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Dear Sir / Madam,

Oil & Gas UK Submission to the UK Border Agency regarding Consultation on Annual Limits to Skilled Migration in the UK Oil and Gas Industry

Please find enclosed a submission on behalf of Oil & Gas UK, the Scottish Council for Development and Industry (SCDI) and OPITO (the oil and gas industry skills body) regarding the ongoing UKBA consultation on the level of an annual limit on economic migration to the UK.

You will note that, as well as the main body of our submission, we have also included an appendix marked 'confidential'. This appendix includes detailed case studies covering several major companies within the oil and gas sector and related projects, as well as additional information on the nationality breakdown for the offshore oil and gas workforce. Although we are happy for the UKBA to publish or reference our submission in their final report, we would ask that the information within the appendix, some of which is commercially sensitive, is treated as such and not made public.

We are happy to clarify any points or provide further detail should you require.

Oil & Gas UK has also submitted a response to the parallel consultation run by the Migration Advisory Committee, and will be preparing a response to the Home Affairs Select Committee consultation.

Please contact Jessica Burton (Oil & Gas UK) on 01224 577277 or jbarton@oilandgasuk.co.uk should you have any further questions or wish to arrange such a meeting.

We look forward to hearing from you soon.

Best Regards,

Malcolm Webb
Chief Executive
Oil & Gas UK

Dr. Lesley Sawers
Chief Executive
SCDI

David Binnie
Managing Director
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UK Border Agency Consultation on Limits on Non-EU Economic Migration to the UK

Oil & Gas UK Submission

Introduction

Oil & Gas UK is the leading representative body for the UK offshore oil and gas industry. It is a not-for-profit organisation, established in April 2007 on the foundations of the UK Offshore Operators Association (UKOOA).

Membership is open to all companies active on the UK continental shelf (UKCS), and currently consists of 108 companies - from super majors to large contractor businesses and from independent oil companies to SMEs working in the supply chain.

Over the last four decades the UK oil and gas industry has contributed over £276 billion to the Exchequer in tax revenues. The industry continues to be of great importance to the UK economy, and is expected to pay £9.3 billion in 2010/11, over 20% of total corporation taxes. The industry also continues to support well paid employment for 440,000 people across the UK in 2010, with 32,000 of those directly employed by oil and gas companies and major contractors, 207,000 in the wider supply chain and some 100,000 in jobs induced by the economic activity of employees. Another 100,000 jobs are supported by the export of oilfield related goods and services to provinces around the world, generating billion of pounds in export revenues for the UK. Each £ billion expended on goods and services within the sector supports around 20,000 jobs within the UK.

Given the ongoing economic difficulties across the UK, the sector's continued strength has become even more vital, not just in terms of the UK's security of energy supply but also in the significant direct and indirect taxation it provides to the Exchequer and the hundreds of thousands of UK jobs. As the UK struggles to recover from the recent economic recession this contribution cannot be underestimated.

The oil and gas industry is a global one, made up primarily of multinational companies who operate in provinces around the world, including the UKCS. The UKCS is now a mature, relatively high cost province, well regarded globally for the technological expertise developed over four decades of exploration and production. The free flow of the highly skilled personnel this industry requires is vital for the success of the UKCS and the multinationals which have chosen to base their operations in the UK; it helps the UK to remain competitive within this global market, as in some cases only people working with very specific experience and expertise can execute a project.

It is therefore with extreme concern that the industry notes the recent interim cap on skilled immigrants to the UK, and the proposals for such a cap being made permanent. The interim cap on skilled workers being brought into the UK via Tiers 1 and 2 of the Points Based System (PBS) is already having a significant negative impact on companies and key projects within the sector (see case study 4). Should this be made a permanent cap (particularly to Tier 2) the indication from Oil & Gas UK's membership is that this could have a damaging effect on the UK's competitiveness in this global industry, threatening investment and, ultimately, UK jobs.

Oil & Gas UK is therefore responding to the UK Border Agency's consultation on this proposed permanent annual limit on economic migration, and has also responded to the Migration Advisory Committees consultation on the same issue. In order to do this, a number of discussions were held with its wider membership, and a questionnaire circulated. Specific information was provided by a total of 32 companies to this questionnaire. This submission was put together with the support of the Scottish Council for Development and Industry (SCDI) and OPITO, the industry's skills body.

These companies represent the majority of the large oil and gas companies currently operating in the UK, along with a number of the major contractors. A total of 31 out of the 32 are multinational companies who operate in the UK as part of much wider global activities. Of these companies, 14 have their headquarters in the UK; of the remainder 11 have headquarters outside of the EU. Between them, these companies directly employ tens of thousands of people within the UK, and hundreds of thousands globally.

