrick (Glasgow) (Green)
Hepburn, Jamie (Cumbernauld and Kilsyth) (SNP)
Hyslop, Fiona (Linlithgow) (SNP)
Ingram, Adam (Carrick, Cumnock and Doon Valley) (SNP)
Johnstone, Alex (North East Scotland) (Con)
Johnstone, Alison (Lothian) (Green)
Keir, Colin (Edinburgh Western) (SNP)
Kidd, Bill (Glasgow Anniesland) (SNP)
Lamont, John (Ettrick, Roxburgh and Berwickshire) (Con)
Lochhead, Richard (Moray) (SNP)
Lyle, Richard (Central Scotland) (SNP)
MacAskill, Kenny (Edinburgh Eastern) (SNP)
MacDonald, Angus (Falkirk East) (SNP)
MacDonald, Gordon (Edinburgh Pentlands) (SNP)
MacKenzie, Mike (Highlands and Islands) (SNP)
Mason, John (Glasgow Shettleston) (SNP)
Matheson, Michael (Falkirk West) (SNP)
Maxwell, Stewart (West Scotland) (SNP)
McAlpine, Joan (South Scotland) (SNP)
McGrigor, Jamie (Highlands and Islands) (Con)
McKelvie, Christina (Hamilton, Larkhall and Stonehouse) (SNP)
McLeod, Aileen (South Scotland) (SNP)
McLeod, Fiona (Strathkelvin and Bearsden) (SNP)
McMillan, Stuart (West Scotland) (SNP)
Milne, Nanette (North East Scotland) (Con)
Mitchell, Margaret (Central Scotland) (Con)
Neil, Alex (Airdrie and Shotts) (SNP)
Robison, Shona (Dundee City East) (SNP)
Russell, Michael (Argyll and Bute) (SNP)
Salmond, Alex (Aberdeenshire East) (SNP)
Scanlon, Mary (Highlands and Islands) (Con)
Scott, John (Ayr) (Con)
Smith, Liz (Mid Scotland and Fife) (Con)
Stevenson, Stewart (Banffshire and Buchan Coast) (SNP)
Stewart, Kevin (Aberdeen Central) (SNP)
Sturgeon, Nicola (Glasgow Southside) (SNP)
Swinney, John (Perthshire North) (SNP)
Thompson, Dave (Skye, Lochaber and Badenoch) (SNP)
Torrance, David (Kirkcaldy) (SNP)
Urquhart, Jean (Highlands and Islands) (Ind)
Watt, Maureen (Aberdeen South and North Kincardine) (SNP)
Wheelhouse, Paul (South Scotland) (SNP)
White, Sandra (Glasgow Kelvin) (SNP)
Wilson, John (Central Scotland) (Ind)
Yousaf, Humza (Glasgow) (SNP)

The Presiding Officer: The result of the division is: For 39, Against 79, Abstentions 0.

Amendment disagreed to.

The Presiding Officer: The next question is that amendment S4M-12587.1, in the name of Murdo Fraser, which seeks to amend motion S4M-12587, in the name of John Swinney, on action needed to support the oil and gas sector, be agreed to. Are we all agreed?

Members: No.

The Presiding Officer: There will be a division.

For

Baillie, Jackie (Dumbarton) (Lab)
Baker, Claire (Mid Scotland and Fife) (Lab)
Baker, Richard (North East Scotland) (Lab)
Baxter, Jayne (Mid Scotland and Fife) (Lab)
Bibby, Neil (West Scotland) (Lab)
Boyack, Sarah (Lothian) (Lab)
Brown, Gavin (Lothian) (Con)
Buchanan, Cameron (Lothian) (Con)
Carlaw, Jackson (West Scotland) (Con)
Chisholm, Malcolm (Edinburgh Northern and Leith) (Lab)
Davidson, Ruth (Glasgow) (Con)
Dugdale, Kezia (Lothian) (Lab)
Fee, Mary (West Scotland) (Lab)
Ferguson, Patricia (Glasgow Maryhill and Springburn) (Lab)
Fergusson, Alex (Galloway and West Dumfries) (Con)
Findlay, Neil (Lothian) (Lab)
Fraser, Murdo (Mid Scotland and Fife) (Con)
Goldie, Annabel (West Scotland) (Con)
Grant, Rhoda (Highlands and Islands) (Lab)
Gray, Iain (East Lothian) (Lab)
Griffin, Mark (Central Scotland) (Lab)
Henry, Hugh (Renfrewshire South) (Lab)
Hilton, Cara (Dunfermline) (Lab)
Hume, Jim (South Scotland) (LD)
Johnstone, Alex (North East Scotland) (Con)
Kelly, James (Rutherglen) (Lab)
Lamont, John (Ettrick, Roxburgh and Berwickshire) (Con)
Macdonald, Lewis (North East Scotland) (Lab)
Malik, Hanzala (Glasgow) (Lab)
Marra, Jenny (North East Scotland) (Lab)
Martin, Paul (Glasgow Provan) (Lab)
McArthur, Liam (Orkney Islands) (LD)
McCulloch, Margaret (Central Scotland) (Lab)
McDougall, Margaret (West Scotland) (Lab)
McGrigor, Jamie (Highlands and Islands) (Con)
McInnes, Alison (North East Scotland) (LD)
McMahon, Michael (Uddingston and Bellshill) (Lab)
McMahon, Siobhan (Central Scotland) (Lab)
McNeil, Duncan (Greenock and Inverclyde) (Lab)
McTaggart, Anne (Glasgow) (Lab)
Milne, Nanette (North East Scotland) (Con)
Mitchell, Margaret (Central Scotland) (Con)
Murray, Elaine (Dumfriesshire) (Lab)
Pearson, Graeme (South Scotland) (Lab)
Pentland, John (Motherwell and Wishaw) (Lab)
Rennie, Willie (Mid Scotland and Fife) (LD)
Scanlon, Mary (Highlands and Islands) (Con)
Scott, John (Ayr) (Con)
Scott, Tavish (Shetland Islands) (LD)
Smith, Drew (Glasgow) (Lab)
Smith, Elaine (Coatbridge and Chryston) (Lab)
Smith, Liz (Mid Scotland and Fife) (Con)
Stewart, David (Highlands and Islands) (Lab)

