

Oil and Gas ILG

Date and Time of Engagement	Friday 3 March 2017
Where	Ogston Room Ardoe House Hotel, South Deeside Road, Blairs, Aberdeen AB12 5YP
Key Message	The Scottish Government is committed to a sustainable future for the oil and gas sector in Scotland and to working in partnership to secure the total value added for the economy and the industry.
Who	Oil and Gas Industry Leadership Group Meeting
What	You are co-chair of the ILG, along with Melfort Campbell..
Why	The Oil and Gas ILG oversees delivery of Scotland's refreshed oil and gas strategy.
When	13:00 – 15:30, Friday 3 March 2017 The meeting will commence with lunch from 13:00 – 13:30.
Supporting Official	[REDACT] Oil and Gas Unit [REDACT] [REDACT] Head of Oil and Gas Unit, [REDACT]
Media Handling	N/A
Dress code	N/A

Greeting Party and specific meeting point on arrival (if at a non SE Building)	N/A
Specific entrance car/parking arrangements	N/A
Briefing Contents	Annex A – Summary Annex B – Speaking Note Annex C – Agenda Annex D – Apprenticeship Levy Annex E – Business Rates Annex F – Decommissioning Challenge Fund Annex G – SMAS Update Annex H – Draft Minutes – 21 November 2016 Annex I – Current Attendees – as at 27 Feb 2017

PURPOSE: Oil and Gas ILG

- At the last ILG, there was an update from SIB on their current funding offer that could be accessed by the oil and gas industry. **Many of the group were unaware of the various strands of SE support** through amongst others Account Management, SIB, International Support and SMAS.
- SE have now taken the view to **offer a short refresher of the various services at each ILG**. An update on SMAS services will be provided at the 3rd March meeting. **(A short update on SMAS activity is located in Annex C)**

SE will provide short update on the following:

- Energy Jobs Task Force
- Decommissioning Action Plan / Subsea Action Plan

Substantive Item

Item 7 - Supply Chain - Update and Discussion

It was agreed at the November ILG meeting that there should further discussion on the supply chain, and how to maximise the total value add.

The previous discussion focused on:

- How we create the conditions and opportunity for the supply chain to make the investments required to help achieve the ambitions of MER and TVA..
- The industry needed to come up with practical ideas and actions as to how to take this agenda forward – there was still a sense of untapped potential from the supply chain – what are the opportunities and how can we better promote best practice.
- We all have a responsibility to bring about the change that we all agreed is needed – and we needed to promote better the opportunities that the sector still offered and what is being done to help improve sector performance etc.
- There was a need to provide a better sense of what future demand is likely to be in order for the supply chain to meet it.
- **Since the last ILG meeting there has been on-going discussions around better engagement between the supply chain and operators.**
- **SE have advised that item will provide an update on those discussions, and look to seek the ILG's views.**

Points that will be discussed will include:

- How to encourage the supply chain to invest in and develop its competitive advantage – by doing so, this will achieve the following priorities:
 - Deliver MER UK by ensuring supply chain delivers competitive advantage for cost and efficiency.
 - Maximise value to UK economy – maximise value add per barrel produced.
 - Global market share growth through competitiveness.
 - However, to do this the supply chain needs both increased investment in the UKCS to generate demand and better management and quality of that demand to enable investment by the supply chain in developing new approaches, capabilities and technologies for the new business drivers of cost and efficiency.

Ministerial Update –

Good afternoon, and thank you Melfort, for that kind introduction.

Since we last met, I continue to hear about encouraging trends in the sector, with production increasing, costs falling and assets changing hands with the potential for new investment in the future.

However, 2017 looks to remain a challenging year for the supply chain – due to the lack of new investment.

Today’s meeting will provide a timely discussion about how the supply chain can better weather this downturn.

A lot has happened since we last met:

- Scottish Enterprise published a **Decommissioning Action Plan** and a **Subsea Action Plan**;
- we launched a new £5 million **Decommissioning Challenge Fund**; and
- the Scottish Government published our draft **Energy Strategy** and **Climate Change Plan**, and
- the **Oil & Gas Technology Centre** opened for business.

Alongside Lord Dunlop, I had the pleasure of opening the centre and hearing first hand from Colette about its exciting and ambitious plans.