Multinationals such as these are vital to the UK's recovering economy and provide UK workers with access to well paid jobs and significant training and development opportunities across the globe. The knowledge and skills which are transferred across regions within these organisations ultimately provide huge benefits to the UK sector and rely on the ability of organisations to bring in highly skilled immigrants with very specific experience and knowledge. Given the huge benefit these skilled immigrants bring to the UK's economy and wider society, and the negligible demands they place on public services, a limit on these types of immigrants seems misplaced and damaging to a still-recovering UK business environment.

Appendix: Please note that Oil & Gas UK has also collated a small number of case studies to demonstrate some of the key points we make within this submission. Due to the commercially sensitive nature of some of the information within the case studies we have placed these in a confidential appendix, submitted alongside this submission, which is referred to throughout this document.

Summary of the UK Oil and Gas Industry's Position

- When contemplating a limit on the number of skilled workers which can be brought into the UK on an annual basis, it is important that the highly skilled and very specific nature of the personnel brought into the UK oil and gas industry is considered.
- The oil and gas industry is a global industry – for the UK to remain a competitive part of this industry the free flow of skilled people is essential. One of the industry's greatest strengths is the diversity of its workforce and the global transfer of knowledge.
- A large number of multinational oil and gas companies are currently based within the UK – as well as providing a significant corporate tax benefit to the Treasury, these companies also support a large number of well paid jobs for UK workers. The average salary within the oil and gas industry is around three times that of the UK-wide average. These jobs are all dependent on multinationals continuing to be able to choose to run headquarters within the UK.
- The Intra-Company Transfer (ICT) route is **absolutely vital** for the successful operation of a multinational company – our membership is unanimous in its assertion that this important route be excluded from any permanent cap introduced. It should also be noted that ICT is a two way process. Most of the

- companies who responded to the questionnaire have a larger number of UK workers transferred overseas than immigrant workers based in the UK. If the ICT route was limited for these multinationals, UK workers are likely to see opportunities for overseas development placements severely limited.
- ICT migrants are not taking UK resident jobs – on the contrary they allow multinationals and projects to thrive and increase resident employment. In the Aberdeen region, where much UK oil and gas activity is based, the unemployment rate is currently 2%, much lower than the UK-wide rate of 4.1% or the Scotland-wide rate of 4.3%.
 - The immigrants brought into the UK oil and gas industry, for the large part through Tier 2, are all highly skilled and are brought in for the unique experience and skills they have, rather than to fill a certain job function. Due to the technical nature of this industry, we require specialised skills, experience, competencies and knowledge which are sometimes not readily available within the UK labour market. This experience (e.g. 25 years plus in a specific offshore environment) is not something which can simply be taught or dealt with by up-skilling UK workers. By its very definition, Tier 2 migrants are brought in by an employer to fill a certain important need which cannot be met by the resident labour market – limiting the number of skilled workers which can be brought in via this route therefore seems illogical.
 - These migrant workers are also used to transfer valuable skills and knowledge to UK workers (see case study 5B). Likewise, the UK is recognised in many areas of the industry as a global centre of excellence for training and research. Several global training and research centres are based in the Aberdeen area. These centres support UK jobs and investment in the local area, but will be unable to operate if migrants cannot be brought into these centres from other parts of the global business either to learn or to carry out research (see case study 6). It is likely that these centres would therefore be relocated to other regions with more flexible immigration policies – leading to a loss of jobs and investment in a UK region (see case study 3).
 - Any limit set should take into account the economic importance of the specific industry to the UK economy and the benefits the migrant will bring to the UK business sector and wider society. For example, the highly skilled migrants brought in to the UK oil and gas industry positively impact on local areas; in Aberdeen, for example, the presence of the oil and gas industry and its large expat community has meant a strong retail and private housing market which has remained largely protected from the recent difficulties, the support of a number of private schools (therefore avoiding any undue pressure on local authority schools) and significant council tax receipts for the local Councils.
 - In addition, all companies based in the area provide private healthcare insurance for immigrant workers, so there has been no undue impact on the local NHS, and generally provide additional support for any dependants brought in with the skilled migrant. These migrants can therefore support their dependants without claiming any benefits from the State. With this in mind, it is recommended that the annual limit be higher for these migrants than for those in sectors where the direct contribution to the UK and local economy is lower.
 - Given the economic downturn over the last year, any limit set should also not be based on a company's previous activity. This is particularly important in the oil and gas industry where much work has lead times measured in years and is project based – and therefore may see a rise and fall in the demand for skilled

immigrants depending on certain projects and their stages of completion. Given the importance of many of these projects to the UK economy and security of supply, it is imperative that companies retain the flexibility to bring in necessary personnel as and when the need arrives – something which is not always possible to plan at the start of a year or even quarter.

Answers to Consultation Questions

Question 1: Do respondents agree that operating a pool for highly skilled migrants on the basis described above will be the fairest and most effective approach?

Feedback from the companies within the oil and gas sector indicates the majority do not support a pool arrangement as described for Tier 1. This does not seem to be a very workable solution in that it does not allow flexibility for the business planning process. In a pool arrangement, there are no guarantees that the highly skilled migrants required for this sector would be available.

