



# OUR POWER

Demand Briefing Paper

**94%** of 1092 offshore workers surveyed support this demand

# NO COMMUNITY LEFT BEHIND

## SUMMARY

Today, places like Aberdeen are highly dependent on the oil and gas industry. They risk suffering a similar fate as coal mining towns in the 1980s if industry is not held accountable and governments do not act. Significant investment is needed by the government at all levels to ensure communities diversify and thrive as we move to a zero carbon future.

## CONTEXT

Decades on from the closures of coal mines, former coal mining communities are still feeling the impacts of that unjust transition, including “worklessness, low incomes, poor health and wellbeing, and inadequate access to services”.<sup>1</sup> These experiences are similar in areas where refineries or petrochemical plants have closed.

Today, Aberdeen and Aberdeenshire are the areas most dependent on the oil and gas industry for direct jobs, alongside smaller industry hubs in Shetland, Dundee, Fife, along the Tees and Tyne river areas and Norfolk. Direct employee jobs in oil and gas account for 11% of jobs in Aberdeen City and 3% of jobs in Aberdeenshire, according to the Office for National Statistics.<sup>2</sup> But beyond these direct employees, there are also self-employed and off-payroll workers, jobs across the supply chain - from catering to manufacturing - and jobs that depend on the spending power of workers who work in the oil and gas industry, e.g. in retail and hospitality.

Aberdeen and Aberdeenshire were economically worse hit than the rest of Scotland following the economic downturn during the first year of the Covid-19 pandemic. The number of people claiming unemployment benefits went up 136% in Aberdeen and 123% in Aberdeenshire, compared to 86% in Scotland as a whole.<sup>3</sup>

“ There’s no one looking after Aberdeen, not even the council. Money coming in isn’t staying here. There are some groups who are trying to look after the city, trying to change the city and are independent of the council. The oil and gas [industry] have no interest whatsoever, so we need the people to make the changes for themselves. ”

– Nate, Systems Design Engineer

This briefing paper forms part of a collection of resources on **Our Power: Offshore workers’ demands for a just transition**. A full report detailing the 10 demands created by offshore workers is available to read online and contains technical information, costs and a complete series of recommendations for decision makers.

A methodology paper is also available for more information on how the demands were created.

To protect their anonymity, all the names of workers quoted have been changed.

1 [https://www.coalfields-regen.org.uk/research\\_and\\_reports/the-state-of-former-scottish-coalfield](https://www.coalfields-regen.org.uk/research_and_reports/the-state-of-former-scottish-coalfield)

2 Transition Economics analysis of ONS Business Register and Employment Survey for 2021. Figures cited are the proportion of employees in oil and gas extraction plus mining support services to all employee jobs.

3 <https://www.energyvoice.com/oilandgas/301924/economic-fallout-in-aberdeen-laid-bare>

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## NO COMMUNITY LEFT BEHIND

This reflects the region's exposure to oil price downturns.

This is compounded by the fact that the oil and gas industry concentrates wealth and value more than other industries do. According to the Aberdeen City Council's Economic Advisory Board, Gross Value Added per worker in 2016 in the energy sector in Aberdeen was £229,807 – more than twice the GVA per worker in the Life Sciences sector and more than four times the GVA per worker in the Creative

Industries.<sup>4</sup> Replacing the economic contribution of an industry with higher wages and higher concentration of wealth could be more challenging.

Shetland, Dundee, Fife, Tyne and Tees river valleys and Norfolk also face the challenge of economic diversification. Workshop participants both in Scotland and in North East England spoke of concern for the future of their local communities as the industry declines.

**“ All the money [that]’s been generated here [is] syphoned off. And if s\*\*\* hits the fan then no one’s gonna come back and support us or the city. ”**

– Ewan, Survival Marine Instructor

## PATHWAY

Local authorities, with funding and policy backing from the UK and Scottish Governments, need to develop regional diversification programmes at the right scale to substitute the economic contribution of the oil and gas industry, with the following elements:

- Contribute to diversifying and retooling for supply chain businesses currently dependent on the oil and gas industry;
- Set up and scale up innovation hubs in new industries (e.g. tidal power, floating offshore wind) in partnership with universities;
- Improve public transport links and active travel infrastructure;
- Invest in local Higher and Further Education institutions to train people up in emerging industries and those with skills shortages;
- Keeps wealth in local circulation, including by supporting local businesses to shorten their supply chains by procuring goods and services locally;
- Incorporate democratic accountability mechanisms such as participatory budgeting.

