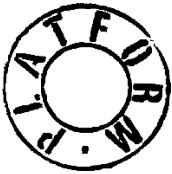




# Time for a managed phase-out of North Sea oil and gas production, with support for workers and communities

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April 2020



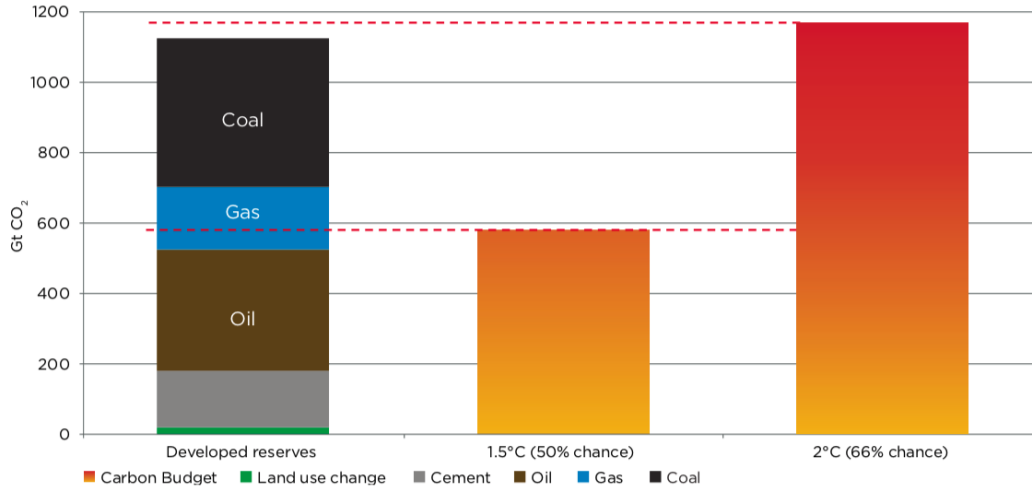
<http://priceofoil.org/sea-change/>

# Over the next few minutes...

- Emissions from already developed fossil fuel reserves are not compatible with climate goals
- Maximising economic recovery = not compatible with climate goals
- COVID-19 and an managed and equitable vs an unmanaged and inequitable decline of oil and gas
- Another world is within reach
- Recommendations

# Enough oil and gas already

Figure 1: CO<sub>2</sub> Emissions from Developed Fossil Fuel Reserves, Compared to Carbon Budgets (as of Jan. 2018) within Range of the Paris Goals



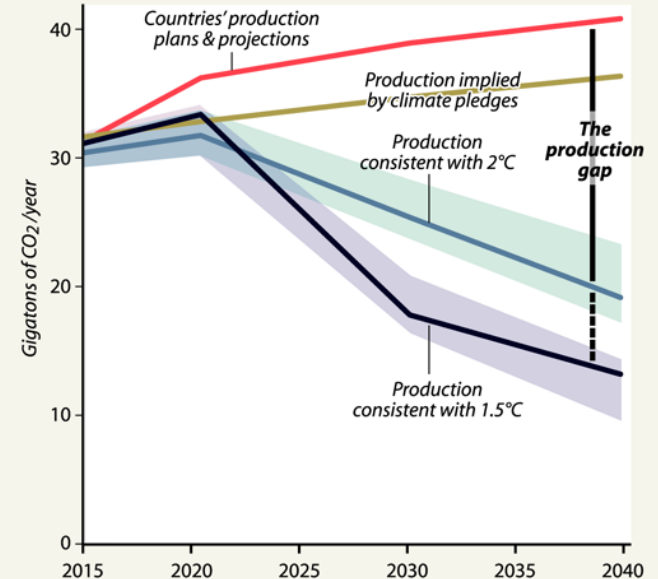
Sources: Oil Change International analysis<sup>18</sup> based on data from Rystad Energy, International Energy Agency (IEA), World Energy Council, and IPCC

## The Fossil Fuel Production Gap

A new report released by the United Nations found a significant gap between the emissions pathway needed to keep global warming under 2°C and the emissions that would come from countries' current oil, gas and coal production plans.