We would however support a sensible increase to the criteria for Tier 1 (e.g. salary, English requirement) which leads to the prioritising of skilled migrants who will be providing a greater economic benefit to the UK i.e. working in the oil and gas sector on a higher salary, or in a shortage occupation, or migrating to work in Scotland or the North East of England. We believe a regional weighting, in recognition of the difficulty Scotland and areas in the North of England have in attracting skilled migrants (who tend to remain in the South East/London), would be an appropriate and beneficial step.

We also note the UKBA's comments that the post-study route for graduates under Tier 1 will be reviewed in a separate consultation. Several larger employers within the sector use this route to recruit a certain number of graduates to their development programmes, and have voiced concerns over the quality of UK graduates, reporting a gap between the employability skills offered by UK graduates versus their overseas colleagues. In particular, given the international nature of the oil and gas sector there is a requirement for engineering graduates who also are bi- or multilingual, which is very difficult to fill using UK graduates.

It should be noted that, although both Tier 1 and Tier 2 routes are used by the oil and gas sector and both are important, it is agreed that protecting Tier 2 entry routes is the key priority for the oil and gas sector's continued success. Although Tier 1 is a valuable means of increasing the potential talent pool for the sector, if a reduction in either Tier 1 or 2 has to be made, although by no means ideal it would be preferable to introduce by sensible means a limit to Tier 1 rather than curtail the use of Tier 2 for the oil and gas industry.

We would also support any Government efforts to encourage economic migration of highly skilled individuals around the UK.

Question 2: Do respondents agree that operating a first come first served system for skilled migrants available to individual sponsor employers will be the fairest and most effective approach?

The Tier 2 entry route is of the utmost importance to our sector, and we have significant concerns regarding the application of a 'first come first served system'. Feedback from companies who use this system in the USA indicates that this sort of approach leads to

advance applications which result in the annual limit being reached within a short time of the annual allocation release. This limits the ability to effectively manage business based on a sector or companies' skills requirements, and is particularly concerning in the oil and gas sector where much of the activity is cyclical in nature or project based. We would therefore be against such an approach being used across all UK business sectors.

We believe that instead, any annual allocation should be prioritised for those migrants who offer the most economic and societal value and put the least pressure on public services. The UKBA should take into account the economic and social importance of this sector when considering any annual limit for skilled migration – as noted in the UKBA consultation document, a first come first served system may result in applicants whose presence may be of more economic benefit than those who have already been admitted under the annual limit being excluded. Given the fact that skilled migrants brought into the UK by the oil and gas industry are well paid, given private health care and often use private education for any dependants, they have little use for and therefore little impact on the provision of public services. Indeed, the economic benefits these immigrants bring to the local area via supporting strong business, retail and private housing markets and paying relatively high taxes inevitably has a positive impact on the local area. Priority should therefore be given to these highly skilled and economically beneficial migrants.

As outlined in our response to Question 8, it is vital to this sector and the multinational companies which support it that the intra-company transfer route be excluded from any proposed annual limitation – regardless of whether a first come first served or pool arrangement be used.

The sector would also support a revision of the Shortage Occupation List which gives a greater focus to key geoscience, technical and engineering roles which are essential for the oil and gas industry and therefore the UK economy and energy security. These roles are in global shortage and require a level of expertise which cannot be met through shorter term up-skilling of the UK resident labour market. However, a number of non-technical roles currently on the shortage occupation list such as home carers and chefs could arguably be addressed via shorter term up-skilling programmes in the UK, and could therefore lead to a reduction in migration levels through this route.

By its definition, Tier 2 allows skilled migrants in whose skills are in short supply to enter the UK after employers have demonstrated they cannot source these specific skills requirements within the UK. We would therefore propose, instead of a first come first served approach, the raising of the criteria for Tier 2 by the granting of additional points for highly skilled migrants entering:

- Via the shortage occupation route (subject to suggestions above regarding the revision of the list)
- To take a role where the salary is £40k or more
- To take a role in Scotland or the North East of England
- With an employer who will provide health insurance for the migrant and any dependants
- With a good command of the English Language (as per Tier 1 requirements)

As stated, this criteria should apply to those entering under Tier 2 – General or Tier 2 – Shortage Occupation. Please see our response to Question 8 for proposals regarding the Intra-Company Transfer route.

It is also vital that a degree of flexibility be built into the system whereby employers are able to ‘fast-track’ a highly skilled migrant should they be essential for a project representing a significant investment into the UK or need to bring them to the UK due to a major unforeseen technical, safety or environmental issue.

These skilled migrants are not taking UK jobs – they are helping to create them.

Question 3: Do respondents believe that where a quarterly quota is filled applications that have not yet been considered should be rolled over to the following release or not?