### THE UK GOVERNMENT SHOULD:

- Create dedicated funding streams, including through the UK Infrastructure Bank, to support local authority regional diversification programmes. These should be committed for long periods of time (up to 20 years), and at the right scale in terms of resulting job creation to substitute the declining job creation in the oil and gas industry, with appropriate processes to assure social and environmental benefit of projects.

### THE SCOTTISH GOVERNMENT SHOULD:

- Create similar funding streams, including through the Scottish National Investment Bank and expanding the Just Transition Fund to support local authority regional diversification programmes on the same terms outlined above.
- Use its Community Wealth Building Bill (due before the Scottish Parliament in 2023)<sup>5</sup> to require CWB approaches to be integrated in infrastructure spending, and to expand Scottish Government support for local authority implementation of CWB approaches.

### LOCAL AND COMBINED AUTHORITIES SHOULD:

- Create regional diversification programmes, particularly in oil and gas industry hubs, aiming to substitute the local economic contribution of the oil and gas industry. These programmes should be designed and governed with genuine accountability to local communities and impacted workers.
- Implement Community Wealth Building strategies, adjusting procurement rules, pension investments, business support schemes, and land management practices in order to maximise the local recirculation of wealth.
- Raise funding to support the regional diversification programmes through issuing their own bonds or attracting pension fund investment.

<sup>4</sup> <https://www.aberdeencity.gov.uk/sites/default/files/2018-11/Aberdeen%20Economic%20Policy%20Panel%20Report%202018.pdf>

<sup>5</sup> <https://www.gov.scot/policies/cities-regions/community-wealth-building>

# OUR POWER

Demand Briefing Paper

## NO COMMUNITY LEFT BEHIND

### COSTS

The Scottish Government has already instituted a £500 million Just Transition Fund, of which £51.6 million was committed to 22 projects as of the time of writing, with approximately £20 million spent in the first year. Aberdeen City Council, Aberdeenshire Council and Moray Council, as well as Scottish Enterprise and

Highlands and Islands Enterprise provided expertise to assist in the selection of projects.<sup>6</sup> However, by comparison with existing successful regional transition funding programmes this is likely insufficient, and it is unclear what assessment is being carried out of the projects' social and environmental outcomes.

If funding for diversification programmes is allocated similarly to the EU Just Transition Fund, then between £1 billion and £2 billion of funding should be allocated over the next decade, most of which should be invested in Scotland.<sup>7</sup>

### HAS THIS BEEN DONE ELSEWHERE?

Aberdeen City Council and Aberdeenshire County Council already have an **economic development strategy** that recognises the challenge of the dominance of the oil and gas sector, as well as its susceptibility to downturns.<sup>8</sup> But so far, this strategy and the associated action plan rely on assuming that oil and gas extraction continues as far as technically possible, rather than with a managed phaseout in line with climate targets. And the scope of investment made available under this strategy is much smaller than what is needed.

**Long-term and large-scale regional investment programmes** have helped diversify local economies elsewhere in Europe throughout the decline of coal mining. In North Rhine-Westphalia in Germany, the federal government committed funds to establishing research centres and better transport infrastructure to attract technology-intensive industries into a region previously dependent on coal.<sup>9</sup> In Limburg, Netherlands, EU structural investment funds were allocated for a period of 25 years to help transition away from coal.<sup>10</sup>

There are existing examples of different **accountability practices** in Just Transition programmes. As part of the Scottish Government's £500 million Just Transition Fund, a pot of £1 million is subject to **participatory budgeting** with opportunities for citizens to take part in decision-making, aiming in particular to "empower local people

to shape a Just Transition to net zero".<sup>11</sup> The US state of Colorado has established an Office of Just Transition with the aim of supporting coal communities and workers through the phaseout of coal mining. The Office manages, for example, dedicated funding for supporting small businesses. The Office is governed by a board with representation of workers and "disproportionately impacted communities".<sup>12</sup>

Based on studying diversification efforts in 10 case studies across the US, the Appalachian Regional Commission identifies the **local reinvestment of wealth** as key to diversifying local economies. Among the means to achieve this, the Commission suggests "connecting local demand for goods and services with local suppliers to increase the amount of money recycled within the community".