### GLOBAL FOSSIL FUEL EMISSIONS

In gigatons of CO<sub>2</sub> per year, 2015 projected to 2040



# Maximising economic recovery of oil and gas

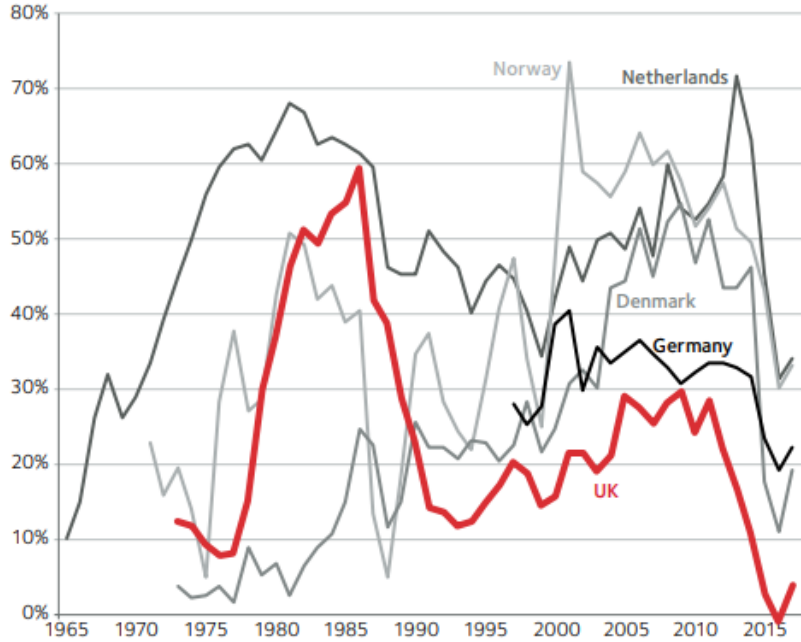
- “Maximizing Economic Recovery” (MER) Strategy (March 2016). Legally binds the OGA, petroleum licence holders, operators appointed under those licences, infrastructure owners, planners and commissioners to:

*“... in the exercise of their relevant functions, take all steps necessary to ensure that the maximum value of economically recoverable petroleum is recovered from the strata beneath relevant UK waters.”*



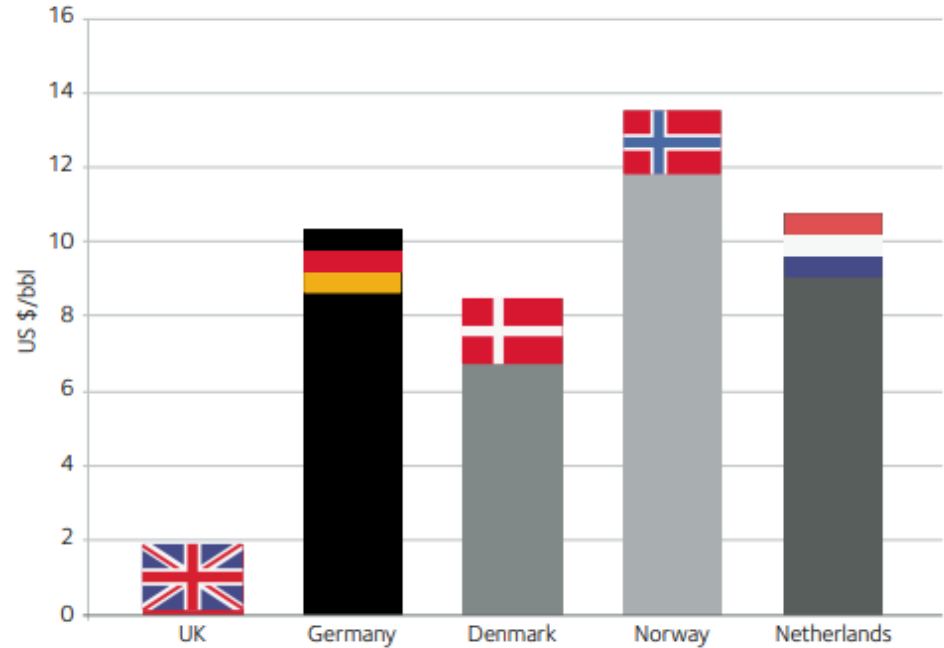
# Economic to whom?

