



**Aberdeen &
Grampian
Chamber of
Commerce**

Michael Shanks MP
Parliamentary Under-Secretary of State (Minister for Energy)
Department for Energy Security and Net Zero
55 Whitehall
London
SW1A 2HP

—
The Hub
Exploration Drive
Aberdeen Energy Park
Bridge of Don
Aberdeen
AB23 8GX

—
T 01224 343900
E info@agcc.co.uk
www.agcc.co.uk

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Dear Michael,

It was good to have the opportunity to meet with you recently and we are grateful for the continuing dialogue about how best we secure a prosperous and successful future for Scotland's energy sector.

We appreciate the significant interventions made by the UK Government in recent weeks, not least the issuing of new EIA guidance and the £200 million for the Acorn project. These announcements sent an important signal to the businesses we represent and were a welcome vote of confidence in our region.

It was therefore most disappointing to note your comments at this week's Scottish Affairs Committee that there is no "material difference" to be realised from prioritising domestic oil and gas production over imports. I thought it important to write to you seeking clarity over these comments, which are already causing significant alarm amongst the 1,300 businesses we represent.

The oft-repeated assumption that the pace of decline in the UKCS is natural and inevitable is deeply flawed and we would urge you and your colleagues to stop restating it. The North Sea could remain a highly investible proposition were it not for a punitive tax regime and policy uncertainty, which is entirely of the government's own making. Ultimately this is the cause of accelerated decline, which is putting the UK's energy industry at risk and threatening tens of thousands of jobs. Nearby Norway, by stark contrast, has a stable fiscal framework and, in turn, they maintain healthy rates of production – allowing them to invest sensibly and sustainably in the transition.

I refer you to some of the material considerations as follows:

Regardless of who owns the oil and gas produced from the North Sea, the private companies involved in the extraction of energy employ and support 200,000 jobs in communities across the UK and have generated some £400 billion in production taxes for the Treasury since the late 1960s. The basin, and industry it supports, is a vital economic powerhouse for the whole UK.

The UK can create the conditions where half of our domestic oil and gas demand can be met from the North Sea, instead of a quarter on current trajectory. This would generate an additional £165 billion of GVA. By contrast, imported oil and gas does not support jobs in our domestic economy, generates no equivalent tax revenue and – in the case of rising levels of imported LNG – can be four times more carbon intensive.

Your own data from the latest Energy Trends Report shows the imperative to maximise what production from the UKCS as imports surge and domestic production drops. Imports of gas have increased by 19% this year, while domestic production has dropped 20% compared to pre-pandemic levels. LNG imports for the period increased by 42% compared on last year.

We note recent comments from the Prime Minister, leader of Scottish Labour and others that "energy security is national security". However, by accelerating the decline in the North Sea we risk driving further dependency on imported energy to meet our requirements. Indeed, for the last quarter, 47% of our energy needs were met from imports.



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Registration number SC0 000 791
VAT Number 265 3165 59
Registered Office: The Hub, Exploration Drive, Aberdeen
Energy Park, Bridge of Don, Aberdeen, AB23 8GX

While we agree that flawed policy by previous governments and their failure to invest properly in new energy is regrettable, it does not negate the fact that it is this government which must change its approach if we are to avoid Grangemouth-scale job losses in our energy sector every fortnight for the next five years, according to the recent Striking the Balance report from Robert Gordon University.

As you know, and as we have discussed previously with the Secretary of State for Energy and Climate Change and with the Prime Minister himself, the premature abandonment of the UK's oil and gas industry risks losing critical skills and destroying the supply chain which will support the clean energy transition. The material difference between imported vs domestically produced oil and gas is losing these people and the world-class supply chain firms from the UK for good as they refocus on international markets – a situation already unfolding before our eyes.

We hope that you will take the opportunity to clarify your comments and to restate your support for domestic production over importing more of our energy needs, based on a whole range of evidence-led material considerations.

Better still, we hope you will continue to look closely at how we can make the North Sea an investible proposition that can drive economic growth, sustain jobs and drive forward the energy transition. The key policy lever- among others- remains the removal of the Energy Profits Levy as soon as practicable.

We would be happy to discuss all of these matters further with you and your officials and have reshared our recent work in this space which touches on the issues above and provides solutions.

So please find attached to the email that includes this letter the findings of AGCC's 41st Energy Transition Survey, the North Sea Transition Taskforce report and the recent joint Industrial Strategy paper produced and submitted in conjunction by AGCC, Opito and OEUK.

Yours sincerely



Russell Borthwick
Chief Executive