SUBSEA & DECOMMISSIONING ACTION PLAN

I know David Rennie is scheduled to provide a more detailed update on the decommissioning and subsea publications, but I just wanted to reiterate the importance of these documents.

Through the launch of the Scottish Enterprise Subsea Action Plan, we have seen further steps taken to further bolster the North East as a centre of excellence in the £50 billion global subsea engineering market – this market is already worth £7.5 billion each year to Scotland.

With regards to Decommissioning, the Scottish Government, our Enterprise Agencies, and industry more generally, are clear that Maximising Economic Recovery remains our key focus.

However, decommissioning is a key part of the offshore operations and the market is growing, and the Plan sets out how we plan to take advantage of the estimated £17.6 billion which is forecast to be spent on decommissioning on the UK Continental Shelf between now and 2025.

I think importantly, the Plan also highlights that the Scottish supply chain has been successful in securing much of the high-value decommissioning work to date – regularly achieving upwards of 80% local content in decommissioning projects – a fact that is not widely appreciated.

DECOMMISSIONING CHALLENGE FUND

To support the ambitions of the Decommissioning Action Plan, last month the First Minister announced a new Decommissioning Challenge Fund.

This Fund will initially make available £5 million in the financial year 2017/18. It will help to incentivise the supply chain and encourage a strategic approach to make the most of natural advantages and existing activities at our ports.

The Fund will:

- encourage engineering scoping work at key sites to build business cases and feasibility studies that will attract private investment;
- support infrastructure upgrades and innovation in salvage and transport methods at ports and harbours; and
- support cost reduction efforts related to retrieval and disposal activities, with the aim of enhancing the Scottish onshore decommissioning market.

In future years, there is the potential for the Fund to be expanded to support larger scale capital projects.

The processes and criteria arrangements to access the fund are currently being refined to be ready to launch at the start of the financial year.

I would urge all of you here to feed directly into this process to ensure that the fund is fit for purpose and can deliver for Scotland.

UK INDUSTRIAL STRATEGY & SG ENERGY STRATEGY

What is clear from my engagement with industry is that government must also play a constructive role in enabling the MER UK Strategy.

This is why, the Scottish Government will again call on the UK Government to bring forward support for the sector at the

Budget next week – particularly in relation to improving action to decommissioning tax relief.

We will work constructively with the UK Government towards a positive outcome for the sector from the **Industrial Strategy**.

The Scottish Government's support for this important sector was reflected in our draft Energy Strategy.

For the first time, within the context of our climate change objectives, the draft Strategy clearly articulated that we remain committed to maintaining domestic oil and gas exploration and production, and maximising economic recovery.

I am pleased that our draft Energy Strategy conveys a clear message to the sector that the efficient recovery of North Sea

oil and gas as a highly regulated source of hydrocarbon fuels will continue to be a priority for this Government for decades to come.

I would encourage you all to review the strategy and feed your comments in the ongoing strategy consultation process that is now underway.

This sector's views on Scotland's Energy Strategy is, and continues, to remain vital in the development of our future Energy policy.

More generally, I know the sector and North East of Scotland continue to face challenges from the downturn - and I understand that business rates and the Apprenticeship Levy continue to be on-going concerns for the sector.

With regards to business rates - the Scottish Government has taken direct action to support the North East.

The draft budget included a package of measures to reduce the overall business rates burden. The additional support announced last week targeted additional support where it was most needed - with the cap for Aberdeen & Aberdeenshire providing support for more than 1,000 offices.

The Scottish Government is working in partnership with interested councils (including both Aberdeen City & Aberdeenshire) to inform local decision-making.

The Apprenticeship Levy continues to remain of significant interest to you all, and I am aware that this is also under discussion at the next Energy Jobs Task Force meeting, later this month.

Employers have been clear that want to see a more flexible approach and for Levy funds to be used to protect the development of the apprenticeship offering.

That is why Minister for Employability and Training announced, as part of the budget, that we would introduce a Flexible Workforce Development Fund, to the tune of £10 million.

I am unable to provide further details on how this fund will operate as officials are still pulling together the detail, but rest assured that this funding remains committed.

The Energy Jobs Task Force, now in its third year, has had an important remit:

- to support individuals affected by the downturn, as well as
- helping to prolong the life of the industry, maximise its economic potential and help it to emerge from the downturn stronger and more resilient than before.

