

How Westminster helped squander Scotland's black gold

The collapse in North Sea oil prices is being used to score cheap political points by the SNP's opponents



- - [Kevin McKenna](#)
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In the eye of a political storm: a North Sea oil rig. Photograph: Arnulf Husmo/Getty Images

As an illustration of why the Labour party in Scotland might be wandering in the wilderness for many years to come, last week was a classic. The new party machine seems to have decided that the SNP government is vulnerable on collapsing global oil prices. This strategy is underpinned by a narrative that says: “If Scotland had voted for independence we’d have been up thon creek of ordure without a propellant.” Perhaps, but it’s a risky strategy and one that has quite palpably not been thought through properly.

The gross mismanagement of Scotland’s North Sea oil bounty by successive UK governments has left this country more vulnerable in the face of collapsing oil prices than it otherwise ought to have been. If there was ever an argument for gaining Holyrood control over North Sea oil revenues then this was it.

[Kezia Dugdale](#), deputy leader of the Scottish Labour party, has continued to bait the SNP over the oil price, as she did in a wretched debate on the issue at Holyrood last week. Instead, she ought to be more concerned by the thousands of jobs that may be at risk in the sector and about the concomitant threat to the general economy of the north east.

For another senior Labour figure, the Lanarkshire MP, [Frank Roy](#), the prospect of many people losing their jobs seemed to be a source of some glee. Following BP's announcement that several hundred jobs are to go in its North Sea operations Roy, the MP for Motherwell and Wishaw, had this to say: "BP are announcing job losses tomorrow. How can that be? Swinney told us a massive oil boom was on the way."

Labour in Scotland needs to stop using this threat to the jobs and the economy of one of Scotland's most robust economic regions for political point-scoring. Instead, it should acquaint itself with its own complicity in Westminster's deception in concealing the real extent of the oil revenues it finagled from Scotland for three decades.

In 2013, Denis Healey, the former chancellor of the exchequer, revealed what many had all along suspected. In an interview with [Holyrood magazine](#) he said: "I think we did underplay the value of the oil to the country because of the threat of nationalism but that was mainly down to Thatcher. Thatcher wouldn't have been able to carry out any of her policies without that additional 5% on GDP from oil."

For several decades, the Westminster machine concealed the fact that Whitehall persistently broke rules on impartiality by providing the Labour party with information to combat SNP claims on Scotland's ownership of North Sea oil. Bernard Ingham, talking of his days as director of information at the Department of Energy, admitted he had "sought for a long time in briefing to undermine SNP claims to North Sea oil. Indeed it is part of my standard 'sales patter'."

Neil Kinnock, David Steel and Alistair Darling have all recently admitted the irresponsibility of Westminster's refusal to establish an oil fund from North Sea oil revenues when times were good. This act of folly, in which all of them were complicit, has left a part of Scotland's economy exposed. George Osborne's oil tax strategy throughout the last decade – "screw as much out of the bastards as possible" – has cost a lot of people their jobs.

Three years ago, in an interview with the BBC, Malcolm Webb, the chief executive of Oil and Gas UK, said: "We've had three massive tax hits in the last nine years; that just cannot go on and it's given this country a terrible reputation for fiscal instability."

Margaret Thatcher's so-called economic miracle was more a lie than a miracle and rested almost entirely on North Sea oil revenues, a fact that both she and Labour, in collusion, concealed from Scottish voters.

These revenues allowed her to pay off entire workforces in the coal-mining, manufacturing and steel industries, thus destroying these communities. She used around £75bn in oil revenues to help solve the UK's balance of payments deficit and then sat back and oversaw huge economic growth in the south-east even as the north-east and north-west were twisting in the wind after the redundancy cheques ran out.

Even a cursory glance at how Norway managed its oil resources shows how incompetent and morally bankrupt was the Westminster government's North Sea oil management. Both discovered oil in the same difficult marine environment and both are subject to the same effects of oil prices declining at the same periods.

Therefore, if the argument used by opponents of independence is to be believed, then the economy of Norway, with a population size similar to Scotland's, should suffer more than the UK's following a slump. Let's face it – they don't have Westminster's "broad shoulders" or "deep pockets" to protect them. Crucially, though, they also don't have the greed, stupidity and venality of Westminster.

Each time the price of oil has fallen in the last 30 years, Norway emerged not only not only richer the year after the trough but became richer still than the UK. Between 2008 and 2009, the oil price fell by nearly 50% per barrel to an average of nearly \$60 a barrel. Yet the following year Norway's wealth had increased yet again.

Mark Carney, the governor of the Bank of England, and someone who really ought to know better, also clumsily stuck the boot in. "It is a negative shock to the Scottish economy, but it is a negative shock substantially mitigated by the fiscal arrangements in the UK," he said.

Learn the history of the North Sea, Mr Carney, and in particular the dismal performance of the government that employs you. And while you're at it you could tell us why in the years following a low oil price Norway's economy has been in far better shape than the UK's.