No – we believe this would further reduce flexibility by creating a backlog of applications, limiting the possibility for companies to receive further allocations throughout the year as major projects or key personnel moves are identified.

Given the often cyclical and project based nature of the oil and gas industry it is vital that companies are able to retain flexibility in order to ensure they remain competitive on an international level.

For example, multinationals with their headquarters based in the UK often require the ability to transfer migrant workers to the UK in order to help secure significant contracts for work in non European Economic Area countries (e.g. recent contracts awarded to two UK based Multinationals for projects in China, Iraq, and Ghana). These contracts are valued at £ millions each and are often linked to offers of support and training for nationals within these countries back at UK training centres. Without the ability to accommodate non-EEA nationals from joint venture partners within UK headquarters during a project, or to provide training for personnel from these locations, UK-based multinationals may not have been able to make as favourable a business partner. The ability to assist non-EEA nationals in places such as West Africa and Iraq to develop their own knowledge and take valuable skills back to the developing industries in these regions is also a vital corporate social responsibility.

Question 4: Should we consider raising the minimum criteria for qualification under Tier 1 of the points-based system?

Yes. The oil and gas sector would support a sensible raising of the criteria for Tier 1 to allow prioritisation of highly skilled migrants who can offer the greatest economic benefit to the UK. As discussed in Question 2, we propose that this could take the form of the granting of additional points for highly skilled migrants entering:

- With experience in a shortage occupation
- To seek employment in Scotland or the North East of England
- With a strong command of the English language

We would support a higher points allocation to migrants settling in Scotland or North East England given the ongoing difficulties with attracting highly skilled workers (both non-EEA and UK) to these regions. These regions are particularly important to the oil and gas sector and will remain so if the North East of Scotland is to remain a globally recognised energy hub for the oil and gas and renewables sectors. The growing export

market is a key part of the region's recognised reputation for global excellence and innovation.

Scottish exports of oil and gas goods and services have risen in value by over 150% since 2001, worth £2.46 billion in 2008 or 17.5% of the HMRC estimated 2008 Scottish total of £14 billion.

In order to ensure the continued growth of this part of the industry, companies and the Government need to encourage expertise and skilled migrants to this area. Through the continued strength of multinationals and the export market across the North East the oil and gas industry is helping to create a strong knowledge and technology economy for the UK, and a global centre of excellence.

Question 5: Should we provide for additional points to be scored for:

- **Higher level English language ability;**
- **Skilled dependants;**
- **UK experience;**
- **Shortage skills;**
- **Health insurance**

As discussed previously, the oil and gas industry would support additional points being granted for a higher level of English language capability and the provision of health insurance for skilled migrants and their dependants. These are both provisions which are already standard for the highly skilled migrants brought into the industry. A high level of English language capability is essential for our business, not only as it is the common language used in this global industry but also as communication is vital for the safe delivery of projects offshore. All companies within the sector provide health insurance for the migrants and any dependants migrating with them, thereby reducing their impact on local services. Given the higher salary levels associated with oil and gas Tier 2 workers these migrants and their dependants will not require access to any income support or housing benefit.

As stated above, we would also support additional points granted for shortage occupations but would strongly suggest that the shortage occupation list be revised so that greater emphasis is placed on the key technical, scientific and engineering roles required by the industry which cannot be addressed in the short term, and less emphasis be placed on those roles which could arguably be addressed through short term up-skilling of UK resident labour.

We do however disagree that additional points should be granted for UK experience. In the oil and gas industry it is precisely because these highly skilled migrants bring in expertise from other regions (e.g. Gulf of Mexico – see case study 1 and 5) that we require them. This experience from outside the UK is something we cannot resolve through up-skilling UK employees and it is vital that the entry route for these highly skilled migrants be kept as open as possible. The UK's oil and gas industry is a mature sector compared with other global oil and gas regions, and we are now facing new challenges such as life extension programmes, decommissioning of installations and development of deeper water fields that are all relatively new areas for the UK. This means that the industry does not have the necessary expertise in place to meet all these challenges and is reliant on drawing on other expertise from this international industry to

ensure these projects can be carried out in a safe and efficient manner. Case studies 1, 2 and 5 all outline some major projects in the UK which are either ongoing or due to start shortly. These projects represent huge investment for the UK, the creation of hundreds of jobs for UK workers and a significant contribution to the UK's security of supply – but all require the essential contribution of highly skilled migrants from other oil and gas regions who will bring essential non-UK experience with them.

Finally, we recognise the significant contribution that skilled dependants can bring to the UK economy, but do not believe that dependants should be included in any limit on migration nor detract from the primary skilled migrant's application. Instead we would propose extra points be granted for dependants based on the minimal impact they will have on UK public services, i.e. their English language capability or whether they will be covered by health insurance, or whether their spouse's salary will mean they will not need to claim income support benefits. If an English language requirement is included, dependants should be given a certain time allowance to take any necessary language tuition. A further proposal would be the granting of additional points if employers provide tuition for the dependants.