The Task Force has a number of achievements which deserve to be celebrated and recognized.

I see from the agenda that Maggie and David will provide a further update on the Task Force's work, but I just wanted to take this opportunity to share with you some of its key successes.

- We have seen the Transition Training Fund outperform its targeted support, with over 1600 individuals now being directly supported by the fund
- The Fund will look to create over 700 employment opportunities as a result of two successful recruitment rounds

- We have seen four successful PACE events held in the North East, attended by over 3,500 people.
- And I am delighted that a 5th event will take place on 29 March in Aberdeen – I would encourage all of you to share this information widely within your business networks to consider what potential employment opportunities could be highlighted at this event

I could speak in more detail on the role of cultures and behaviours that exist within the industry and the efforts made by the Energy Jobs Task Force to effect change in these areas; and the important work carried out to improve business efficiency.

This is just a small flavour of the important work carried out by the Task Force - and I wanted to share with you to reiterate its

importance in ensuring that the sector emerges from this current down turn more stronger, collaborative and ambitious than ever.

Oil and Gas Industry Leadership Group

Friday 3rd March 2017, 13:00 – 15:30, commencing with a light lunch

Ardoe House Hotel, Ogston Room, South Deeside Road, Blairs, Aberdeen
AB12 5YP

Agenda

	Lunch		13:00 – 13:30
1	Welcome, Introductions and Apologies	Melfort Campbell	13:30 – 13:35
2	Minutes of Previous Meeting and Actions	Melfort Campbell	13:35 – 13:40
3	Ministerial Update	Paul Wheelhouse	13:40 – 14:00

4	Taskforce Update	Maggie McGinlay/David Rennie	14:00 – 14:10
5	SMAS Presentation and Q&A	David Howie/A N Other	14:10 – 14:40
6	Update on SE's Decom and Subsea Engineering Action Plans	David Rennie	14:40 – 14:45
7	Supply Chain – Update and Discussion	Melfort Campbell/David Rennie	14:45 – 15:20
8	AOB, Future Agenda Items and Next Meeting	Melfort Campbell	15:20 – 15:30

Annex D – Apprenticeship Levy

- The Autumn Budget Statement included details on the introduction of the UK wide Apprenticeship Levy in Apr 2017. It will be set at a rate of 0.5% of an employer's pay-bill and be paid on any pay-bill in excess of £3 million. HMT suggest that only 2% of UK employers will be eligible to pay.
- Minister for Employability and Training launched a short consultation on 13 Jul – 26 Aug seeking views on how a distinct Scottish approach is developed.
- The SG published response set out how the Levy will support skills, training and employment in Scotland, including:
 - continue to expand the number of Modern Apprenticeship opportunities as part of our planned growth to 30,000 new starts each year by 2020;
 - support measures to tackle structural unemployment issues;
 - continue to implement the Youth Employment Strategy; and
 - establishment a **new Flexible Workforce Development Fund**
- The Oil and Gas Sector are concerned that *“with less than 2% of companies across the UK falling into the scope of the levy, **the size and complexity of companies in oil and gas means the industry is likely to be disproportionately affected by its introduction**”*.
- The Levy is **viewed as an additional tax on bottom line costs which could lead to companies looking at cutting costs in areas of their business.**
- Industry argues that there **remains a lack of clarity on how the Levy will operate in Scotland**, particularly in terms of those employers operating across borders.
- At the EJTF meeting on 8 December, Deirdre and others sought clarity on the SG approach to the Apprenticeship Levy. **Scottish Government will update on Apprenticeship Levy at the next task force meeting on 22 March 2017.**

Flexible Workforce Development Fund:

- Minister of Employability & Training announced the Flexible Workforce Development Fund (FWDF) on 16 December 2016. This forms part of the Scottish Government response to the introduction of the UK Government Apprenticeship Tax and is in response to the views of employers gathered from the Scottish Government's consultation during summer 2016.
- The new fund aims to provide employers with flexible workforce development training opportunities to support inclusive economic growth through up-skilling or re-skilling of employees who will not benefit from the increase in apprenticeship opportunities.
- A range of guiding principles will inform the development of the fund. Those which have been identified are:
 - Simplicity; A minimal administrative burden; Cost effectiveness of delivery; Transparency; Responsiveness to employer demand; and
 - Focus on training which colleges have the capacity and capability to deliver.
- Early discussions between relevant policy officials have identified three policy imperatives central to the model.