Against

Adam, George (Paisley) (SNP)
Adamson, Clare (Central Scotland) (SNP)
Allan, Dr Alasdair (Na h-Eileanan an Iar) (SNP)
Allard, Christian (North East Scotland) (SNP)
Beattie, Colin (Midlothian North and Musselburgh) (SNP)
Biagi, Marco (Edinburgh Central) (SNP)
Brodie, Chic (South Scotland) (SNP)
Brown, Keith (Clackmannanshire and Dunblane) (SNP)
Burgess, Margaret (Cunninghame South) (SNP)
Campbell, Roderick (North East Fife) (SNP)
Coffey, Willie (Kilmarnock and Irvine Valley) (SNP)
Constance, Angela (Almond Valley) (SNP)
Crawford, Bruce (Stirling) (SNP)
Cunningham, Roseanna (Perthshire South and Kinross-shire) (SNP)
Dey, Graeme (Angus South) (SNP)
Don, Nigel (Angus North and Mearns) (SNP)
Doris, Bob (Glasgow) (SNP)
Dornan, James (Glasgow Cathcart) (SNP)
Eadie, Jim (Edinburgh Southern) (SNP)
Ewing, Annabelle (Mid Scotland and Fife) (SNP)
Ewing, Fergus (Inverness and Nairn) (SNP)
Fabiani, Linda (East Kilbride) (SNP)
Finnie, John (Highlands and Islands) (Ind)
FitzPatrick, Joe (Dundee City West) (SNP)
Gibson, Kenneth (Cunninghame North) (SNP)
Gibson, Rob (Caithness, Sutherland and Ross) (SNP)
Grahame, Christine (Midlothian South, Tweeddale and Lauderdale) (SNP)
Harvie, Patrick (Glasgow) (Green)
Hepburn, Jamie (Cumbernauld and Kilsyth) (SNP)
Hyslop, Fiona (Linlithgow) (SNP)
Ingram, Adam (Carrick, Cumnock and Doon Valley) (SNP)
Johnstone, Alison (Lothian) (Green)
Keir, Colin (Edinburgh Western) (SNP)
Kidd, Bill (Glasgow Anniesland) (SNP)
Lochhead, Richard (Moray) (SNP)
Lyle, Richard (Central Scotland) (SNP)
MacAskill, Kenny (Edinburgh Eastern) (SNP)
MacDonald, Angus (Falkirk East) (SNP)
MacDonald, Gordon (Edinburgh Pentlands) (SNP)
MacKenzie, Mike (Highlands and Islands) (SNP)
Mason, John (Glasgow Shettleston) (SNP)
Matheson, Michael (Falkirk West) (SNP)
Maxwell, Stewart (West Scotland) (SNP)
McAlpine, Joan (South Scotland) (SNP)
McKelvie, Christina (Hamilton, Larkhall and Stonehouse) (SNP)
McLeod, Aileen (South Scotland) (SNP)
McLeod, Fiona (Strathkelvin and Bearsden) (SNP)
McMillan, Stuart (West Scotland) (SNP)
Neil, Alex (Airdrie and Shotts) (SNP)
Robison, Shona (Dundee City East) (SNP)
Russell, Michael (Argyll and Bute) (SNP)
Salmond, Alex (Aberdeenshire East) (SNP)
Stevenson, Stewart (Banffshire and Buchan Coast) (SNP)
Stewart, Kevin (Aberdeen Central) (SNP)
Sturgeon, Nicola (Glasgow Southside) (SNP)
Swinney, John (Perthshire North) (SNP)
Thompson, Dave (Skye, Lochaber and Badenoch) (SNP)
Torrance, David (Kirkcaldy) (SNP)
Urquhart, Jean (Highlands and Islands) (Ind)
Watt, Maureen (Aberdeen South and North Kincardine) (SNP)
Wheelhouse, Paul (South Scotland) (SNP)
White, Sandra (Glasgow Kelvin) (SNP)
Wilson, John (Central Scotland) (Ind)
Yousaf, Humza (Glasgow) (SNP)

