

MINUTES FROM THE SLG MEETING HELD ON THURSDAY 4 JUNE 2020

Ministerial opening remarks.

- Since the last meeting on 7 May the impact COVID-19 is having on the sector continues to be seen. Discussions continue with businesses within the sector to hear first-hand what the current situation looks like for them.
- The OGUK Pandemic Steering Group (PSG) continues to lead on a significant amount of activity in responding to the impact of COVID-19, and working with the sector to respond to and resolve ongoing issues.
- The remit of the Strategic Leadership Group (SLG) is:
 - to address the immediate challenges of COVID-19,
 - look ahead to restart and recovery and,
 - to develop an understanding of the new normal to create a sustainable industry for the future.
- It is important that the work of the SLG complements other Strategic Groups including the Advisory Group on Economic Recovery and the newly created Enterprise and Skills Sub-Group. The Scottish Government is continuing to work with all partners including our Enterprise Agencies, Skills Development Scotland and the Scottish Funding Council to consider how short, medium and long term needs can be addressed.
- The North East is facing a set of unique challenges, the economy is significantly exposed to cross-sector impacts of the COVID-19 pandemic, the associated downturn in oil and gas commodity prices and reduced activity within the sector. Approximately 1 in 5 jobs in the North East Scotland are estimated to be directly or indirectly supported by oil and gas industry, compared to around 1 in 25 for Scotland as a whole.
- It is important that we look forward and seize opportunities to support a green recovery and Scotland's ambition to net-zero.
- Energy transition is at heart of the Scottish Government's plans for supporting a sustainable economy recovery. As part of our Green Recovery approach, the Scottish Government wants to deliver inclusive and sustainable growth across the region, a Just Transition for the sector and its employees.

The minutes and action points from previous meetings were cleared and agreed.

Update from Oil and Gas Authority.

Andy Samuel

- Crisis recovery and the green recovery is currently the main focus. In particular on the back to work element, where the maintenance workstream has estimated around 10,000 jobs will be protected if maintenance can be back up and running in a safe way.
- To get rigs back working, there has been a lot of discussions with the UK Government and Treasury, as well as with industry to progress this area of work.
- Decommissioning and P&A work could be taken forward, looking to the UK Government at getting a loan of £100 million, it is estimated there is £700 million of decommissioning activity which has been deferred out the 2020/ 2021 workplans. At least 500 direct jobs are seen as being at risk.

- Looking to the future and green recovery. Confirmed there will be a presentation at the MER UK Forum next week (11 June) with a green recovery set of measures to be presented. This will allow help in a wide range of ideas within the sector including offshore power emissions, electrification, and carbon capture and energy hubs.
- The Supply Chain Exports Task Force has been working on the green recovery and getting back to work but also carrying on the work on diversification and exports. The team have identified £720 billion of project activity which is still going on across the globe in the top 100 projects. UK companies need to take advantage of this opportunity.

Update from Oil and Gas UK.

Deirdre Michie

Pre-readouts circulated.

- OGUK have carried out a review of their 2035 roadmap. It looks at how oil and gas can contribute to the economy in terms of security of supply and jobs as well as the role it can play in contributing to net zero ambitions.
- Looking at the impact of the supply chain and jobs from the effects of Covid-19 and the low oil price, the report suggests 30,000 jobs being lost in the next 12-18 months if conditions persist. The unofficial figures suggest around 3,000 people have been made redundant to date and a further 3,000 have been furloughed.
- Activity, in particular CAPEX activities have been pushed back to 2021. Even if the oil price makes a recovery this likelihood is the activity will not return soon.
- OGUK have put in place a three phase framework: protect, recover and accelerate. They are currently working on recovery sector guidelines which will be ready to send back to Scottish Government shortly.
- Asymptomatic testing is crucial for the next phase of recovery as the industry up-mans and increases activity. OGUK have been tracking the data in relation to suspected COVID-19 cases offshore which has highlighted that the pre-emptive barriers that industry has put in place are working.
- OGUK are pleased there is an industry exemption for the sector from the 14 day quarantine on people arriving in the UK from overseas which comes into force on 8 June. However, some of the supply chain aren't exempt this has highlighted a risk when looking at exports and ongoing activity with other countries.
- For the Recovery piece of work, OGUK are trying to give visibility to the work that will take place next year. What can be brought forward that is safety critical and essential asset integrity work. These will be brought forward to this year.
- On accelerating transition, the Roadmap 2035 has been looked at by RGU to make sure it is still relevant in a post-covid context. It's still too early to tell but the original targets are being adhere to at present.
- Roadmap 2035 looks at providing around half of the UK's oil and gas needs and up to 14,000 new jobs. OGUK are confident that their roadmap 2035 underpinning the green recovery is still fit for purpose.
- The oil and gas sector deal is seen as a catalyst to drive Roadmap 2035. The sector deal's purpose is to accelerate and affordable just transition to a net zero future, as well as stimulating jobs growth while meeting the UK's energy needs. As part of this

there are specific areas of focus on energy transition, technology and innovation and skills.