- Recognise the needs and expectations of Levy payers; Support workforce development in line with the aims of the Labour Market Strategy; and Ensure the fund strengthens College engagement with industry.

- Scottish Government is currently meeting with stakeholders including Skills Development Scotland, Scottish Apprenticeship Advisory Board, Colleges Scotland and the Scottish Funding Council to gather information on needs and expectations of the fund.

- Scottish Government will establish a new FWDF to be introduced in Autumn 2017.

Annex E – Business Rates

Business rate

- Deirdre Michie was at a meeting on business rates hosted by Aberdeen & Grampian Chamber of Commerce on 27 Jan attended by Derek Mackay.
- 2017 is a revaluation year – all commercial premises have their property value reassessed by independent Assessors. SG has no locus to intervene and no control over the tax rate and reliefs.
- Provisional revaluations show an average 22% rise in rateable value across Aberdeen City; this translates into an average 14% bill increase due to rating effects.
- The issue is not just the increase in Aberdeen values since 2010 revaluation, but the claim that the valuation was a high point in the market, with rents having now dropped due to the oil crisis.
- [REDACT]
- **Deirdre Michie, chief executive of Oil and Gas UK, has commented:** *“We look forward to further details from the Scottish Government about how today’s business rates announcements will support the oil and gas industry”*. Energy Voice, 21 February 2017

SG Action:

- On 21 February we announced a package of action to reduce business rates as part of the draft budget. The Small Business Bonus Scheme will be expanded from 2017 to lift 100,000 properties out of rates completely, while 8,000 business properties will no longer pay the Large Business Supplement, and the overall business rates poundage – the core tax rate that applies to the rateable value of business properties – will also be cut by 3.7% to 46.6p.
- We will work with the local councils on proposals to provide local support to businesses during the revaluation - and have welcomed Aberdeenshire Council’s plans to offer up to £3m for local rates relief support.

Annex F – Decommissioning Challenge Fund

- Decommissioning presents a great economic opportunity for Scotland and our supply chain is already securing a significant amount of work.
- The Scottish Government have already invested in infrastructure to support decommissioning activity in Scotland. This is demonstrated through the £2.4m public funding to develop the Dales Voe quay in Shetland
- The Scottish Government will initially make available **£5 million in 2017/18** through the new **Decommissioning Challenge Fund**. The DCF could support infrastructure upgrades and improvements at Scottish ports & harbours, or innovation in salvage and transport to port, to enable Scottish locations to secure onshore dismantling and disposal contracts.
- This fund builds on The Scottish Enterprise **Decommissioning Action Plan** and industry feedback highlighting that Scottish companies have been successful in winning offshore decommissioning work, such as high value plugging and abandonment work, but that investment is required at Scotland's ports and harbours to increase our capture of dismantling and disposal contracts.
- The DCF will deliver a key **Programme for Government** commitment to ensuring that decommissioning is executed in a safe, environmentally sound and cost effective manner and supports the ambitions outlined in our Energy Strategy and Decommissioning Action Plan.
- In its initial stages the DCF will promote innovation from industry to provide disruptive solutions to identified challenges and, importantly, increase activities supported by Scottish ports with associated job creation.
- There is potential for the DCF to be expanded in the following two years to support larger scale capital projects. Subject to funds being in the region of £30 million – £50 million.
- Applications to the DCF would be open to all port locations, based on clear application criteria. This will help address any potential concerns about providing funding to one location over another.
- A DCF Programme Board, drawn from government and industry, and chaired by the Director for Energy & Climate Change will oversee the delivery of the fund. The Board will assume responsibility for assessing applications to the fund and approval.
- We will engage with stakeholders to publicise the scheme. The DCF will align with cost reduction efforts related to retrieval and disposal activities led by the Oil and Gas Authority (OGA) and the Oil & Gas Technology Centre (OGTC)
- Decommissioning at Scottish Ports in line with the principals of a circular economy, would promote reuse of material over recycling and disposal where possible. The circular economy provides opportunities to reduce the energy intensity and emissions from decommissioning structures, but also provides opportunities to support the Scottish

economy through potential new job and business opportunities, and cost savings for manufacturing that may use decommissioned material.