Question 6: Do respondents agree that Tier 1 (investors) and Tier 1 (Entrepreneurs) should not be included within the annual limit?

This question is not relevant to the oil and gas industry.

Question 7: How do respondents believe that the UK could make itself more attractive to investors and entrepreneurs who have the most to offer in terms of driving economic growth?

We would argue that the oil and gas sector, and the multinationals who operate within it, have the most to offer the UK in terms of economic growth. This can be demonstrated in the following ways:

- Taxation – In 2009/10 the UK oil and gas industry paid £6.4 billion in corporate taxes to the Exchequer and as such was the single biggest industrial contributor. This is expected to rise to £9.3 billion in 2010/11. The wider supply chain is estimated to have contributed another £5 – 6 billion in corporation and payroll taxes last year.
- Security of Energy Supply – Currently oil and gas provides some 75% of the UK's total primary energy. Last year, the UKCS satisfied 94% of the UK's oil demand and 68% of its gas demand. In 2020, the Government estimates that 70% of the UK's primary energy will still come from oil and gas; if investment is sustained and the UK remains an attractive place to do business the UKCS has the potential to satisfy half of this demand.
- Economic Contribution – The UKCS remained the largest investor and the largest contributor to national gross value added (GVA) among the industrial sectors of the economy in 2009/10.
- Employment – The UK's oil and gas industry supports employment for 440,000 people across the UK, with 45% of these jobs based in Scotland and 21% in the South East of England. Each £ billion invested on oil and gas industry goods and services typically sustains 20,000 jobs across the country.
- Recent projections by OPITO, the industry's skills body, indicate a significant increase in demand for skilled personnel within the UK oil and gas sector over the next five years as several major projects are started. At present, based on

the information received on industry investment (£5.5bn p.a. or £25bn over next 5 years); known increase in new activity (i.e. new platforms, major field life extension projects, subsea tie-backs, drilling activity, decommissioning); replacement for retirees; global market growth which the UK industry is supporting (300 projects in rest of world) and a multiplier effect through the supply chain OPITO is projecting total resource demand of 20-25,000 additional personnel over the next five years. Whilst planned industry interventions outlined in Question 13 will go some way to supporting this growth through significant UK employment, the UK education and labour market will not be able to supply the quality or volume of skills for this short term peak. Skilled migrants will be critical to ensure that resource constraints do not delay critical UK projects or cost inflation makes those projects unviable.

- Social benefits – skilled migration into the UK’s oil and gas industry supports company investment, the transfer of skills and knowledge; movement of UK workers abroad also provides resident workers with the opportunity to develop their own skills across the global oil and gas industry. This includes hundreds of well paid graduates recruited onto multinational graduate training schemes who are rotated across the different business regions. These schemes are a reciprocal arrangement, with UK graduates benefiting from being able to ‘swap places’ with non-EEA graduates recruited in different regions. In the Aberdeen City and Shire region, the strength of the oil and gas industry has helped to contribute to an unemployment rate (2%) which has remained significantly below the UK (4.1%) and Scotland (4.3%) averages, despite the recession. In 2007, the Aberdeen City and Aberdeenshire area had a Gross Value Added (GVA) per head of £25,855. This was the third highest figure in the UK, after Inner London (£57,180 per head) and Berkshire, Buckinghamshire and Oxfordshire (£26,847).

Question 8: Do respondents agree that the Intra-Company Transfer route should be included within the annual limit?

No. The impact of limiting Tier 2 migrants in general would be huge to the oil and gas industry. The Intra-Company Transfer route in particular is **essential** to the continued strength and competitiveness of the sector. Given the predominance of multinationals and the global nature of the industry, the ability to move personnel between regions is critical to companies’ business models. It enables the transfer of key knowledge and skills, ensures the safe delivery of projects important to the UK’s energy security and economy by competent and experienced personnel and allows UK resident workers to develop and share their own expertise across the globe. The ICT is a two way process which brings great benefit to UK workers, thousands of whom are currently working overseas in other oil and gas provinces (see case study 6).

The transfer of international skilled migrants also allows the UK to flourish as a global centre of training and research excellence, with several important training and geoscience research centres based in Aberdeen alone (see Case Study 3 and 4 in Appendix). These centres will play a vital role in establishing the UK as a continued centre of excellence for the wider energy industry as new technologies are developed for alternative energy sources. In order for North East Scotland to retain its role as a global energy hub it must remain actively connected to the global energy industry and be able to freely share knowledge and expertise. Several companies associated with these centres have indicated that the interim cap on skilled migration is already damaging their ability to conduct training for international operations within the UK – if this cap is made

permanent there is a real risk that such centres will be moved out of the UK to more accommodating regions.

