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Job losses in UK's North Sea raise skills and safety concerns

Claire Milhench

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LONDON (Reuters) - Cost-cutting in Britain's North Sea oil and gas sector could lead to more acute skills shortages in future, industry experts have warned, with some expressing concerns that safety could be compromised.

A section of the BP Eastern Trough Area Project (ETAP) oil platform is seen in the North Sea, around 100 miles east of Aberdeen in Scotland February 24, 2014. REUTERS/Andy Buchanan/pool

A plunge in crude prices over the last 12 months has prompted oil majors such as Royal Dutch Shell (RDSa.L), BP (BP.L), Chevron (CVX.N) and ConocoPhillips (COP.N) to lay off hundreds of workers.

Oil field services groups such as Amec Foster Wheeler AMFW.L, Wood Group (WG.L) and Petrofac (PFC.L) are also in consultation with employees over job cuts.

“We have seen a lot of panicking,” said Alastair Cole, a director at Spencer Ogden, an energy recruitment agency. “We’ve seen some very quick decisions made to balance the books in the short term, and there’s going to be a big gap in the future.”

A report published in February by Britain’s Oil and Gas Authority found that firms had significantly reduced staffing levels and contractor rates.

“The (cost-reduction) programmes should recognise the risks of potentially losing key skills and expertise required for the future. Great care must also be taken to avoid adverse impacts on safety, the environment and maintenance programmes,” it said.

Many experienced older workers are also opting to hang up their wrenches in favour of early retirement, just as ageing platforms need more specialist care and attention.

“Not only do we have installations that have been out there 20 or 30 years, but many of these installations also have a significant number of people on them who have been there from the beginning. So knowledge transfer is an issue,” said John Wishart, president of Lloyd’s Register Energy.

It’s a huge turnaround from the situation last summer when companies were struggling to recruit senior project managers of the right calibre, leading to rampant wage inflation.

“My worry is that we could take it too far,” said Brian Campbell, a director at PwC. “Then when the oil price goes back up and everyone is scurrying around for the same talent, rates could go through the roof and we’re back to square one.”

MIND THE GAP

Similar cut-backs in previous downturns created gaps in the industry in the mid-career age group of 35-45 year-olds (see graphic). This led to accelerated promotions, with talent hired away by other organisations and some people promoted ahead of their competency level, industry participants say.

Cole said he knew of people retiring early because of worries that in a few years’ time, the supervisory levels offshore would be filled by less experienced people.

He cited the example of an offshore installation manager who said that since the downturn of 2008, people could be promoted up the ranks of an offshore rig in 4-5 years, rather than the minimum of 15 years that it used to take.

“It doesn’t mean they’re better – it’s just a necessity. He said that will become a safety issue and he doesn’t want to be there when something goes wrong,” Cole said.

Some industry veterans point out that younger managers have no direct memory of the 1988 Piper Alpha disaster, in which 167 men died after a gas explosion.

That accident occurred against a backdrop of industry cost-cutting adopted after the 1986 oil price plunge - a similarity that is ringing alarm bells with some.

“The scars and memories of an event like Piper are leaving the industry,” said one engineer with 33 years in the sector. “The deaths from Piper were a result of lots and lots of small but very bad decisions. Those same decisions are being taken today, I see it consistently in my work.”

As a result of Piper Alpha, offshore safety has been radically overhauled, reducing fatalities to very low levels, but some fear that as collective memory fades, standards will start to drop again.

For their part, North Sea operators insist that safety remains paramount. Commenting on job losses back in March, Shell’s upstream vice president for the UK and Ireland, Paul Goodfellow, said changes would be implemented without compromising Shell’s commitment to “the safety of our people and the integrity of our assets”.

LOSS OF EXPERIENCE

A December 2014 study by Ernst & Young estimated that around 38,000 full-time workers were expected to retire between 2014 and 2019, out of a total workforce of 375,000.

But David Gibbons-Wood, director of the Centre for International Labour Market Studies at Robert Gordon University, Aberdeen, said that where companies are undertaking redundancy programmes, it will accelerate exits.

Thomas Helmer, who worked in the industry for almost 40 years as an engineer and manager, and now works for a crisis management company, said he was concerned about the loss of “a phenomenal amount of experience in a very short period”.

“The key to risk management is knowing what can go wrong,” he said. “If you don’t have that knowledge and experience you will not select and implement the appropriate controls.”

He said problems with current safety procedures included flawed management of corrosion defects, some deluge testing being overdue and poor controls over temporary equipment. He added an increase in bureaucracy over the years had kept supervisors behind desks rather than walking the floor.

“It is true that the offshore industry has become safer if you look back, but that does not mean a major event cannot happen.”

Editing by Tom Pfeiffer and Pravin Char