Q&A

Does the DCF signal a change in policy for the oil and gas industry?

Over the past five decades, North Sea production has established an industry that has generated over £330 billion in tax revenues, and currently supports almost 125,000 Scottish jobs. Our draft Energy Strategy confirms our strong commitment to the oil and gas industry in Scotland and the positive role that the sector will continue to play. The Scottish Government remains committed to maintaining domestic oil and gas exploration and production, and maximising economic recovery. For the first time, we clearly articulate this within the context of our climate change objectives.

What proportion of work do you aim to be captured by Scottish companies ?

£1.1 billion was spent on decommissioning offshore infrastructure in the North Sea in 2015 with £2 billion expected in 2017. Total spend over the next decade is expected to reach £17.6 billion, with over half of this expenditure in the Central North Sea. To date the Scottish supply chain has been successful in securing contracts for high-value decommissioning work, such as well plugging and abandonment.

There are further significant opportunities for the Scottish economy, in particular in disposal and dismantling of oil and gas infrastructure. However, for Scotland to compete with other European countries for the market in onshore disposal and dismantling, investment is needed at our ports to make them competitive. The Decommissioning Challenge Fund will provide a springboard for the industry to make improvements to access this area of the decommissioning market.

What will the Decommissioning Challenge Fund achieve and is the fund sufficient to enable the level of change required?

The fund will support improvements at Scottish ports & harbours, and innovation in salvage and transport operations. This will stimulate activities at Scottish ports supporting job and business creation and provide cost savings for manufacturing that may use decommissioned material, following our principles for a circular economy.

We expect the initial £5 million seed fund to stimulate innovation and help identify the most competitive locations for decommissioning work. There is potential for the DCF to

be expanded in following years to support larger scale capital projects, and to utilise a range of innovative funding approaches.

Is the fund open to all Scottish ports and how will it be evaluated?

Applications to the DCF are open to all ports and consortium representing these locations. Following this announcement we will convene a DCF programme board, drawn from government and industry to oversee the fund. The Board will assume responsibility for developing clear assessment criteria that promote a strategic approach to decommissioning, for assessing applications to the fund and approval.

ANNEX G – SMAS Update

SMAS work with businesses across Scotland and in all sectors to improve productivity, efficiency and culture.

The energy sector is a strong focus for SMAS just now and so far in 2016/17, SMAS have delivered:

- 16 projects completed and 24 in progress
- The current project pipeline is expected to deliver a Value Add of around £7 million over the year.

In the last year, we have worked with Petrofac, Hydro Group, Aker Solutions, Hydrasun, Oceaneering and Petroineos and a further 30 other supply chain businesses - we are currently delivering our highest ever level of activity in the sector.

In addition to project work, SMAS are delivering a series of activities to allow Scottish O&G companies to learn from other sectors.

These include:

- Learning journeys to Toyota and to 'Mittelstand' companies in Germany
- Events on Cultural Change and Lean Essentials delivered in Aberdeen
- 'Optimisation of Production Processes' course aimed at industry supervisors in partnership with Robert Gordon's University. The first cohort included Cape, Balmoral Group, Subsea 7 and Proserv.

SMAS is uniquely placed to contribute to this activity since we work in all manufacturing sectors and are exposed to 'Best Practice' in operational efficiency in Scotland and beyond.

SMAS has a total of 24 practitioners across Scotland available to support Oil and gas companies. We have recently increased our team in Aberdeen to 4 people which now includes 3 former Oil and Gas practitioners.

David Howie, 13 February 2017

Annex H - Draft Minutes – 21 November 2016

DRAFT

Oil and Gas Industry Leadership Group

Minute of Meeting

Monday 21 November 2016, 11am – 1.00pm

Ardoe House Hotel, South Deeside Road, Blairs, Aberdeen AB12 5YP

Members

Present: Paul Wheelhouse MSP, Minister for Business, Innovation and Energy, Scottish Government – Co-chair