The Presiding Officer: The result of the division is: For 53, Against 64, Abstentions 0.

Amendment disagreed to.

The Presiding Officer: The next question is that motion S4M-12587, in the name of John Swinney, on action needed to support the oil and gas sector, be agreed to. Are we all agreed?

Members: No.

The Presiding Officer: There will be a division.

For

Adam, George (Paisley) (SNP)
Adamson, Clare (Central Scotland) (SNP)
Allan, Dr Alasdair (Na h-Eileanan an Iar) (SNP)
Allard, Christian (North East Scotland) (SNP)
Beattie, Colin (Midlothian North and Musselburgh) (SNP)
Biagi, Marco (Edinburgh Central) (SNP)
Brodie, Chic (South Scotland) (SNP)
Brown, Keith (Clackmannanshire and Dunblane) (SNP)
Burgess, Margaret (Cunninghame South) (SNP)
Campbell, Roderick (North East Fife) (SNP)
Coffey, Willie (Kilmarnock and Irvine Valley) (SNP)
Constance, Angela (Almond Valley) (SNP)
Crawford, Bruce (Stirling) (SNP)
Cunningham, Roseanna (Perthshire South and Kinross-shire) (SNP)
Dey, Graeme (Angus South) (SNP)
Don, Nigel (Angus North and Mearns) (SNP)
Doris, Bob (Glasgow) (SNP)
Dornan, James (Glasgow Cathcart) (SNP)
Eadie, Jim (Edinburgh Southern) (SNP)
Ewing, Annabelle (Mid Scotland and Fife) (SNP)
Ewing, Fergus (Inverness and Nairn) (SNP)
Fabiani, Linda (East Kilbride) (SNP)
FitzPatrick, Joe (Dundee City West) (SNP)
Gibson, Kenneth (Cunninghame North) (SNP)
Gibson, Rob (Caithness, Sutherland and Ross) (SNP)
Grahame, Christine (Midlothian South, Tweeddale and Lauderdale) (SNP)
Hepburn, Jamie (Cumbernauld and Kilsyth) (SNP)
Hyslop, Fiona (Linlithgow) (SNP)
Ingram, Adam (Carrick, Cumnock and Doon Valley) (SNP)
Keir, Colin (Edinburgh Western) (SNP)
Kidd, Bill (Glasgow Anniesland) (SNP)
Lochhead, Richard (Moray) (SNP)
Lyle, Richard (Central Scotland) (SNP)
MacAskill, Kenny (Edinburgh Eastern) (SNP)
MacDonald, Angus (Falkirk East) (SNP)
MacDonald, Gordon (Edinburgh Pentlands) (SNP)
MacKenzie, Mike (Highlands and Islands) (SNP)
Mason, John (Glasgow Shettleston) (SNP)
Matheson, Michael (Falkirk West) (SNP)
Maxwell, Stewart (West Scotland) (SNP)
McAlpine, Joan (South Scotland) (SNP)
McKelvie, Christina (Hamilton, Larkhall and Stonehouse) (SNP)
McLeod, Aileen (South Scotland) (SNP)
McLeod, Fiona (Strathkelvin and Bearsden) (SNP)
McMillan, Stuart (West Scotland) (SNP)
Neil, Alex (Airdrie and Shotts) (SNP)
Robison, Shona (Dundee City East) (SNP)
Russell, Michael (Argyll and Bute) (SNP)
Salmond, Alex (Aberdeenshire East) (SNP)
Stevenson, Stewart (Banffshire and Buchan Coast) (SNP)
Stewart, Kevin (Aberdeen Central) (SNP)
Sturgeon, Nicola (Glasgow Southside) (SNP)
Swinney, John (Perthshire North) (SNP)
Thompson, Dave (Skye, Lochaber and Badenoch) (SNP)
Torrance, David (Kirkcaldy) (SNP)
Urquhart, Jean (Highlands and Islands) (Ind)
Watt, Maureen (Aberdeen South and North Kincardine) (SNP)
Wheelhouse, Paul (South Scotland) (SNP)
White, Sandra (Glasgow Kelvin) (SNP)
Yousaf, Humza (Glasgow) (SNP)

