

## Another ‘Project Fear’ campaign lie exposed as Osborne plans a sovereign wealth fund

[David Bell](#) | 13/11/2014 | [4 Comments](#)

In yesterday's Daily Mail, Mathew Hancock, the Minister for business and energy in Westminster, proposed setting up a sovereign wealth fund to channel the profits from Shale Gas extraction into long term savings and investments.

*“Business and energy minister Matthew Hancock revealed that the Government is preparing to announce plans for a ‘sovereign wealth fund’ to hold the revenues from fracking for the north of England. Such state-owned funds have been set up in the Middle East and Norway to generate huge sums from the proceeds of oil and gas exploration.*

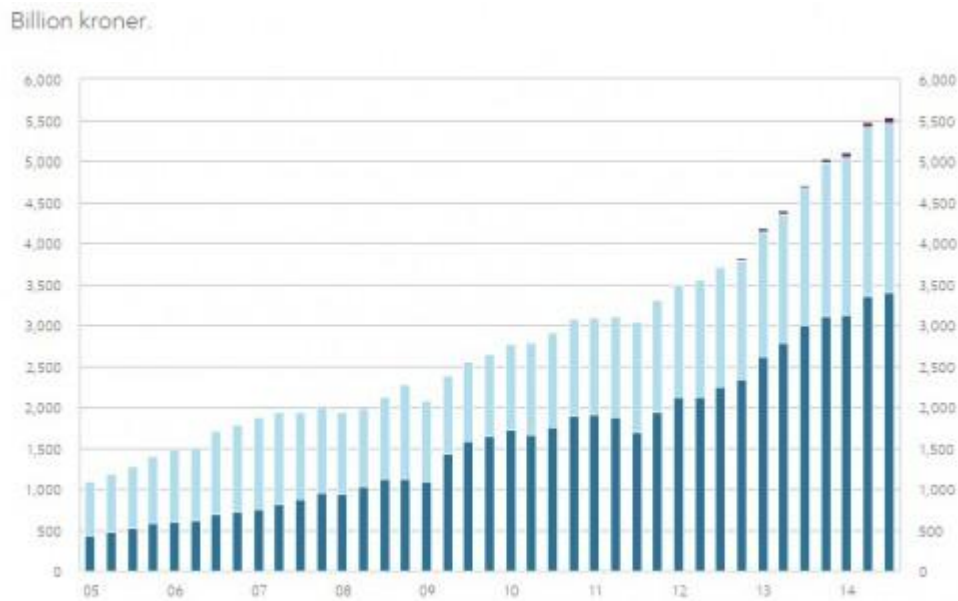
*They invest in assets such as stocks, property, infrastructure and precious metals, with proceeds able to fund public spending. Chancellor George Osborne is expected to unveil details of a fund in his autumn statement next month.”* ([Daily Mail](#))



Could we save some of our oil and gas wealth for future generations?

This new policy would be a marked contrast from standard Westminster behaviour for the extraction of natural resources in and around the UK, where short term gain is prioritised over long term benefits, or as the [Guardian economics editor Larry Elliot put it](#): “discovered, extracted, squandered.”

As has been demonstrated around the world, most notably in Norway, sovereign wealth funds are a sensible way to invest the proceeds from oil and gas as they provide a buffer against the sudden drop off of income that will inevitably come from the depletion of these limited resources. Most people will surely know that Norway's sovereign wealth fund is incredibly valuable, but how many people know that it should reach \$1 trillion dollars in value by 2017 and was only started in the 1990's. That means that in less than 20 years, shrewd husbanding of the windfall from their resource boom has given Norway protection against the volatility of world markets for generations after the oil and gas in their waters runs out (further information is available [here](#) and [here](#)).



The spectacular growth of Norway's oil fund since 2005.

During the independence referendum, Business for Scotland and the Scottish Government both called for the establishment of an oil fund in an independent Scotland. We argued that this would allow Scotland to put aside oil and gas revenues to be used by future generations as a financial safety net. The standard criticism of Scotland setting up a such a fund was that it would be untenable when the country is running a deficit. However, as Business for Scotland [argued during the referendum](#), allocating some of the oil and gas revenue to a sovereign wealth fund would have long term benefits that outweigh the short term costs.

Sadly, during the referendum campaign, the Chancellor George Osborne [could not see the wisdom of a fund](#), saying: "You can't spend money and save it at the same time. Revenue from North Sea oil is used to pay for public services in Scotland. So unless the Scottish Government dramatically increased other taxes or cut spending on public services, all of an independent Scotland's tax revenues from oil and gas would continue to be spent each year, leaving none left to save in an oil fund."

It would appear though, if [Conservative Home](#) and the Daily Mail are correct, that Osborne has been convinced by the arguments of groups such as Business for Scotland and seen sense on a sovereign wealth fund using windfall revenues from natural resources. After his government missed all of its deficit reduction targets and mismanaged the economy to such an extent that the [UK has borrowed more in the last 3 years than it did in the 13 before](#) and

now has a [debt of nearly £1.5 trillion](#), it is nice to finally see some planning for the long term health of the country.

Despite this, we bemoan the fact that George Osborne, the Labour party and Better Together all lied to the Scottish people about the viability of setting up an oil fund during the referendum. As the campaign lies and broken promises mount up for the unionist parties, it is becoming increasingly difficult to see how the people of Scotland could trust them again in 2015.

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