The recent incident in the Gulf of Mexico has also highlighted the importance of quickly being able to transfer skilled personnel to another part of the industry in order to allow the sharing of knowledge and expertise. From a safety perspective, the training and increased competencies that the transfer of skilled personnel brings is essential for the safe delivery of key projects (see Case Study 1).

The interim cap is already threatening to impact some planned projects across the sector (see Case Study 4). If this were made permanent there is a significant risk to several major field developments which are currently in their early stages (see Case Study 1 and 2). These projects are of enormous importance to the UK economy and security of energy supply over coming decades and rely on key positions being filled by non-EEA migrants with essential skills and knowledge.

ICT migrants include graduates and senior management as well as important technical personnel. All these roles enhance the operation of a successful multinational company and have a positive impact on the UK resident workers who are either employed directly by the industry or indirectly due to the significant economic activity associated with the industry's employees. Skilled migrants brought into this industry via Tier 2 are not replacing UK resident workers – they are fulfilling specific and highly skilled roles which cannot be carried out by the existing workforce and could not be addressed by up-skilling of the UK labour market in the next decade.

The UKBA itself acknowledges that the Intra Company Transfer Route is used by businesses to bring their own people into the UK to carry out jobs within the company that it only makes sense for an existing company employee with a particular set of skills and experience to do. Examples of how vital this is to the UK oil and gas industry can be found in case studies 1 and 5, where ICTs were essential for ensuring that the culture and common safety values of the multinational organisation were instilled in the UK workforce. The UKBA also highlights the obligations which the UK has under various international trade agreements to admit ICTs, and the national interest in free access to overseas markets. As highlighted, this is of particular importance to our sector given the internationally competitive nature of its business and the domination of multinationals across the industry.

This industry therefore cannot stress enough how vital Tier 2, and particularly the intra-company transfer route, is to the success of this sector and would urge the UKBA to exclude this route from any annual limit in order to aid the continued growth of the UK business sector and the nation's economic recovery.

Question 9: Do respondents believe that dependants should be accounted towards the limit?

No. An annual limit should not include permits for dependants. As the average rotation for a skilled migrant brought into the UK oil and gas industry is 2 – 5 years, it is highly unlikely that these migrants would agree to take the UK placement if their families were not able to travel with them. All companies who responded to this question confirmed that, in their experience, the majority of ICT migrants bring their families with them for placements lasting longer than 12 months. It should be noted again that these

dependants would be covered by company-funded private healthcare and would be fully supported by the skilled migrant. Most of the companies who responded confirmed that, as well as fluent English being required for the skilled migrant, they also offered English lessons to dependants if needed (any English-language requirement for dependants should include a period of time to allow them to take such lessons). Therefore, dependants brought with skilled migrants coming to the UK oil and gas industry will have a negligible impact on public services and will not require support from the State, so should not be prevented from living in the UK.

Question 10: Do respondents believe that the Shortage Occupation and Resident Labour Market Test routes should be merged in this way? What would be the advantages and disadvantages of doing so? Over what timescale might this change be implemented? What consideration should be given to advertising requirements?

No, we do not believe that the Shortage Occupation and Resident labour Market Test routes should be merged. Within the oil and gas industry, every effort is made to recruit a resident worker where possible. However in some cases this is simply not possible, either due to a global shortage of skills or the need for specific expertise that only an individual from a different oil and gas region would have.

Currently, approval under the Shortage Occupation Route is relatively rapid, whereas the Resident Labour Market test takes much longer (evidence from members indicates up to three times longer for the General Route using the RLM test). Combining the two would make the process much more onerous and significantly impact on employers' ability to bring in key shortage occupations in a timely manner.

Furthermore, the Shortage Occupation list is not reflective of the current skills needs of the industry, and is unlikely to ever fully be able to do so. It is therefore vital that entry remain open to those highly skilled migrants who do not appear on the Shortage Occupation list. This is particularly important for the oil and gas sector where activity is often cyclical and based around key projects – this means that specific skills requirements will vary from sub-sector to sub-sector (i.e. subsea, drilling, platform based operations), project to project, and company to company. This flexibility will always be essential to the sector and is not something which can be resolved over a certain timeframe, or kept track of using a shortage occupations list. The time it would take to submit evidence to have a specific role or set of skills added to the Shortage Occupation list in order to allow a specific highly skilled migrant to be brought into the UK to facilitate a particular project would be completely impracticable.

It should be noted that the costs of bringing in a non-EEA migrant are significantly higher than simply hiring a UK based employee, and also involves costly and time consuming application processing and other administration. The majority of ex-pats brought into the UK oil and gas industry are not only paid high average salaries but also have company-funded health insurance for them and their dependants, and often also receive a living allowance or private accommodation from the company. The decision to hire a non-EEA national is therefore not one which companies in the oil and gas sector do to save time or money – since in both ways a UK national would be the easier option. When recruiting for an individual via the Shortage Occupation list evidence will already have been submitted to indicate why these skills are in shortage and what the industry in question is

doing to resolve the issue over the longer term. In many cases, as stated previously, it is the individual's unique expertise that is required.