Against

Baillie, Jackie (Dumbarton) (Lab)
Baker, Claire (Mid Scotland and Fife) (Lab)
Baker, Richard (North East Scotland) (Lab)
Baxter, Jayne (Mid Scotland and Fife) (Lab)
Beamish, Claudia (South Scotland) (Lab)
Bibby, Neil (West Scotland) (Lab)
Boyack, Sarah (Lothian) (Lab)
Brown, Gavin (Lothian) (Con)
Buchanan, Cameron (Lothian) (Con)
Carlaw, Jackson (West Scotland) (Con)
Chisholm, Malcolm (Edinburgh Northern and Leith) (Lab)
Davidson, Ruth (Glasgow) (Con)
Dugdale, Kezia (Lothian) (Lab)
Fee, Mary (West Scotland) (Lab)
Ferguson, Patricia (Glasgow Maryhill and Springburn) (Lab)
Fergusson, Alex (Galloway and West Dumfries) (Con)
Findlay, Neil (Lothian) (Lab)
Finnie, John (Highlands and Islands) (Ind)
Fraser, Murdo (Mid Scotland and Fife) (Con)
Goldie, Annabel (West Scotland) (Con)
Grant, Rhoda (Highlands and Islands) (Lab)
Gray, Iain (East Lothian) (Lab)
Griffin, Mark (Central Scotland) (Lab)
Harvie, Patrick (Glasgow) (Green)
Henry, Hugh (Renfrewshire South) (Lab)
Hilton, Cara (Dunfermline) (Lab)
Hume, Jim (South Scotland) (LD)
Johnstone, Alex (North East Scotland) (Con)
Johnstone, Alison (Lothian) (Green)
Kelly, James (Rutherglen) (Lab)
Lamont, John (Ettrick, Roxburgh and Berwickshire) (Con)
Macdonald, Lewis (North East Scotland) (Lab)
Malik, Hanzala (Glasgow) (Lab)
Marra, Jenny (North East Scotland) (Lab)
Martin, Paul (Glasgow Provan) (Lab)
McArthur, Liam (Orkney Islands) (LD)
McCulloch, Margaret (Central Scotland) (Lab)
McDougall, Margaret (West Scotland) (Lab)
McGrigor, Jamie (Highlands and Islands) (Con)
McInnes, Alison (North East Scotland) (LD)
McMahon, Michael (Uddingston and Bellshill) (Lab)
McMahon, Siobhan (Central Scotland) (Lab)
McNeil, Duncan (Greenock and Inverclyde) (Lab)
McTaggart, Anne (Glasgow) (Lab)
Milne, Nanette (North East Scotland) (Con)
Mitchell, Margaret (Central Scotland) (Con)
Murray, Elaine (Dumfriesshire) (Lab)
Pearson, Graeme (South Scotland) (Lab)
Pentland, John (Motherwell and Wishaw) (Lab)
Rennie, Willie (Mid Scotland and Fife) (LD)
Scanlon, Mary (Highlands and Islands) (Con)
Scott, John (Ayr) (Con)
Scott, Tavish (Shetland Islands) (LD)
Smith, Drew (Glasgow) (Lab)
Smith, Elaine (Coatbridge and Chryston) (Lab)
Smith, Liz (Mid Scotland and Fife) (Con)
Stewart, David (Highlands and Islands) (Lab)
Wilson, John (Central Scotland) (Ind)

The Presiding Officer: The result of the division is: For 60, Against 58, Abstentions 0.

Motion agreed to,

That the Parliament notes the Oil and Gas UK Activity Survey, which was published on 24 February 2015 and highlighted the challenges facing the North Sea oil and gas sector and the impact on investment and exploration from a lack of action; agrees that the Scottish Government continues to do all that it can to support the sector, the supply chain and the economy, and urges the UK Government to follow suit by announcing in the forthcoming 2015 Budget the immediate introduction of a substantial package of fiscal measures, including an immediate reversal of the misguided supplementary charge tax hike in 2011, the introduction of a basin-wide investment allowance with a single rate of 62.5% and the introduction of an exploration tax credit.

Retail Sector (Energy Efficiency)

The Deputy Presiding Officer (Elaine Smith): The final item of business is a members' business debate on motion S4M-12084, in the name of Graeme Dey, on welcoming a more energy-efficient retail sector. The debate will be concluded without any question being put.