Sir Ian Wood - Energy Transition Zone

- Energy transition is the biggest opportunity currently with opportunities in offshore wind, blue and green hydrogen, and CCUS. Core to these is developing a cluster of energy technologies in the north east.
- Key to the Energy Transition Zone is the new Aberdeen Harbour South project. This not only provides the best marine port for energy related activities in the east coast of Scotland but also on the east coast of the UK. This could become a centre of excellence for offshore wind and could provide services in assembly and manufacturing. It could also house hydrogen production storage and distribution, support the CCUS projects, provide research test and demonstration for the integrated activities. It will also become a skills development area. There will be diversification opportunities for the oil and gas sector.

Colette Cohen – OGTC: Energy Integration

- There has been a lot of background work on the Sector Deal, working cross sector and cross industry in integrated energy vision. The OGTC have partnered with the offshore renewable catapult and unit technology landscaping study, which is supported by the Scottish Government.
- Part of this work is looking at integrated energy needs, what is the next thing for the North Sea, this is the perfect time to invest with industry support
- From this five programmes have been created including:
 - Energy Transition Hub
 - European Hydrogen Backbone
 - Digital North Sea
 - Direct Air Carbon Capture
 - Alternative Fuel Gas Turbine

John McDonald – Energy Skills Alliance

- Energy Skills Alliance is bringing skills together for a net zero energy industry. At the last meeting 25 senior leads across the industry met to identify 4 projects for short, medium and long term actions:
 - Energy skills demand and supply
 - STEM
 - All energy apprenticeship
 - All energy training and stats
- There is a shared focus for pace and deliverables and aligned activity links across all aspects of programmes being taken forward.
- There is a need for help to take this forward to make sure the delivery is supported and will involve massive collaboration.

Update from Scottish Enterprise and Skills Development Scotland.

Linda Hanna (Scottish Enterprise)

- To support business on economic recovery the enterprise agencies have mobilised a helpline for Covid-19 support and their business support website has had over 1.3 million page views.
- Mobilised investment in innovation systems in the Manufacturing challenge funds, to ensure they are supporting business coming into recovery under the Covid re-start guidelines.
- For funding support the Pivotal Enterprise fund has been launched. Scottish Enterprise (SE) are using our long term relationships with funders to support companies find and access the funding they need.
- Supporting Scottish Government on the joint campaign for supporting companies going back to work and to produce guidance.
- SE are heavily engaged in opportunities around energy transition, working with NECCUS on CCUS with hydrogen is a large focus to identify opportunities.
- HIE have been working a lot around Deep Wind, one of two offshore wind development clusters, to identify and highlight options for the supply chain to diversify.

Gordon McGuinness (Skills Development Scotland)

- SDS have identified 4,500 people either redundant or at risk of redundancy.
- Furlough has masked the unemployment issues so far but expect an increase across sectors as companies go into consultation phase.
- Youth transition is a large focus, looking at how youth apprentices can be protected and avoiding youth unemployment. Not making the mistakes of the past.
- Competition for skills. There is an international market for skills in oil and gas but there are still challenges from BREXIT to tackle.
- Inclusive Growth and fair work – Seeing the impact of zero hour contracts, looking at how to protect these people.
- Helping people across sectors to maximise opportunities.

Update from Trade Unions/ STUC.

Jake Molloy

- Continuing to see a worsening situation for the workforce as the furlough scheme changes with many expected to be made redundant as companies cannot bear the increased costs
- The conditions for those that remain in jobs is also lessening as many are taking cuts in pay and conditions.
- Norway has an energy transition roadmap, a similar roadmap from UK Government would be welcome and the unions are pushing for engagement in this. This would enable action towards energy transition to begin.
- Suggested that regulations and licencing should be adapted and this requires the UKG's intervention.
- Advised that no one was listening to this workforce crisis. The operators are insisting on cuts, which affects the supply chain companies.

John Boland

- Pushing to raise issues the industry face and have put these to Scottish and UK MPs
- This workforce crisis is happening now and we need action now, noting that many are taking cuts to pay and benefits.