Figure 13: Effective tax rates for oil and gas extraction in the North Sea



Source: Juan Carlos Boué<sup>149</sup>

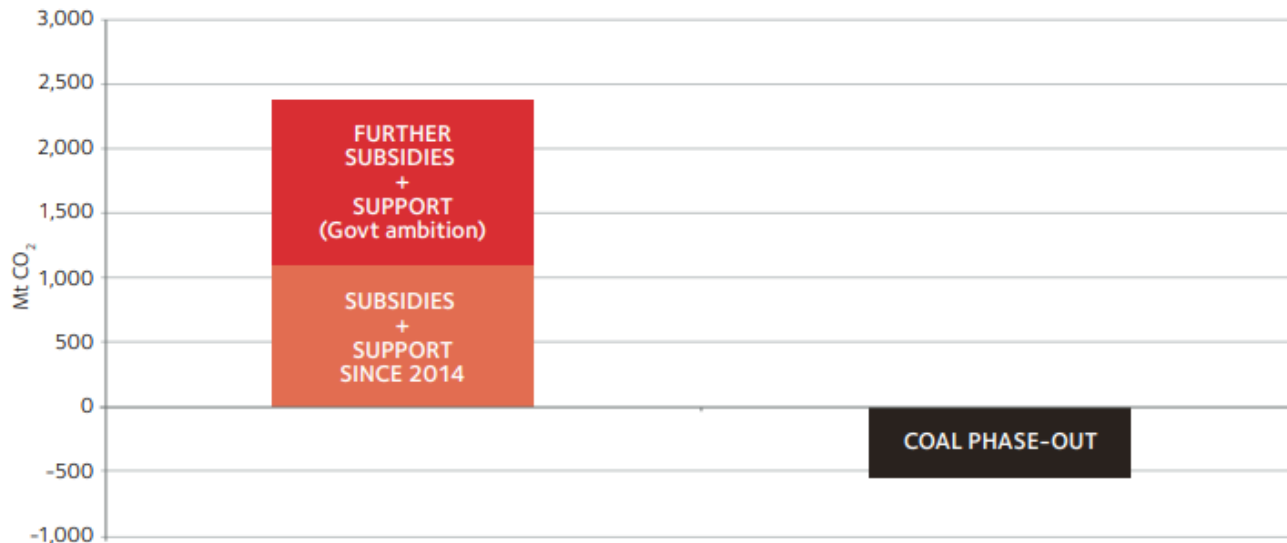
Figure 14: Government revenue per barrel, North Sea countries, 2017



Source: Juan Carlos Boué

# Economic to whom?

Figure ES-5: Effect on 2016–2050 carbon emissions of UK support and subsidies for oil and gas extraction, vs UK coal phase-out