Melfort Campbell, Chief Executive, IMES Group – Co-chair

Andrew Ritchie, Shell UK

Andy Samuel, Oil and Gas Authority

Atholl Menzies, ASET

Bill Cattanach, Oil and Gas Authority

Bob Drummond, Hydrasun

Bob McAlpine, Dalriada Management Services Ltd

Chris Morrith, Nexen UK

David Rennie, Scottish Enterprise

Gavin Sutherland, KCA Deutag

John McDonald, OPITO

John Scrimgeour, University of Aberdeen

Maggie McGinlay, Scottish Enterprise

Martin Fidler, Scottish Enterprise

Mike Duncan, Energy Skills Scotland

Neil Gordon, Subsea UK

Patrick O'Brien, ITF

Paul Atkinson, Offshore Contractors Association
Robin Davies, Subsea 7
Rod Agnew, Stork
Roger Esson (for Karen Seath), Decom North Sea
Terry Savage, Global Energy
Tim Smith, BP

Speakers: Kerry Sharp, Scottish Investment Bank
Joan Gordon, Scottish Investment Bank

Observers: Anke Heggie, Scottish Enterprise
Linsey Wilson, Scottish Government
Gordon McGuinness, Skills Development Scotland
Sonja MacMillan, Scottish Enterprise
Andrew Hogg, Scottish Government
Neil Michie, Oil & Gas UK

Apologies: Angela Scott, Aberdeen City Council

Deirdre Michie, Oil & Gas UK

Stow, Institute of Petroleum Engineering

Dominic Macklon, Conoco-Phillips

Gavin MacKay, Highlands and Islands Enterprise

Grahame Smith, STUC

Sims, Expro

Mike Henderson, BIS Salamis Limited

Dorrik

Neil

de Leeuw, RGU / OGIC

Secretariat: Jan Peoples, Scottish Enterprise

1. Welcome, Introductions and Apologies

Melfort Campbell welcomed members to the meeting as well as new member Andrew Ritchie from Shell UK.

Apologies were noted as above.

2. Minutes from Previous Meeting and Actions

The previous minute (ILG meeting 4 July 2016) was approved and taken as an accurate record with the exception of 2.1 “Fund Change Programme” which was amended. Actions from the July meeting were noted as follows:

2.1 Supply Chain/OGA – Andy Samuel/Melfort Campbell/David Rennie presenting today

4.1 Invite someone from SIB to present Access to Finance – David Rennie – Complete – Kerry Sharp/Joan Gordon presenting today

5.1 EJTF Update – David Rennie presenting today

3. Ministerial Update

The Minister commenced by advising that the Aberdeen City Region Deal has been signed by the Scottish Government, UK Government, Aberdeen City Council, Aberdeenshire Council and Opportunity North East. Both the UK Government and the Scottish Government are jointly investing up to £250m.

The Scottish Government is also providing an additional £254m targeted towards infrastructure, digital connectivity and local housing programmes.

Cabinet Secretary for the Economy Keith Brown had recently returned from attending ADIPEC in Abu Dhabi, where 80 Scottish firms were represented. David provided more detail on this very positive trade mission later in the meeting.

The Minister advised he was happy to receive comments on the forthcoming Scottish Energy Strategy, which was due to be published in the next few months. The focus would be to set out a long-term vision of how our future energy sector, in terms of production and consumption might look like and ways to get there. He reinforced the importance of oil and gas in terms of meeting our future energy needs and economic

contribution while ensuring we develop our renewable and low carbon sectors as well. He pointed out that there is the opportunity to develop hydrogen and was also keen to progress CCS. Diversification remains important which will bring changes to the industry landscape.

The Minister spoke briefly about:

- The Scottish Transition Training Fund (part of the Taskforce) - surpassed its target levels.
- The Publication of the Decommissioning Insight Report by OGUK
- Tax relief – the Minister highlighted the need to ensure clarity over tax relief for decommissioning. He also stated that the UK Government must take action to consider loan guarantees to the oil and gas sector.

The Minister acknowledged that progresses on credit guarantees were moving slowly and that while the public sector finance position was not ideal, he would keep up the pressure for investment in both infrastructure and the supply chain.

He also pointed out that despite challenging circumstances, there were some encouraging developments. He pointed out that the oil and gas sector remains a highly valuable asset and the approach of maximising recovery is important. On decommissioning, the UK Supply Chain is already capturing contracts but can increase its scope. Scottish Enterprise and HIE are developing a Decom Strategy Action Plan which will be available shortly. .