Discussion: Energy Transition

The second element of the meeting was taken up with a discussion on 5 key areas:

- the Energy Transition Zone,
- the Net Zero programmes,
- the Global Underwater Hub,
- possible hydrogen and CCUS projects and
- a possible OGA stimulus package.

David Brooks

- Supported the comments that Deidre made around the current sector deal. The sector deal will be very important to provide the support that the industry currently needs but also in meeting the timetable that will allow us to meet our net-zero targets.
- The overlap between CCUS and the sector deal for the industry is obvious and it will help support jobs, exports as well as energy security. Therefore, on behalf of UK operators, we would welcome the Minister's support to the sector deal.

Arne Gürtner

- We understand the importance of net-zero and the need for the industry to transition. It is important for operators that we understand how net-zero can be achieved. One way of achieving this involves negative production, but as an industry we seek to support activity from Tier 1 emissions to deep carbon decarbonisation projects like CCUS or hydrogen. It is important that we understand that net zero can be achieved by different means. I hope Scottish and UK Governments realise what the industry has to offer to achieve net-zero. This is an important ask of the sector deal and we realise that while we are committed to driving emissions down, we will also need the required governmental support to drive some of these projects.

Tom Gilchrist

- From a supply chain perspective, these are really good initiatives which will now require pace and momentum. These initiatives which in some cases were considered by the industry as far-working projects need now to be brought forward.
- While the furlough scheme has been very important to keep companies going, it can only go so far. We need a strong supply chain as the skills they have will be essential for going forward or energy transition. Finally, there are many initiatives and we need now to identify the ones to be prioritised first.

Gordon Stirling

- These are some great initiatives but we have an urgency to increase activity immediately and some of these initiatives will take time to develop. Therefore we need to identify the projects that can be taken forward now to help save the skills and the

workforce. Taking forward projects that might already be in the design phase or in procurement might help with achieving this.

- We need to consider how history judges us as we try to implement this ambitious transition. Therefore, we can't allow the perfect to be the enemy of the good.
- Finally, these are important conversations but we also need to find a way to provide hope to the 4500 people that are either redundant or in risk of redundancy. We need to find a way to give these initiatives the required visibility to provide hope to the workforce currently struggling to stay in the sector.

Sian Lloyd-Rees

- To build on Gordon's point, it is visibility and tangibility that will allow companies in the supply chain to hold on and keep the skillsets that are needed. We also need pace to maintain focus and one key to doing so is to ensure that the technology providers and those who employ the skillsets are engaged early so that they can help shape the future.

Sir Ian Wood

- There are major opportunities to achieve energy sufficiency but the problem we have is that the more significant jobs coming for the energy transition will be coming over the next two or three years which will make the coming years a challenge.
- We need to try to significantly increase the number of jobs in the oil and gas industry despite the current crisis that the sector is facing. One possibility would be to look at some of the projects currently postponed or cancelled and devise some short term incentive program to encourage their development. Other actions could include bringing forward decommissioning, increasing skills and diversification or actions to enhance internationalisation.

Trevor Garlick

- We are very supportive of these projects and the 6 areas that Deidre has highlighted for the sector deal. The difficulty will be around prioritising these projects and finding a phased approach to support them.

Paul Wheelhouse MSP

- In response to some of the points, we are keen to work in partnership with Mr Kwarteng his team at BEIS to accelerate the sector deal.
- We recognise the point for need for strong leadership, not just at government level but also in the industry.
- As mentioned by Gordon, we need to find a way of providing hope to the workforce that there is a future for them and a role to play in the transition.
- We are looking at the ways as a Government to reprioritise capital spend to try to maximise the pace of the economic recovery and the type of interventions that we can make to stimulate the economy of the North East and the energy sector.

Andy Samuel

- In terms of prioritising projects, I want to reiterate that we have screened 60 projects which we have brought down to 5. So things are moving at a considerable pace.

- We are looking to support the green recovery with stimulus packages rather than giving 2 year blanket extensions to projects.
- With regards to the MER UK Forum, I would appreciate that all participants in this call expecting to attend could provide support to projects such as the Energy Transition Zone or the Global Underwater Hub that Colette presented.
- Finally, there is a bit of an elephant in the room with regards to the green recovery. As Sir Ian Wood mentioned, there is a time urgency to initiate the green recovery but the two or three coming years will be challenging until there is a workforce that has the required skills to take this forward.
- There is also a need to recognise that a drive toward digitisation will reduce jobs, so we need to focus on creating a manufacturing capability in hydrogen & floating wind as well as accelerating decommissioning to ensure that jobs can be created in those fronts.

