Thousands of jobs threatened in North Sea oil and gas industry

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Tens of thousands of offshore and onshore oil workers jobs are threatened by the collapse of the North Sea oil and gas industry. Driven by global oversupply, and the price war being waged across all sections of minerals production, the aging, deep-water fields of the North Sea are particularly vulnerable.

North Sea oil production was already in sharp decline before the oil slump, down 70 percent since 2000. The average breakeven price for deep-water exploration is $62 a barrel. Currently Brent crude sells for $33 per barrel. Standard Chartered have estimated that the oil price could slump further to $10 a barrel, the lowest figure since 1986, while Moody's predicts a slight increase to $38 by 2017.

There are many indicators of deepening crisis. An industry body has calculated that as many as 50 fields will be decommissioning by 2018 compared to 14 today. Spending on decommissioning is expected to surpass spending on development by the following year. Energy analysts Wood Mackenzie predict that nearly half of North Sea oil and gas fields, "140 of some 320 fields currently in operation, could close over the next five years." The number of operational rigs has already fallen from 57 to 27 and could fall to 19 by this summer, according to Bob Buskie, chief executive of the Cromarty Firth Port Authority. More than a dozen oil rigs are now parked in Inverness harbour.

The industry body, UK Oil & Gas estimates that 65,000 jobs have gone in the oil sector as of September last year. Approximately 5,000 jobs have been lost offshore, 30,000 in supporting industries and another 30,000 in the service sector. As many as 10,000 of these are thought to have gone in Northern Scotland. Almost 10,000 oil related jobs were lost in Scotland alone in the last six months, according to Scottish Enterprise. The *Guardian* noted that some estimates forecast that up to 200,000 out of 400,000 UK-oil related job could to be lost.

This will impact heavily in the Aberdeen and Grampian areas of the North East of Scotland in which much of the industry is concentrated. Unemployment spiked 60 percent in the year to October 2015, while local businesses report falling airport traffic, fewer requests for taxis and hotels. In the former boomtown, use of food banks has doubled, while even the main food bank in Aberdeen is imperilled following the collapse of its main backer.

More losses are imminent. Over the last weeks, BP announced another 600 jobs would go in its North Sea operations, on top of 300 last year, as part of plans to slash 4,000 jobs from its global exploration and production business. Aberdeen and the Sullom Voe oil terminal in Shetland will be affected.

In December, Shell announced an additional 2,800 losses worldwide, as part of its £35 billion takeover of the multinational energy firm BG. Shell had already shed 500 jobs in the North Sea and 7,500 worldwide. ConocoPhillips intend to lose another 50 jobs, on top of 230 axed last year, as it moves to close down its Viking gas operation in the North Sea. Petrofac, which employs 1,900 people across the UK, recently decided to axe 160 jobs following an alteration to its shift patterns in the North Sea.

The Wood Group, an Aberdeen based oil services giant, announced plans to reduce its global workforce by 5,000 or 13 percent including 1,000 jobs in the North Sea. Financial administration is to be outsourced to India. Enermach has cut 260 jobs in recent months and predicts more in the year ahead. PLEXUS Holdings has announced half of its 150 Aberdeen-based staff are under threat following a collapse in the firm's share price. The company supplies wellheads in the UK

North Sea, where just half a dozen wells are to be drilled in 2016, the lowest figure since 1964.

Outright job losses come alongside increased exploitation of those remaining. Engineering firm Amec Foster Wheeler intends to slash the pay of its 830-strong Aberdeen-based workforce, both offshore and onshore, by 7.5 percent, following comparable pay cuts in the larger services companies last year. The Rail, Maritime and Transport (RMT) trade union told the *Guardian*, “Offshore workers are being made to work an extra 320 hours a year for no extra pay, pension arrangements are being slashed and travel allowances removed in some cases.” Contractors have suffered a 25 percent wage cut, despite working gruelling six days on, six days off shift patterns.

While workers face destitution or drastically increased exploitation, the oil slump has encouraged a frenzy of financial speculation. According to the *Financial Times*, “Hedge funds have raised bets against the oil price to near record levels, anticipating further falls, while investment bank analysts are forecasting that oil could drop towards $20 a barrel — a level few in the industry thought would be seen again during the boom years to 2014.”

The response of the governments in London and Edinburgh, and the trade unions, has been to work towards tax breaks and more perks for the industry.

Prime Minister David Cameron’s Tory government is to set up a cross-government support group for energy firms operating in the North Sea, to be chaired by Oliver Letwin, a former Rothschild banker and current Tory Minister for government policy. Also in the group will be Fergus Ewing, the Business Minister of Scotland’s ruling Scottish National Party (SNP).

This move in aimed only at benefiting the big industry players. The city of Aberdeen itself, hoping to be offered a “city deal”, including £3 billion of infrastructure investment and new research and development facility, has only been offered £250 million, less than tenth of the original amount.

The SNP administration has made clear it wants more powers to give greater tax breaks on top of those already handed to energy giants by the UK government. SNP First Minister Nicola Sturgeon remarked, “While the power for essential change to the taxation regime remains with the UK Government, the Scottish Government continues to stand alongside Scotland’s oil and gas industry...'

The nationalists are attempting to cloak their obsequiousness before big oil under the mantel of defending workers. Alex Salmond, the former First Minister and current SNP Foreign Affairs spokesman told the Dundee based *Courier*, “Oil workers deserve support after decades of pouring money into UK Exchequer.” However, the “real task”, was to “incentivise” the industry, said Salmond.

Salmond called for Tory Chancellor George Osborne to agree a raft of new tax breaks and hand outs in his March budget, including exploration credits to encourage investors to take advantage of lower rig rates and falling operational costs, as well as allowing the cost of drilling all new wells “to be offset against taxation”.

For their part, the trade unions have lined up behind calls for tax breaks and are working closely with the SNP. Last year, Kevin Stewart, SNP MSP for Aberdeen Central, lodged a Parliamentary motion calling for, “Parliament to note the comments of the RMT Regional Organiser, Jake Molloy, who has said of the UK government’s attitude to the oil and gas sector that, what they need to do is bring about incentivised tax breaks which will ensure we maximise recovery...”