Motion debated,

That the Parliament welcomes the launch of the Scottish Retail Consortium's (SRC) report, *A Better Retailing Climate: Driving Resource Efficiency*; congratulates the SRC on producing a robust commitment to reducing the environmental impact of the retail industry; recognises that the report provides examples of this commitment throughout Scotland, including Arbroath, where the local farmer, Peter Stirling, has reduced waste, invested in Biomass boilers and extended the shelf life of his produce; understands that the report sets out targets to reach by 2020, which include reducing carbon emissions from retail operations by 25% and ensuring that less than 1% of retail waste goes to landfill; commends the SRC for not only meeting, but exceeding all of its targets that it set out in the 2008 report, such as limiting landfill waste to 6% and reducing supermarket refrigeration emissions by 55%, and welcomes this encouragement for all those in the retail sector to commit to lowering their environmental impact.

17:05

Graeme Dey (Angus South) (SNP): I thank members who supported the motion that has allowed this debate to take place, and those who have remained here to participate in it.

The Rural Affairs, Climate Change and Environment Committee has highlighted repeatedly in its work on tackling climate change and driving down emissions that Scotland will achieve its ambitions only with societal and individual behaviour change. Parliament setting targets and the Government introducing initiatives are all well and good, but without genuine buy-in we are up against it. To get that buy-in we need exemplars of environmentally responsible practice at community level, and across the public and private sectors. That is why I am pleased to introduce the debate and why I commend the efforts of the Scottish Retail Consortium's membership, as highlighted in the report "A Better Retailing Climate: Driving Resource Efficiency". Promoting good practice is an integral part of ensuring that we very quickly reach the point at which behaving in an environmentally responsible way is seen as the norm, and doing otherwise is seen as unacceptable.

Let us look at what the SRC's membership has delivered across the UK and then consider what it plans to achieve by 2020. Targets that were signed up to in 2008 and which have been exceeded include cutting energy-related emissions from buildings by 30 per cent, cutting greenhouse gas emissions from supermarket refrigeration by

55 per cent, cutting energy-related carbon emissions from store deliveries by 29 per cent, cutting the proportion of waste sent to landfill from 47 per cent to 6 per cent and increasing water measurement in sites from 50 per cent to an estimated 83 per cent.

New targets for 2020, which use 2005 figures as their baseline, include reducing absolute carbon emissions from retail operations by 25 per cent, cutting energy-related emissions from buildings by half, reducing emissions from refrigeration gases by 80 per cent, reducing carbon emissions from store deliveries by 45 per cent, measuring 100 per cent of water usage on sites and sending less than 1 per cent of waste to landfill.

It is worth while to peer behind those headlines and to consider the specifics of what has been taking place. Let us look at Asda. Carbon emissions from existing stores, offices and depots are down by a third since 2005. It aims to have 30 per cent of its energy sourced from renewables by the end of 2015 and it is on target to reduce energy consumption in existing stores by 35 per cent this year. It has reduced its packaging by 27 per cent since 2007 and is travelling 18 million fewer road miles than were travelled in 2005. Despite opening 150 new stores over the period, Asda saw a 15.8 per cent absolute reduction in its carbon footprint across the UK between 2007 and 2012. The figure in Scotland is 17 per cent.

Despite increasing the space that is taken up by its UK-wide operations by 46 per cent, Sainsbury's energy usage in 2013-14 remained the same as it was in 2005-06. Sainsbury's aims to supply electricity for all 86 of its Scottish stores from renewable sources by 2020. As of 2012-13, no waste goes to landfill.

The Co-op has a target to reduce emissions by 50 per cent by 2020. By 2013 some 98 per cent of its electricity came from renewable sources and it aims to have by 2017 25 per cent coming from its own renewable sources, which will be up from 7 per cent two years ago. The Co-op discovered during a trial in 2011 that it could reduce total store energy use by 20 per cent if it fitted doors to its fridges: 298 of their stores, including those in Carnoustie and Monifieth in my constituency, now have those, and it is planned to increase the number to 2,000 stores by 2020.

B&Q has reduced its carbon emissions by 29 per cent since 2006 and aims to get to 90 per cent by 2023, partly through using double-decker trailers to reduce total road miles. Waitrose's suppliers deliver to a central hub in Cumbernauld rather than distributing products around all six supermarkets in Scotland. Greggs has installed photovoltaic systems in 10 of its bakeries, including in its bakery at Clydesmill in Cambuslang.

W H Smith is sharing vehicles with other retailers. McDonald's is recycling cooking oil and is turning it into biodiesel for use across 40 per cent of its fleet, which saves about 6,000 tonnes of carbon per annum. It has also reduced the size of bun-tray liners by 10cm, which is saving over 85 tonnes of paper each year, and by redesigning the boxes for one of its most popular lines, and the spoons that are given out for consuming ice cream, it is saving 800 tonnes of materials every year.

I note, as the motion does, the efforts of my constituent Peter Stirling who grows sprouts and strawberries just outside Arbroath. Mr Stirling was recognised by Marks and Spencer for his outstanding contribution to sustainable farming with its farming for the future produce award for Scotland 2014 at last year's Highland Show after he invested in biomass boilers for his greenhouse blocks and in innovative techniques to extend produce's shelf life and reduce waste.