Melfort Campbell

- As an industry we have now a very clear ask which is totally aligned around economic activity, job and employment and the green agenda. I believe we are touching all the bases but we now need real commitment from a government level to stimulate the investment and demand in the market place which allows companies to employ people, stimulate the supply chain, etc. This will be driven by the spawning of capital investment projects.
- A question to the government would be, has the industry done everything it had to do to be prepared for the transition or is there something else the government believes needs to be taken forward?

Deidre Michie

- As a reflection, this is a global crisis that the industry needs to face. While these are very difficult and challenging times, I do believe that the industry is really trying to make this move forward and that as a sector we need to recognise that there are many positive contributions that the industry is seeking to make.

Helena Charlton

- Next week we have the MER UK Forum coming up and I hope that will be an opportunity for the UK Government to respond to the package of proposals from industry to help support the sector, that have been put forward.

Paul Wheelhouse

- I do hope that there will be positive support to the discussed package of proposals coming out of the MER Forum UK next week.
- From a SG perspective, while we are not able due to the reserve nature of offshore activities to directly intervene to stimulate activities offshore, we do have a role to play in stimulating activities onshore and helping support the supply chain. In that regard, we are trying to encourage engagement between the oil and gas sector and other parts of the energy sector such as offshore wind.
- With regards to the 5 projects and as Andy said, it is important to recognise the importance of these projects during the MER UK Forum so that we can better

understand the support that the industry requires and so put together the support package that can help the sector through this crisis.

- I would also like to echo Deidre's point that there is plenty of work being done in the background that there are many positive contributions that the industry is seeking to take forward.

Colette Cohen

- There is great momentum and great ideas but we need pace and clarity at this stage. The advancement of digitalisation will have an impact on jobs and therefore we need to increase the manufacturing capabilities to alleviate the jobs that would be lost through digitalisation.

Paul Wheelhouse

- This has been a very helpful session and I would like to note the comments around pace and the need for phasing. This will discussion will help support Scottish Government's response to supporting energy transition opportunities and ultimately the sector.
- My message is that we need to try to engage in a dialogue that reaches out to those working in the industry, trying to communicate the details of the five projects that we discussed today to provide that glimpse of hope.
- We still encourage people to get in touch with us if there are challenges that they or their companies are still facing so that we can provide the necessary support.
- Our next meeting is scheduled for the 2 July so please let us know if this causes any significant issues.

Meeting Close

List of Attendees

- Paul Wheelhouse - Minister for Energy, Connectivity and the Islands
- Andy McDonald - SE
- Andy Samuel – OGA
- Arne Gurtner – Equinor
- Audrey MacIver – HIE
- Colette Cohen – OGTC
- Dave Moxham is attending on behalf of Rozanne Foyer – STUC
- David Brooks – Ineos
- Deirdre Michie – OGUK
- Gordon McGuinness – SDS
- Iain Donald - Enpro
- Jake Molloy – RMT
- Jim Savege – Aberdeenshire Council
- John Boland – Unite
- Kathryn McKee is attending on behalf of Ariel Flores BP
- Liz Rattray is attending on behalf of George Boyne – University of Aberdeen
- Melfort Campbell – Imes Group
- Mike Smith – NECCUS
- Murdo McIver – One Peterson
- Paul De Leeuw – RGU
- Peter Black – EnergySYS
- Richard Knox – EC-OG
- Sian Lloyd-Rees – Aker Solutions
- Steve Phimister – Shell
- Terry Savage – Global
- Tom Gilchrist is attending on behalf of Nigel Lees – Wood
- Trevor Garlick – ONE

Guests

- David Rennie – SE
- Gordon Stirling – OCA
- John McDonald – OPITO
- Mark Abbey – CHC Helicopters
- Sir Ian Wood – ONE
- Steve Dunlop - SE
- Stuart Payne – OGA

Facilitator

- Andrew McCallum – Aspect Reputation Management

Observers

- Alisdair McIntosh – SIB
- Gavin MacKay – HIE
- Jenny MacDonald – SDS
- Jenny Stanning - OGUK
- Jill Glennie - OPITO
- Juliet Cramb-Low – Scottish Government
- Kevin Taylor – SE
- Kirstin Gove - SCIS

- Rebecca Groundwater – OPITO
- Robert Dunn – Scottish Government
- Sonja MacMillan – SE

Secretariat

- Linsey Wilson – Scottish Government
- Scott Bradley – Scottish Government