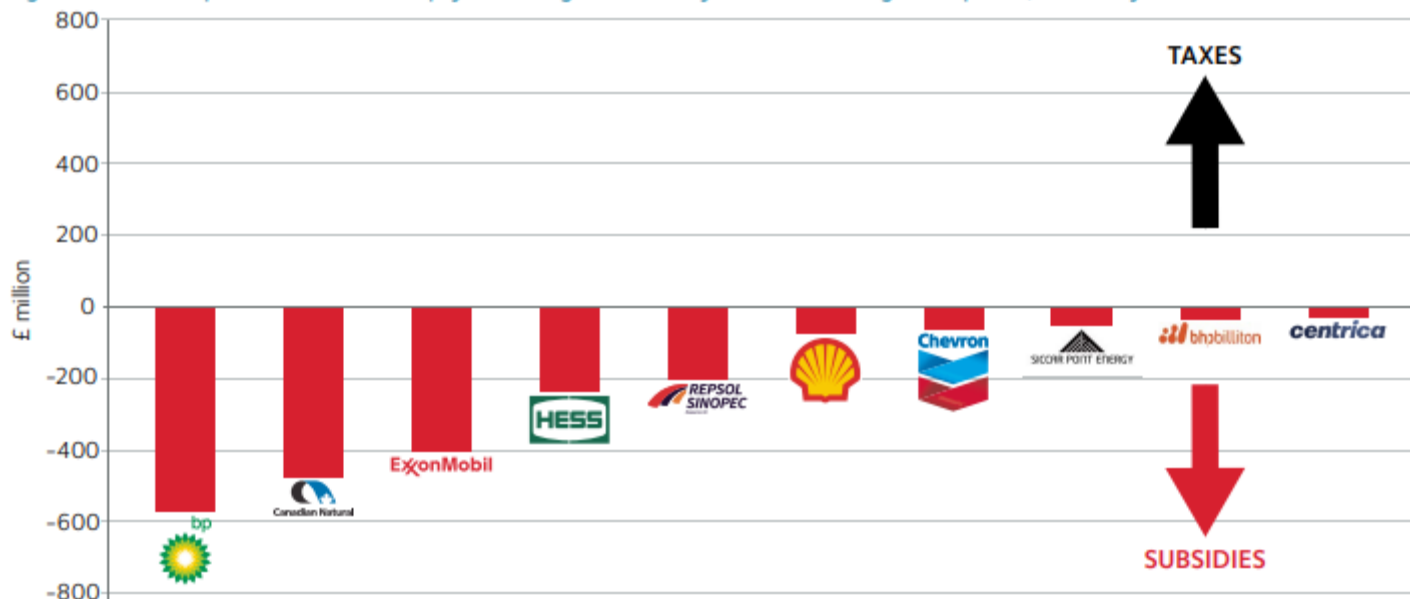


Sources: Rystad UCube, Oil and Gas Authority (OGA), Department for Business, Energy & Industrial Strategy (BEIS), IPCC<sup>9</sup>

Recent subsidies for oil and gas extraction will add twice as much carbon to the atmosphere as the phase-out of coal power saves

# Subsidies to oil and gas majors

Figure ES-4: The top ten takers: Total net payments to government by selected oil and gas companies, calendar years 2015-17

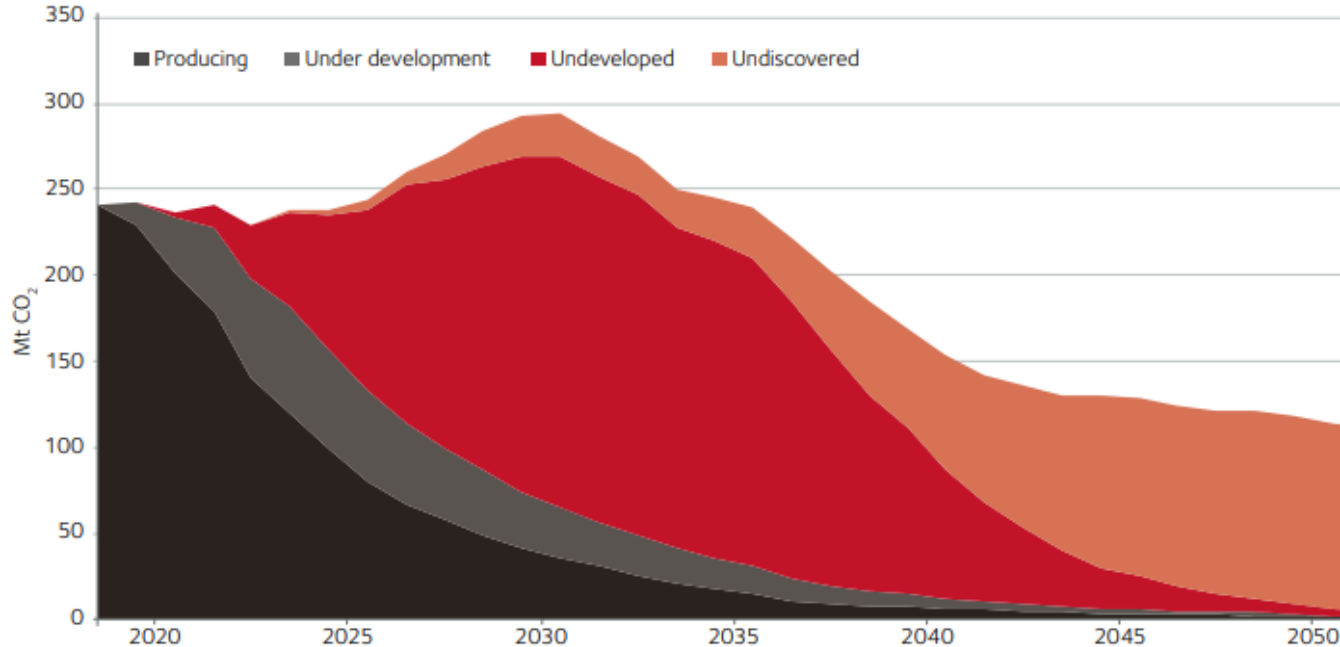


Source: UK Extractive Industries Transparency Initiative (EITI) Multi Stakeholder Group<sup>7</sup>