Of course, tackling food waste is very much a stream of the work that is being undertaken by our retailers. I will highlight two examples, both involving Tesco. In conjunction with Glenrath Farms of Peebles, it has been trialling a new type of recyclable plastic packaging to restrict seepage from broken eggs to the pack in which the eggs are contained. It believes that if the measure was rolled out for all its free-range eggs, it would potentially save an average of 1 million eggs each year.

In addition, Tesco has launched a new zip for frozen-pea packages, which it believes could save an estimated 35 tonnes of peas from rolling out of the bag and into the back of the freezer or on to the kitchen floor and going to waste.

That is real action to deliver real change across a sector that has clear plans to build on what has been delivered. The retail sector has looked closely at how it operates and has moved to reduce that environmental impact. Of course those concerned have cut their overheads as a result, but that is part of the behavioural change message for organisations as well as individuals. Change behaviour and one's pocket and the planet both benefit.

17:11

Margaret McCulloch (Central Scotland) (Lab): I apologise because I may have to leave the chamber before 5.30—I have another meeting on.

I congratulate Graeme Dey on securing this debate on energy efficiency and the retail sector. He and I have worked together for two or three years now on the cross-party group on towns and town centres and I know that he takes an interest in retail, particularly in smaller retailers and the contribution that they make to local economies.

I also welcome the publication of the Scottish Retail Consortium's report, "A Better Retailing Climate: Driving Resource Efficiency in Scotland", which is referenced in the motion. Representatives of the SRC are here tonight. I want to discuss some of the content of the report in greater detail, but first I observe that the report suggests that the retail industry has made significant progress against the targets that it voluntarily set itself to reduce waste, lower emissions and improve energy efficiency.

Signatories to the SRC agreement have reported the following: energy emissions from retail buildings are down; greenhouse gas emissions from supermarket refrigeration units are down; the amount of waste that retailers send to landfill is down; and even as home delivery services are growing, carbon emissions are coming down, too.

The targets set have not just been met; they have been exceeded. That is a testament to the perseverance and ingenuity of all the retailers that have signed up to the initiative.

Among the signatories are some of the biggest names in the industry: Argos, Asda, B&Q, Boots, Debenhams, John Lewis, Morrison's, Next, Sainsbury's, Tesco, the Co-op and many more. Each of those signatories is a large business with a substantial footprint in the national economy and in town and city centres all across Scotland. Together they represent more than half the UK-wide retail industry, and the scale of the changes that they can make is huge.

For example, Sainsbury's has a long-standing commitment to renewable energy. Many of its stores have ground-source heat pumps and biomass boilers. Sainsbury's has also committed to obtaining 20 per cent of its electricity through power purchase agreements by 2020. Right now, Sainsbury's is a partner in power purchase agreements with five on-shore windfarms, providing enough electricity to power each and every one of the company's 86 Scottish stores as well as its depot in East Kilbride.

The John Lewis Partnership, which is behind Waitrose, is one of the few retailers that have been expanding in Scotland in recent years. Just as its new stores will feature the latest energy-saving technology, so too will its older stores, as the company rolls out LED lighting, low-flush toilets and low-carbon refrigerators across its existing estate.

Having identified that 90 per cent of its environmental impact comes from its supply chain, Asda developed its sustain and save exchange, which aims to support suppliers as they reduce water and energy usage and cut out waste.

Those firms are in a unique and powerful position within their sector not only to drive energy efficiency and waste reduction in their own business but to promote sustainability throughout their supply chains. We cannot green our economy without having business on board. That means greener retailers, but it also means greener suppliers.

That record of action is welcome but so is the promise of more. For that reason, I also want to recognise the on-going work of the industry to make further reductions in emissions and to reduce the amount of waste going to landfill to just 1 per cent by 2020.

Across the business community, in big retail chains and small local firms, there is an increasing acceptance that environmentally sustainable models can be both economically viable and socially responsible. The retail sector is uniquely placed to use economies of scale to upscale good practice and roll it out across the country. I commend its successes to date and I hope for more in the years to come.

17:16

Angus MacDonald (Falkirk East) (SNP): I thank Graeme Dey for bringing this motion to the chamber and for highlighting the efforts that Scotland's retailers have made in reducing their environmental impact.

Clearly, our ultimate aim is zero waste to landfill and, since 2005, when the baseline was set, signatories to the Scottish Retail Consortium's "A Better Retailing Climate" report have exceeded all their targets. Graeme Dey has given some figures already, but he did not cover the fact that absolute carbon emissions from stores and transport have reduced by 13 per cent; that carbon emissions from stores have reduced by 30 per cent, relative to growth; that emissions to air from escaped refrigeration gases have reduced by 47 per cent, relative to growth; and that energy-related carbon emissions from store deliveries have reduced by 34 per cent, relative to growth.