The Scottish Government has taken up the language of Community Wealth Building as an economic policy approach and has been supporting local authorities to develop CWB strategies. For example, Clackmannanshire Council has applied some Community Wealth Building approaches like the reinvestment of local authority pension fund wealth into social housing construction. The Centre for Local Economic Strategies has been developing approaches that local governments can use to encourage wealth circulation locally, including through commissioning and procurement.

6 <https://www.gov.scot/publications/just-transition-fund/pages/year-one-projects>

7 Estimate based on breakdown by country of spending commitments under the EU Just Transition Fund ([https://ec.europa.eu/info/sites/default/files/about\\_the\\_european\\_commission/eu\\_budget/just-transition\\_fund\\_allocations\\_05.11\\_v2\\_0.pdf](https://ec.europa.eu/info/sites/default/files/about_the_european_commission/eu_budget/just-transition_fund_allocations_05.11_v2_0.pdf)) and on statistics of employment in high-carbon industries (Eurostat Employment and Unemployment database). This could be an underestimate given the paucity of comparative data on spending on long-term economic diversification programmes.

8 [https://investaberdeen.co.uk/images/uploads/Regional\\_Economic\\_Strategy\\_0.pdf](https://investaberdeen.co.uk/images/uploads/Regional_Economic_Strategy_0.pdf)

9 <https://www.changepartnership.org/wp-content/uploads/2016/09/New-social-contract-FINAL-WEB.pdf>

10 [https://coaltransitions.files.wordpress.com/2016/09/coal\\_synthesisreport\\_v04.pdf](https://coaltransitions.files.wordpress.com/2016/09/coal_synthesisreport_v04.pdf)

11 <https://acvo.org.uk/funding/just-transition-fund>

12 <https://cdle.colorado.gov/the-office-of-just-transition>

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Demand Briefing Paper

## NO COMMUNITY LEFT BEHIND

### CASE STUDY



Pseudonym: .....**Oliver**

Age: ..... **42**

Job Title: ..... **Mud Engineer**

Location: ..... **Aberdeen**

Since I arrived in 2008, Aberdeen has gone the same way as the rest of the UK - it could do with a pick-me-up just now. You would think that Aberdeen would be in better shape with the oil and gas revenue that has been generated over the last 50 years but looking around the city, that hasn't been the case.

The whole city is dependent on oil because there's so many people attached to the industry. It's noticeable in Aberdeen when there's an oil price crash, everything's a lot quieter, everyone is worried about their jobs, there's not as much money about. I don't think anyone really likes it, a lot of people who work in industry have been fed up with it for years. Especially lately when the peaks are shorter, the cycles are less in our favour.

If we were to transition and not get any investment, we could see the collapse of the economy, everyone being unemployed or out of work, people having to move away from the area to find employment. If there's not enough work it's going to have a huge negative effect. It's just like we've seen in the old industries - steel and coal. We've seen what's happened to other towns. That would be the fear. If we didn't have something new to come in.

The Scottish Government needs to make sure the North East doesn't become a ghost town. The buildings, infrastructure and engineering expertise is already here so we should be able to transition when the time comes and the whole area can remain a prosperous area to live in.

I would love to see money invested in small local businesses to try to get people back to the town centre. Elsewhere in the city we have all the offshore offices and buildings, they've got the space and the infrastructure already there for the renewable energy industry. I, like most people everywhere just now, want to see the cost of living be affordable and everyone to be paid a fair living wage. More money should be invested in the town and city centres around the country which will create jobs and tempt people back into these centres.