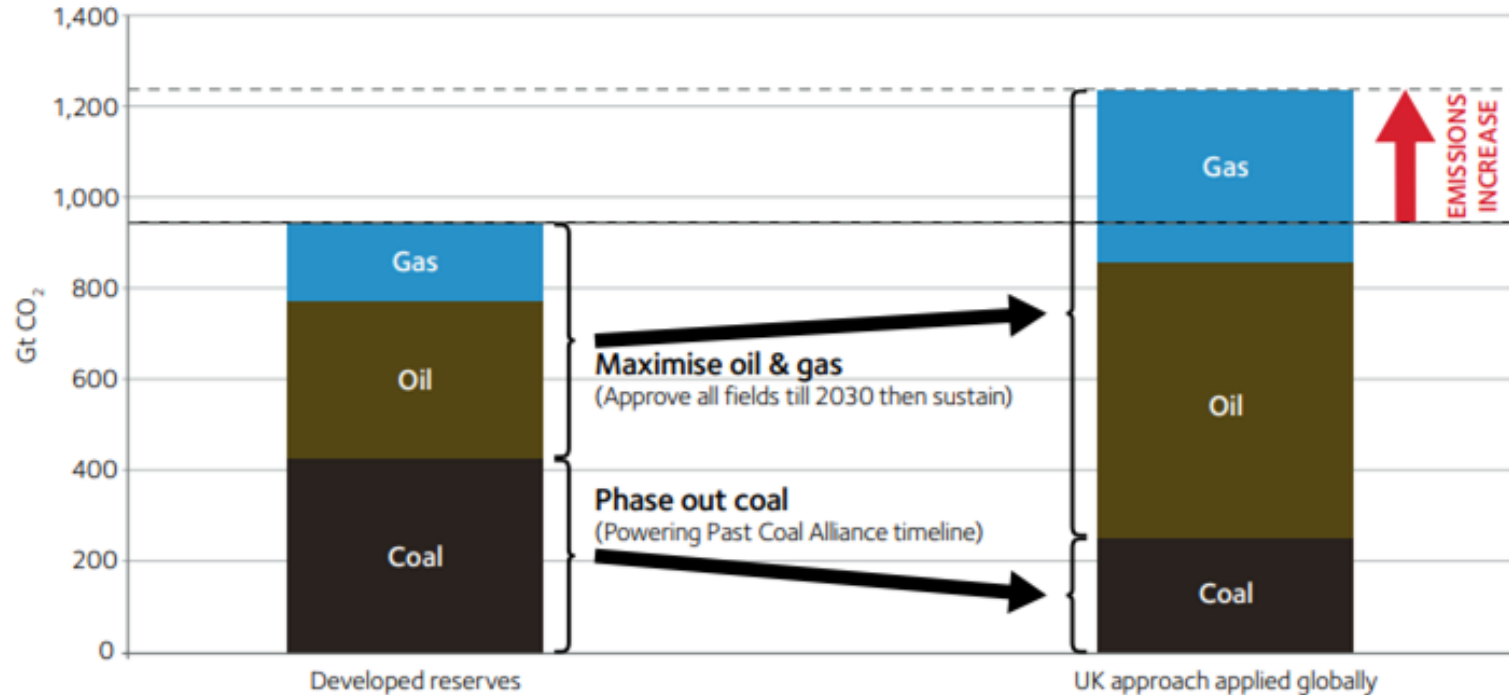
# Projected emissions from UK oil and gas (pre-COVID-19)

Figure ES-2: Projected carbon dioxide emissions from UK oil and gas, 2018-50



Sources: Rystad UCube, IPCC, OCI analysis

# If all countries were to follow the UK's approach...



Sources: Rystad UCube, IEA, World Energy Council, IPCC, OCI analysis<sup>4</sup>

# Near-term challenges

Oil & Gas industry

✓ Added

## Third of North Sea oil and gas likely to be left in ground

Threat from depressed crude prices charted by study as Energean deal collapses



Brent dropped below \$25 a barrel last month for the first time in 17 years © Michal Wachucik/Equinor