I am glad to say that there are good examples of those achievements locally in my Falkirk East constituency, as we are lucky enough to have Asda's Scottish distribution network operating out of Falkirk. Asda's Falkirk recycling centre handles the waste from all 60 of its stores in Scotland. Asda trucks take waste back from the stores after dropping off their deliveries, which significantly cuts back road miles, saves fuel and costs and reduces pollution.

Every year, Asda's Falkirk centre recycles more than 20,000 tonnes of card and plastic. It also uses a rainwater harvesting system, which has reduced water usage by a third. In addition, the Asda distribution centre in Falkirk is a strong supporter of the FareShare initiative, with all the surplus food that arises in the Falkirk distribution centre being redistributed to good causes across Scotland through FareShare. Surplus food arises when suppliers send large retailers such as Asda too much of a particular product or when goods are damaged in transit. The partnership is the largest of its kind in the United Kingdom grocery sector and offers a simple and practical way for Asda to turn an environmental problem into a real benefit for communities.

In the past year, Asda in Scotland has donated the equivalent of 265,000 meals to more than 140 good causes and has prevented hundreds of tonnes of good food from going to waste. It is now collecting its suppliers' production food waste and delivering it to Falkirk to be redistributed, along with its own surplus food, to FareShare, with Asda covering the cost of transportation and investing £100,000 to grow the capacity of the FareShare depots in Dundee, Edinburgh, Glasgow and Aberdeen.

It is also worth highlighting that none of Asda's stores sends food to landfill as waste. If it is still good quality, it is given to charity; if not, it is sent back to Falkirk to be processed via anaerobic digestion.

Asda has made changes to its distribution network, such as using new double-decker lorry trailers. Its vehicles now travel 18 million fewer road miles than they did in 2005, and it has reduced its transport emissions by 60 per cent. Its double-decker trailers save it around 2 million road miles every year by doubling the amount that can be carried on each journey. As a result, Asda has been awarded the Institute of Grocery Distribution's sustainable distribution award.

Asda in Falkirk is doing its bit and leading by example. Other large retailers have much to be proud of when it comes to aiming for a zero-waste society.

We all must lead by example. It is encouraging that large retailers are now considering the entire life cycle of the products that they sell and exploring new business models that will enable them to move away from a largely linear economy towards a circular economy. However, that will require a radical change to how we make, use and reuse materials and products.

As the Rural Affairs, Climate Change and Environment Committee highlighted last year following its enquiry into the circular economy, we can all play our part in ensuring that the concept of the circular economy is embedded in all our mindsets.

We are getting there and will get there, but there is clearly a lot more to do and we all must lead by example.

17:20

Jamie McGrigor (Highlands and Islands) (Con): I am pleased to take part in the debate, and I congratulate Graeme Dey on securing it.

The Scottish Conservatives commend the Scottish Retail Consortium report, which is a very positive and welcome initiative from a sector that is of enormous importance to the Scottish economy. We are also pleased to join Graeme Dey and others in congratulating the SRC for exceeding all the targets that it set out in its 2008 report.

The Scottish Government could perhaps take a leaf out of the SRC's book on meeting green targets. Indeed, I would be interested to learn what ministers will do to engage with the retail sector to learn from its success and what it does to achieve its targets.

The achievements that the private retail sector has recorded since 2008 are impressive. They include reducing carbon emissions from stores by 30 per cent and from store deliveries by 29 per cent. Those are very welcome achievements, given the very real challenges that we face in trying to reduce emissions further in other sectors like housing and transport.

As we have long argued, improving energy and resource efficiency and reducing carbon emissions are not incompatible with growing our economy. Rather, they should complement each other. As David Lonsdale, director of the Scottish Retail Consortium, states:

> "Consumers are exceptionally well-informed and rightly demanding. They want quality, affordable products but they want them produced in an environmentally sustainable way. In such a highly competitive market the retailer that cannot meet this test will ultimately fail."

Of course, as well as being good for the environment, increasing energy efficiency and reducing energy costs help companies' bottom lines and reduce overheads. Being resource efficient is good business sense as well as good environmental sense.

The report highlights examples of good practice in the Scottish retail sector, and I am pleased to see a number of examples in my region.

The Co-Operative store in Kilmallie Road, Caol, Fort William is that retailer's first shop to switch to biomass heating. The new system replaces ineffective electric heating with new fan coil heaters that are heated by a £130,000 biomass boiler that is located in a purpose-built building. The boiler runs on woodchip that is supplied from waste wood products and local forestry, of which there is masses in the area.

The new system has allowed the store to make an annual saving of almost half on its existing energy bill and 90 tonnes in carbon emissions. The Co-Op plans to assess how effective that biomass pilot has been and then consider its use elsewhere.