4. Taskforce Update – including International Guides

David Rennie gave the following update:

David reminded the group that the taskforce, chaired by Lena Wilson, started in January 2015 and initially meeting monthly is now meeting on a quarterly basis. The Taskforce has a number of themes with industry champions for each one.

In terms of the actual number of jobs lost, this was more complex as the threshold to report redundancies to HMRC etc was a minimum of 50 so redundancies below that figure were not always reported. However, using our own intelligence, networks and reporting we were aware of approximately 12,000 direct redundancies in Scotland since July 2014.

Setting out examples of support delivered through the Taskforce:

- SE/HIE had to date's delivered 32 events, covering a whole range of areas such as leadership, resilience etc, with over 740 supply chain companies attending. The 'Back to Black Event' being held at Aker Solutions in Aberdeen on Friday, 2 Dec, as a reminder of help available to the supply chain.
- SE had also increased the levels of support available to companies in areas such as R and D and international activity. And there was an increased focus on innovation support. Members were asked to let SE know if they were aware of any companies who needed any support.

- There is a scheme available for enhanced support to help companies taking on a modern apprentice who have been made redundant elsewhere. 56 applications have been approved to date.
- Four job fairs had taken place in Aberdeen with over 3,500 people attending
- A set of country guides for 50 overseas markets had been published setting out high level opportunities in those markets
- With reference to the ADIPEC conference and exhibition in Abu Dhabi, one of the premier events of its type, Over 80 Scottish companies attended, 60 of those with the Scotland stand which won the best international pavilion.
- Over 2,500 applications had been made to the Transition Training fund managed by Skills Development Scotland with an increased number of approvals in recent weeks.
- A number of people made redundant from the sector were currently going through a retraining scheme supported by the Scottish Government to help them retrain as teachers.
- A series of guides highlighting diversification opportunities for the sector will also be published soon. .

David concluded that the current intention was for the Taskforce to meet into 2017 on a quarterly basis.

Brief discussions then took place around the Transition Training scheme and the need to wherever possible avoid duplication of offer and support. The Chair thanked the ongoing work of the Taskforce.

5. Access to Finance – Update on SIB Oil & Gas Sector Research

Kerry Sharp, head of the Scottish Investment Bank along with her colleague Joan Gordon then gave a presentation on the activities of the SIB. Key points included:

- The SIB works across Scotland and helps provide, along with private sector partners a range of funding options to businesses.
- As well as funding SIB works with companies to make them investor ready so it can be as much about support and advice and networks as well as funding. A snapshot of investment activity and levels was given of what was done between 2015-16 by sector.
- Joan Gordon then went on to highlight some recent research looking at the funding landscape for the oil and gas sector. It highlighted some gaps in areas such as debt funding and funding for SME growth. Specifically there were issues in areas such as technology funding; funding up to £5m.
- In contrast to some other parts of Scotland there was no real business angel or similar type networks in Aberdeen – informal networks were more frequent,

- Looking ahead there was a recognition of the need to raise awareness of SIB and what it can offer from funding through to financial readiness – additional SIB resources were being deployed in Aberdeen.
- SIB was currently looking at a range of options to see what else we can do to assist the sector. Feedback on the presentation and SIB support was then requested.

Discussions then took place on specific aspects of SIB role and how it might be able to do more to assist the sector. A number of members indicated that they were unaware of the level of support available from SIB and so it was agreed that separate follow ups would take place where this was of interest.

Actions:

5.1 A link of the SIB report to be sent to the ILG – Kerry Sharp

5.2 Melfort asked the members to let David know who wished to discuss SIB support in more detail – David Rennie.

6. Supply Chain / OGA – Update and Discussion

Andy Samuel gave an update which highlighted:

- Progress on the MER UK agenda highlighting successes and that while a lot had been done in 2 years there was a lot left still to be done. There was some sense from the investment community that the message that the North Sea remained a valuable long term asset ripe for investment was getting through although a lot of work still remained ahead.
- Work on the Vision 2035 was continuing with a focus on highlighting the scale of future revenues remaining, both domestically and internationally. He reminded everyone there is a future and massive opportunities ahead and while it was remained challenging we were getting a clearer sense of the steps we needed to take to achieve this, such as a stronger focus on supply chain, technology and international. Confidence was important and we all needed to take every opportunity to carry the message regarding the vision and the long-term opportunities that remained.
- In terms of workforce engagement progress continues to be made and that there was a broad understanding that for a more sustainable industry, the behaviours and markets conditions of a few years ago were in many instances unsustainable.

