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## **Demand for oil fund as England gets fracking cash**



George Osborne announced the measures during his Autumn Statement. Picture: Hemedia

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**The Scottish Government last night renewed calls for a sovereign wealth fund to be set up for North Sea oil and gas, after Chancellor George Osborne unveiled a scheme for the north of England to benefit from fracking revenues.**

Energy minister Fergus Ewing branded Mr Osborne's decision "utter hypocrisy" after calls for a similar scheme for Scotland has been repeatedly rejected by Westminster governments.

Stuart Patrick, chief executive of Glasgow Chambers of Commerce, also called for a similar fund to be launched for the Central Belt and future projects relating to the "unconventional" extraction of gas.

The Chancellor's Autumn Statement also unveiled an immediate 2 per cent reduction in an oil industry "supplementary charge". The reduction – less than the industry had hoped for – came as figures announced by the Office for Budget Responsibility downgraded North Sea oil revenues by £4.5 billion.

Mr Ewing said: "This is utter hypocrisy from George Osborne and the Tories. After decades of telling Scotland we cannot have an oil fund, Osborne is now rushing to set up exactly the same kind of fund for the north of England.

"With industry predicting up to 24 billion barrels of oil and gas could be extracted from the North Sea, Scotland should be entitled to have access to our resources and a sovereign wealth fund."

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In the Central Belt, a number of projects are under consideration involving shale gas extraction, such as underground coal gasification, which is planned for beneath the Firth of Forth.

The Scottish Government has indicated it is less committed to fracking than Westminster.

Mr Patrick said: "We will watch with interest the proposals for the development of a sovereign wealth fund for the north of England, funded by revenues from shale gas exploration, and we believe this is worth exploring for the Central Belt."

The oil supplementary charge reduction, from 32 per cent to 30 per cent, was less than the cut sought by the industry as it grapples with high costs and a steep decline in oil prices.

"There was very little support in today's Autumn Statement for a North Sea oil industry, that could see profits halve in the coming year on the back of falling [oil prices](#)," said Ian McLelland, an analyst at Edison investment research.

The Chancellor also maintained the basic rate of corporation tax on offshore operators at 30 per cent and petroleum revenue tax on operators whose fields were sanctioned before 1993 at 50 per cent.

### **Bill Jamieson: Economic policy must take priority**

Industry body Oil and Gas UK said it welcomed the cut as a first step but asked for more.

Chief executive Malcolm Webb said: “We will certainly need further reductions in the overall rate of tax to ensure the long-term future of the industry. Given the current crisis in exploration, we also need to see measures to promote exploration.”

Liz Cameron, director and chief executive of the Scottish Chambers of Commerce, said the reduction in the supplementary charge did not go far enough.

She said: “The rate was only increased in 2011 as a result of the high oil prices that were prevalent at that time, so a reduction back to the 20 per cent rate which applied before then would be only fair given current low [oil prices](#).”

Unionist politicians pointed to the fall in oil prices as confirmation that Scotland would not have survived economically had it become independent after September’s referendum.

Liberal Democrat Chief Secretary to the Treasury Danny Alexander said: “Instead of walking off the Nationalists’ independence cliff Scotland wakes up tomorrow with a promise of a supported oil and gas sector thanks to UK government reforms. If Scotland was independent this £4.5 billion downgrade would have meant severe cuts to schools and hospitals.”

## **ANALYSIS**

### **John McLaren: Competition in taxation can bring positive side-effects**

HAD the independence referendum vote gone the other way, the big talking point in Scotland around yesterday’s Autumn Statement would have been to do with the impact of falling oil prices on North Sea revenues. The Office for Budget Responsibility (OBR) has, yet again, downgraded its [forecast](#) of such revenues, from £3.8 billion for 2015-16 to £2.2bn.

Even this fall in North Sea revenues has been cushioned by exchange rate movements and by the OBR assuming a price of \$83 next year, rather than the current \$71.

The Chancellor cheered the oil industry by introducing an immediate reduction of two percentage points in its tax rate, the first such cut in 21 years, as well as allowing for greater offset of costs against future production. But the UK government’s wider intentions on how to improve the long-term prospects for the North Sea will only be outlined in full today, in Aberdeen, when ministers unveil their roadmap.

The Scottish budget will receive a temporary fillip of just over £200m, courtesy of extra funds found by George Osborne for the NHS.

On the devolution of economic powers, a week after the Smith Commission recommended that Scotland gains near full control of income tax, the Chancellor is minded to devolve

control of corporation tax to Northern Ireland. Wales is also on course to get power over business taxes and there is a growing move, in terms of both funds and powers, to strengthen the economic position of “Northern England”.

This asymmetric devolution of such powers may seem a little messy but it does appear to signal a desire to weaken the central control of the economy by Whitehall.

A positive side-effect of this “tax competition” was unveiled by the Chancellor at the end of his speech when he radically altered stamp duty in England, in a similar manner to the change made by John Swinney with regards to a power already devolved to Scotland. This shows one of the potential advantages of such “competition” where good ideas can be copied.