The new Waitrose store in Helensburgh in Argyll and Bute was designed with all the latest technologies, including LED lighting, low-carbon water-cooled refrigeration, low-flush cisterns and waterless urinals. It also won a Scottish design award.

I welcome the debate and the opportunity to acknowledge the very good work that Scotland's retailers are doing. I wish them every success in meeting the new targets that they have set for 2020. The sector is happy to work closely with the Government but seems to be outperforming the public sector in achieving resource efficiency targets.

17:24

The Minister for Environment, Climate Change and Land Reform (Aileen McLeod): I, too, thank Graeme Dey for raising this important issue and for securing time for this evening's debate on welcoming a more energy efficient retail sector. I am delighted that the Parliament is highlighting the Scottish Retail Consortium's publication "A Better Retailing Climate", which the Cabinet Secretary for Rural Affairs, Food and Environment, Richard Lochhead, launched a few weeks ago in January. I also welcome the SRC to the public gallery.

I very much welcome the leadership that the SRC's members have shown in driving resource efficiency and in sourcing and producing products in an environmentally responsible way. Clearly, we agree that Scotland's retailers are to be congratulated on their focus on resource efficiency, because of their ambition and the considerable progress that has been achieved.

I thank my colleagues for their comments. Members made some valuable points; it was certainly good to hear so many positive examples from their constituencies. I am pleased that we are united in recognising the achievements of our retailers and the Scottish Retail Consortium, and it is right that we give the sector the credit that it deserves. Margaret McCulloch made a good point about retailers' influence on their suppliers and Asda's good work in helping its suppliers to cut resource costs. Asda is not alone in that, and I will mention another example in a moment.

Angus MacDonald made relevant points on the benefits and opportunities of a circular economy. Scotland is already recognised internationally as an early mover towards a circular economy. I commend Graeme Dey's constituent Peter Stirling who, as Graeme Dey said, was recognised by Marks and Spencer for his outstanding contribution to sustainable farming with the 2014 farming for the future produce award for Scotland at last year's Highland show.

There are few things more important to a business than building a sustainable supply chain. The Scottish Government and its agencies—notably resource efficient Scotland—have played our part. Collaboration across retailers and brands through Government-sponsored initiatives such as the Courtauld commitment and the product sustainability forum is helping to drive progress and to target effort to deliver the greatest environmental benefits. The initiatives focus on savings across energy, water and material use, and on preventing waste.

There are several individual examples of excellent work with resource efficient Scotland, such as Marks and Spencer's efforts to improve resource efficiency throughout its Scottish supply chain by helping small and large suppliers to manage their resource use and reduce overheads. Another example is Scotmid's work on resource efficient retrofitting of its smaller stores, thereby cutting energy use and reducing costs for the long term.

This year, resource efficient Scotland will take its programme a step further by offering additional support to all our most resource-intensive industrial sectors, including retail, through agreeing sector road maps for decarbonisation. Through that programme, we will support industry to reduce carbon emissions while maintaining economic competitiveness. I am pleased that resource efficient Scotland is discussing with the Scottish Retail Consortium and the British Retail Consortium how to develop a road map for the retail sector, which can then inform an agreed programme of activity.

The retail road map will complement the road maps that are also in preparation for other energy-intensive sectors such as the food and drink and chemicals sectors. Scotland's retailers have an enormous economic and social footprint, and the steps that the sector is taking to manage its environmental impact are an excellent reminder of the influence that it can have on consumer behaviour.

It is now more than four months since our charge for single-use carrier bags came into force and we are already hearing anecdotal evidence of significant reductions in bag use among customers. That can only mean fewer discarded bags harming our natural environment and littering the streets in our communities. That is due in no small part to the hard work that retailers have put in to helping their customers to adapt. That is just one area in which retailers' influence can change Scotland for the better.

To answer the question that my colleague Jamie McGrigor asked, the Scottish Government has established resource efficient Scotland, the aim of which is precisely to work with businesses across all sectors to reduce energy, water and material use and to cut waste.

I welcome the debate, and I thank Graeme Dey again for bringing this important issue to the chamber tonight. In doing so, he has enabled us to celebrate the good work that was highlighted by the report, "A Better Retailing Climate: Driving Resource Efficiency", and the leadership that Scotland's retailers have shown in driving down resource use.

Our retail sector has a good story to tell and it is to be commended for taking the issue as seriously as it has, particularly in relation to cutting carbon emissions and reducing its carbon footprint. The Scottish Government takes its role seriously in that shared agenda because, ultimately, there are significant environmental and economic benefits for us all. That is why I welcome the very real progress that the retail sector has made thus far on resource efficiency and why I recognise that we must encourage continued partnership working in support of the move to a circular economy.

Meeting closed at 17:30.

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