Likewise, bringing in an individual via the Resident Labour Market route does not mean that their skills are not in 'shortage' just because they are not on the Shortage Occupation list – the individual in question may, for example, have very specific experience with certain elements of a decommissioning programme or the installation of specific equipment (see case study 5B).

It would be impossible to maintain a Shortage Occupation List which fully reflected the complex technical and strategic skills required for each key project in each sub sector across the UK oil and gas industry. Therefore the combining of the Resident Labour Market and Shortage Occupation Lists could have serious negative impacts on key projects and the ability of a multinational organisation to bring in necessary technical personnel as the need arrives. We therefore disagree with this suggestion.

Question 11: Do respondents believe that there is merit in extending sponsor responsibilities in these ways?

Yes. We would support extending sponsor responsibilities in these ways, as these are areas that multinationals within the oil and gas sector are already committed to.

The oil and gas industry already carries out an enormous amount of work to support and develop the UK resident labour market and the up-skilling of British workers. A key example of this is the industry owned and funded oil and gas skills body – OPITO. The industry has collectively invested around £6 million to set up OPITO, a not-for-profit organisation which is working on identifying and tackling key oil and gas industry skills gaps, as well as providing cross-industry training programmes and safety standards, and working with UK schools and universities to ensure a constant feed of new entrants to the industry.

The Upstream Oil and Gas Industry Technician Training Scheme is a key industry founded initiative, run by OPITO, which has seen over 1100 apprentices recruited onto a four year training scheme to become offshore technicians. This programme is supported by a large number of companies across the sector, has seen £75 million invested over the last 10 years, and exhibits an impressive retention rate of 91% compared with the UK average of 55%. Trainees gain SVQ 3 + HNC and 2 years work experience with an employment rate of almost 100% on completion. The industry is currently looking at plans to develop the scheme for specific industry sub-sectors including drilling and subsea.

In the last year, OPITO also ran a successful 16-week Transformation Training Programme adapting the skills of engineers recently made redundant from the car manufacturing industry to the offshore oil and gas sector, in order to provide the industry with a quality assured and structured mechanism for replenishing the workforce and managing upturns in the long term.

In order to enhance development of the UK resident workforce, the industry has developed through OPITO a series of Petroleum Open Learning Courses, these are flexible self learning courses to enhance technical training and knowledge and improve skills and performance in the work place. Examinations can be taken at anytime, anywhere in the world. The Scheme delivers a Level 3 City & Guilds qualification which

is recognised by employers. All companies within the oil and gas industry are committed to continuing personal development of their existing UK workforce, which on an individual company basis can take the form of anything from training days or courses, sponsored further degrees, international assignments and tailored career development plans.

OPITO is also involved in a number of projects with the Scottish Funding Council and several key universities to: address leadership competencies across industry; investigate and address impact of skills learned at university in the workplace in order to maximise an individual's productivity through more effective use of employability skills; and provide internships to industry and help students develop employability skills.

The industry also holds many attraction events to promote oil and gas as a career to young people. These are run on an industry-wide basis by OPITO across the UK using the Energise Your Future road show events which involved circa 250,000 14-17 year olds in 2010. Individual companies also have well established links and scholarships with universities (particularly in areas of difficulty such as engineering and geoscience) and local schools, established successful work placement and graduate development schemes and accreditation with professional institutions.

We would also support requirements for sponsors to do more to ensure that migrants and their dependants do not place undue burden on local public services. The industry would support a requirement for sponsors to provide health insurance for migrants and their dependants as this is already standard procedure for any skilled migrants brought in to the oil and gas industry. As we have previously referenced, the impact on public services from skilled migrants in this industry is negligible, while the social benefits, as demonstrated in places such as Aberdeen, are clear.

Therefore it would seem sensible that a higher weighting or priority be given to the migrants being brought in to support sectors or employers who contribute significantly to the UK economy and can demonstrate that, through aspects like private healthcare and support for dependants, the impact of the migrant on public services would be low.

Question 12: Do respondents believe that there is merit in raising the English language requirement for Tier 2? If so to what level?

Yes. As stated, we would support raising the English language requirement for Tier 2 to match the requirement under Tier 1. Again, strong English language capabilities are already required by the sector given English is the global business language for the oil and gas industry. Most importantly, good communication between personnel is essential offshore for the safe delivery of key projects.

Question 13: If a supply of migrant workers is no longer readily available, what action will you take to train and source labour from the domestic market?