Nathalie Thomas in Edinburgh MAY 20 2020



## More than 4,000 North Sea oil rig jobs cut amid Covid-19 crisis

Oil companies cut workforce by 40% in two weeks to help stem spread of coronavirus

- [Coronavirus - latest updates](#)
- [See all our coronavirus coverage](#)



▲ The number of workers operating the North Sea's platforms typically stands at about 11,500. Photograph: Danny Lawson/PA

# A long-term solution?

NEWS / LOCAL

## North-east MSP calls for increased support for oil and gas sector

by David Proctor

🕒 02/06/2020, 4:36 pm



North-east MSP Lewis Macdonald is calling for increased support for the oil and gas sector

COMMODITIES

MARCH 19, 2020 / 1:27 PM / 3 MONTHS AGO

## Britain's oil industry calls on public purse as first fields shut

Shadia Nasralla

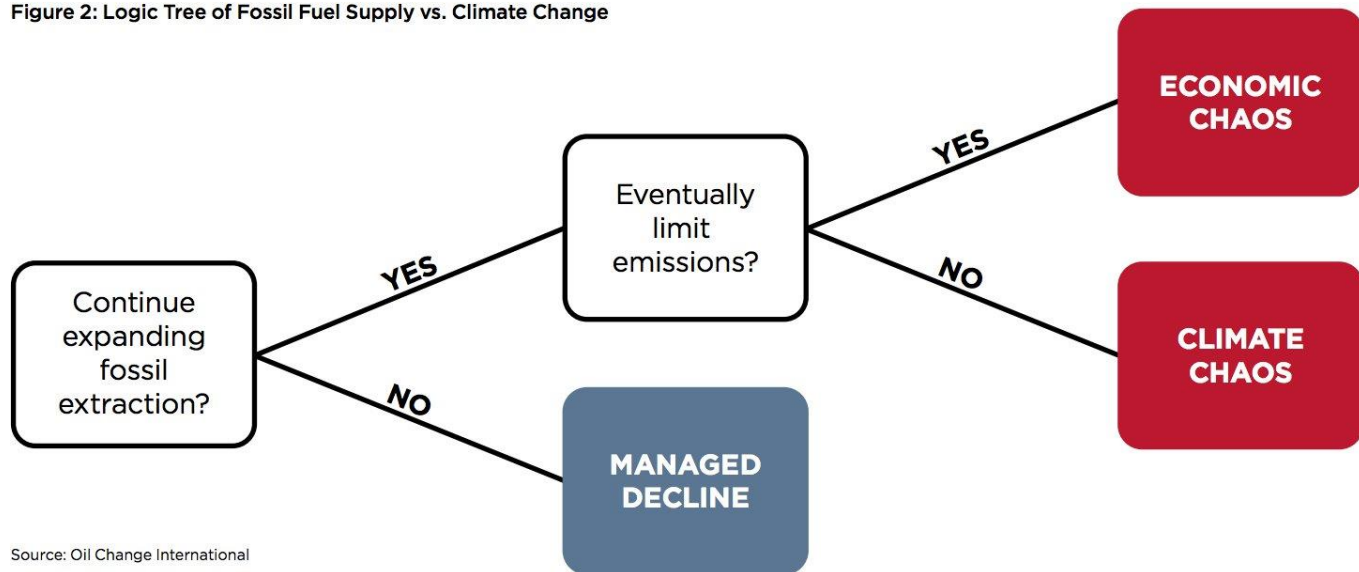
4 MIN READ



LONDON (Reuters) - Britain's oil and gas sector called on the government on Thursday to help it survive, as an oil price crash triggered the first field shutdowns in the North Sea, home of the Brent crude stream that underpins global oil prices.

# Managed vs an unmanaged decline

Figure 2: Logic Tree of Fossil Fuel Supply vs. Climate Change



Source: Oil Change International

# A fair global fossil fuel exit



	Lower dependence	Higher dependence
Higher capacity	<b>RAPID PHASE-OUT Without international support</b> (e.g. Canada, Germany, Norway, UK, US)	<b>SLOWER PHASE-OUT Without international support</b> (e.g. Brunei, Kuwait, Saudi Arabia, UAE)
Lower capacity	<b>MODERATE-PACE PHASE-OUT With international support</b> (e.g. Bolivia, Mozambique, Tanzania Vietnam)	<b>SLOWEST PHASE-OUT With international support</b> (e.g. Equatorial Guinea, Iraq, South Africa, Timor <u>Leste</u> )