Melfort pointed out the important of engagement with people to get to a common purpose. He referred to the ‘three legged stool’ covering fiscal, investment and the supply chain and the need to get this correct to achieve MER. Our focus needed to be on the supply chain element. He pointed out that it was up to the group to convert the opportunities Andy creates. So we needed to look at how we create the conditions and opportunity for the supply chain to make the investments required to help achieve our ambitions.

Melfort advised that a number of discussions with Neil Sims, Chair of the UK wide OGA supply chain and exports group on this topic had been held as it was important take a UK wide approach here and these discussions would continue. . There was the need to get the message across that oil and gas is a much bigger and a more complex industry than many thought and it was much more than production.

The discussion that followed included:

- The industry needed to come up with practical ideas and actions as to how to take this agenda forward – there was still a sense of untapped potential from the supply chain – what are the opportunities and how can we better promote best practice.
- We all have a responsibility to bring about the change that we all agreed is needed – and we needed to promote better the opportunities that the sector still offered and what is being done to help improve sector performance etc.
- There was a need to provide a better sense of what future demand is likely to be in order for the supply chain to meet it

Melfort requested the thoughts of those who want to be involved on engagement in this area to broaden conversation with the supply chain.

Action:

5.1 Item for Agenda - This subject to be discussed further and updated upon at the next ILG meeting.

6. AOB, Future Agenda Items and Next Meeting

The Minister concluded by stating that he felt that this has been an excellent meeting and a good opportunity for direct engagement with the industry and he found it very helpful including the discussion on Access to Finance.

Suggested Future Agenda items included:

- A discussion on the Scottish Manufacturing Advisory Service (SMAS)
- Taskforce update
- Engagement with Supply Chain

Melfort Campbell thanked everyone for attending.

The 2017 ILG meetings were still to be confirmed. Members were asked to forward suggestions for any Agenda items, etc., to Janet.Peoples@scotent.co.uk

Annex I - Attendees (Current as at 27 Feb 2017)

ILG Chair		
Paul Wheelhouse MSP	Scottish Government	Y
Melfort Campbell	Imes	Y

Member Name	Company	
Andrew Ritchie	Shell UK Limited	Y
Atholl Menzies	ASET	Y
Bill Cattanach	Oil and Gas Authority	Y
Bob Drummond	Hydrasun	N
Bob McAlpine	Dalriada Management Services Ltd	Y
Chris Morritt	Nexen UK	N
David M Rennie	Scottish Enterprise	y
Deirdre Michie	Oil & Gas UK	Y
Dorrik Stow	Heriot Watt University/ETP	Y
Gavin MacKay	Highlands & Islands Enterprise	Y
Gavin Sutherland	KCA Deutag	Y
Grahame Smith	STUC	Y
John McDonald	Opito	Y
John Scrimgeour	University of Aberdeen	N
Roger Esson	Decom North Sea	Y
Margaret McGinlay	Scottish Enterprise	Y
Martin Fidler	Scottish Enterprise	Y
Mike Duncan	Energy Skills Scotland	Y
Mike Henderson	BIS Salamis Limited	Y

Mike Horgan	Amec Foster Wheeler	T
Neil Gordon	Subsea UK	Y
Neil Sims	Expro	Y
Pat O'Brien	ITF	Y
Paul Atkinson	Offshore Contractors Association	Y
Paul de Leeuw	RGU	Y
Phil Simons	Subsea 7	Y
Richard Sweetnam (for Angela Scott)	Aberdeen City Council	Y
Rod Agnew	Stork	Y
Stuart Payne (for Andy Samuel)	Oil and Gas Authority	Y
Terri King	Conoco-Phillips	N
Terry Savage	Global Energy	N
Tim Smith	BP Exploration Operating Co Ltd	Y

Speakers		
David Howie	SMAS	Y
Nick Shields	SMAS	Y

Observers		
Linsey Wilson	Scottish Government	Y
Andy Hogg	Scottish Government	Y
Lynn Carter	Scottish Enterprise	Y
Sonja MacMillan	Scottish Enterprise	Y

Secretariat		
Jan Peoples	Scottish Enterprise	Y