We are already doing all we can – limiting the ability to bring in highly skilled migrants via Tier 1 (or most importantly Tier 2) will not result in an increase in employment amongst UK workers as the personnel brought in via Tier 2 in particular are brought in for their unique expertise and skill – if we cannot allow multinationals to function properly they will begin to review their choice of the UK as a key business location (see case studies 5 and 6)

As outlined in Question 11, the oil and gas industry collectively invests £millions each year in developing the UK resident labour market and attracting young UK talent to the industry. This is done through the industry's own not-for-profit skills body – OPITO; as well as via initiatives such as the Upstream Oil and Gas Industry Technician Training Scheme and the Transformation Training Programme, University milk rounds and partnerships and links with local schools.

In addition to the relatively small number of skilled migrant workers within the sector, the industry supports thousands of jobs for UK workers. All companies are committed to continuing personal development of their existing UK workforce, which can take the form of anything from training days or courses, sponsored further degrees, international assignments and tailored career development plans. Individual companies across the sector have also established links and scholarships with universities (particularly in areas of difficulty such as engineering and geoscience) and local schools, established successful work placement and graduate development schemes and accreditation with professional institutions.

The Government could further facilitate these efforts by working harder to increase the uptake of science and engineering amongst UK students, and to encourage universities/Government to work in partnership with British-based businesses in order to address skills shortages by tailoring education courses to better meet industry needs. The recent announcements regarding a reduction in university places is also very concerning, again particularly in the engineering and science fields.

The unique skills and expertise migrants brought into the UK oil and gas sector are required to have is not something that can be replicated through training or up-skilling of UK resident workers. This could include experience in different environments (for example deeper water in West Africa ahead of a UK deeper water development worth £3 billion in the west of Shetlands), experience in a certain process or area (for example bringing in ICT's with decommissioning experience as a UK based operation prepares to decommission one of its assets in the North Sea).

It should be stressed again that bringing in migrant workers is not a decision taken lightly by oil and gas related companies; the cost of hiring in a non-EEA worker is on average at least three times more than hiring a UK worker within this sector. Wherever possible, companies within the sector seek to fill vacancies with resident labour. To this end, a huge amount of effort and funding is expended on UK based advertising campaigns and on links with the education sector to encourage UK-based talent.

Conclusion

The UK oil and gas industry is the largest industrial contributor of corporate taxation to the UK Exchequer and supports hundreds of thousands of well paid jobs across the country. Multinationals such as those in the UK oil and gas industry are therefore vital to the UK's recovering economy and provide UK workers with access to well paid jobs and significant training and development opportunities across the globe.

The industry is also fundamentally an international one. The knowledge and skills which are transferred across regions within these organisations ultimately provide huge benefits to the UK sector and rely on the ability of companies to bring in highly skilled immigrants with very specific experience and knowledge. Given the huge benefit these skilled immigrants bring to the UK its economy and wider society, a limit on these types

of immigrants seems misplaced and damaging to a still-recovering UK business environment.

Skilled migration is vital for the continued success of the UK oil and gas industry, and ensures skilled migrants with specific expertise and knowledge are able to meet a specific demand which cannot be resolved by the UK resident labour market. Tier 2 and the Intra-Company Transfer route is particularly important to this industry, as is a revised Shortage Occupation list which better reflects the technical roles required by this important sector. Limiting the ability to bring in highly skilled migrants via Tier 1 (or most importantly Tier 2) will not result in an increase in employment amongst UK workers.

Tier 2 migrants are not taking UK resident jobs – on the contrary they allow multinationals and projects to thrive and as a result, increase resident employment. The ICT route is also a two way process which allows UK employees to gain valuable skills overseas – this is threatened if an annual limit stifles the ability of multinationals to rotate personnel in this way.

**Oil & Gas UK with the support of the SCDI and OPITO
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Appendix – Participating Companies

In addition to a number of wider industry discussions, the following companies submitted detailed responses to Oil & Gas UK in order to allow this submission to be put together:

Company	Operations	HQ
1. Amec	Multinational	UK
2. Apache	Multinational	USA
3. BG Group	Multinational	UK
4. BHP Billiton	Multinational	Australia
5. BP	Multinational	UK
6. Cape	Multinational	UK
7. Chevron	Multinational	USA
8. ConocoPhillips	Multinational	USA
9. Enquest	Multinational	UK
10. Fairfield	National	UK
11. Fugro	Multinational	EU
12. Halliburton	Multinational	USA
13. Hess	Multinational	USA
14. Imes Group	Multinational	UK
15. Maersk Oil	Multinational	EU
16. Marathon	Multinational	USA
17. Oceaneering	Multinational	USA
18. OMV	Multinational	EU
19. Petrofac	Multinational	Middle East
20. PSN	Multinational	UK
21. QServ	Multinational	UK
22. CTC Marine	Multinational	UK
23. RWE	Multinational	EU
24. Schlumberger	Multinational	USA
25. Seawell	Multinational	EU
26. Senergy	Multinational	UK
27. Subsea7	Multinational	UK
28. Talisman	Multinational	Canada
29. Technip	Multinational	EU
30. Total	Multinational	EU
31. Tullow Oil	Multinational	UK
32. Wood Group	Multinational	UK