# Another world is within reach

- Fossil fuels will not deliver on long-term economic recovery whilst exacerbating the climate crisis: fossil fuels were already showing signs of permanent decline before the current crisis.
- Three studies – by the [Centre for Alternative Technology](#), [Stanford University](#) and [Vivid Economics](#) – have shown how the UK could be entirely powered by clean energy by 2050 or earlier. Other studies show this could be achieved worldwide.
- These studies use only existing technology, showing that there is no practical barrier to a full transition. With wind and solar now cheaper than gas power in the UK and through much of the world, the transition is affordable. In fact, it could save consumers and taxpayers money.
- For every oil and gas job affected by a managed phase-out of extraction, more than three new jobs could be created in renewable energy or energy efficiency retrofits of homes.



# Key recommendations

- Preventing a complete crash of the oil market is a temporary and dangerous fix to a structural problem.
- Governments need to look beyond the short-term and towards a reduction of oil and gas production in line with climate goals, whilst protecting and supporting workers and communities through this transition.
- This requires the UK and Scottish government to:
  - stop issuing licenses and permits for new oil and gas exploration and development, and revoke undeveloped licenses;
  - Rapidly phase out all subsidies for oil and gas extraction, including tax breaks, and redirect them to fund a Just Transition;
  - Enable rapid building of the clean energy industry through fiscal and policy support to at least the extent they have provided to the oil industry, including inward investment in affected regions and communities;
  - Open formal consultations with trade unions to develop and implement a Just Transition strategy for oil-dependent regions and communities.

6 May 2020 - Consultation

## Consultation on new OGA Strategy



Oil & Gas  
Authority

The Oil and Gas Authority (OGA) is seeking views on its intention to refresh its core aim, including a requirement for industry to help the government achieve the target of Net Zero greenhouse gas emissions by 2050. The 12 week consultation opened on 6 May and runs until **29 July 2020**.

The OGA believes that maximising economic recovery of oil and gas need not be in conflict with the transition to Net Zero and that the industry has the skills, technology and capital to help unlock solutions required to help the UK achieve the Net Zero target.

# Just Transition Commission - call for evidence

## Overview

The [Climate Change \(Emissions Reduction Targets\)\(Scotland\) Act 2019](#) recently passed by the Scottish Parliament contains some of the most ambitious statutory emission reduction targets in the world. The transition required to meet these targets will be one of a number of long-term structural changes to the economy that will require a response and active management from the Scottish Government.

**Closes 30 Jun 2020**

Opened 27 Feb 2020

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### Contact

[justtransitioncommission@gov.scot](mailto:justtransitioncommission@gov.scot)

# A few resources

- Muttitt, G., Markova, A., Crighton, M., (2019). Sea Change: Climate Emergency, Jobs and Managing the Phase-out of UK oil and gas extraction. <http://priceofoil.org/content/uploads/2019/05/SeaChange-final-r3.pdf>
- Muttitt, G., Kartha, S., (2020). Equity, climate justice and fossil fuel extraction: principles for a managed phase-out. <http://priceofoil.org/2020/06/01/equity-climate-justice-and-fossil-fuel-extraction-principles-for-a-managed-phase-out/>
- OCI - In the face of COVID-19 governments have a choice: resilient societies or fossil fuel bailouts? <http://priceofoil.org/2020/04/22/covid19-dos-and-donts/>
- CIEL - Pandemic crisis, systemic decline: Why exploiting the COVID-19 crisis will not save the oil, gas and plastics industry: <https://www.ciel.org/reports/pandemic-crisis-systemic-decline/>
- OCI and The Next System Project discussion paper: The case for public ownership of the fossil fuel industry: <http://priceofoil.org/2020/04/14/case-for-public-ownership-fossil-fuel-industry>
- MER Consultation: <https://www.ogauthority.co.uk/media/6501/oga-consultation-on-proposals-to-revise-the-mer-uk-strategy-6-may-2020.pdf>
- The North Sea as a Global Experiment in Neoliberal Resource Extraction: [https://scote3.files.wordpress.com/2020/02/northsea\\_neoliberal\\_experiment\\_final.pdf](https://scote3.files.wordpress.com/2020/02/northsea_neoliberal_experiment_final.pdf)