# Harbour Energy layoffs fuel calls to rethink UK’s energy profits levy amid industry crisis



A recent wave of job losses at Harbour Energy, a key player in the UK oil and gas sector, has sparked significant concern among local workers and industry stakeholders, with many attributing the cuts to the government's Energy Profits Levy (EPL). This controversial tax, which has risen to 78% on profits from oil and gas extraction, is seen as a major factor in the decision to lay off 250 employees in Aberdeen, adding to a total of 600 redundancies within the last two years.

Kerry Smyth, a technical support manager at Harbour Energy, expressed the emotional toll these job losses are taking on employees, stating, “People are sad, they’re worried, but no one is surprised.” Her comments came during an emergency press conference convened by the Aberdeen & Grampian Chamber of Commerce. Smyth emphasised the need for government intervention, arguing that the current taxation policy not only threatens jobs but also undermines the skill set essential for a successful energy transition. “The government needs to act now before we lose the skill set we need to deliver the energy transition,” she said, highlighting a persistent fear in the industry that highly skilled engineers are being pushed out of the sector at a critical time.

The ramifications of these layoffs extend beyond individual livelihoods. Donna Hutchison, chief executive of Aberdeen Cyrenians, warned that the impacts would ripple through the community, attributing potential increases in child poverty and domestic violence directly to economic instability resulting from job losses. “This is not just numbers on a spreadsheet; we really need to remember the humanity in this,” she pointed out, underscoring the social implications of the government’s policies on the energy sector.

Russell Borthwick, chief executive of Aberdeen & Grampian Chamber of Commerce, condemned the government’s handling of the situation, asserting that the UK is effectively deindustrialising its energy capital. He called for urgent adjustments to regulatory frameworks that could safeguard existing jobs and stimulate new opportunities. His concerns echo sentiments held widely throughout the region, as many fear that a lack of supportive measures will irrevocably damage local industries.

Financial repercussions are also evident, as Harbour Energy reported a reduction in profit, with net earnings plummeting to $32 million for 2023 from a pre-tax profit of $597 million. This sharp decline has been attributed to both the windfall tax and decreasing natural gas prices, indicating a precarious financial landscape. The company aims to adapt by exploring international opportunities, yet this strategy raises questions about the long-term viability of the UK’s energy sector in the face of escalating taxation and dwindling investment.

The government insists that the EPL is a necessary tool to bolster energy security amid a cost of living crisis, extended through to March 2028. However, public opinion appears divided. Recent polling data revealed that 68% of voters support using domestic oil and gas to meet energy demands, while only 27% believe the windfall tax has effectively lowered bills. Many view the tax as not only ineffective but also detrimental to a sector they rely upon.

The sentiment among industry leaders and workers alike underscores the urgent need for a reconsideration of the UK's energy taxation policy. As voices across the region call for reform, it is clear that the future of Harbour Energy, and the wider energy sector in the UK, hinges on a government willing to engage with the realities facing its workforce and industries at large.

### Reference Map

1. Paragraphs 1, 2: Source 1
2. Paragraph 3: Source 1
3. Paragraph 4: Source 1
4. Paragraph 5: Source 2, Source 4
5. Paragraph 6: Source 3, Source 5
6. Paragraph 7: Source 6
7. Paragraph 8: Source 5
8. Paragraph 9: Source 7

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.pressandjournal.co.uk/fp/business/local/6753279/harbour-energy-manager-hits-out-after-aberdeen-firm-slashes-jobs/> - Please view link - unable to able to access data
2. <https://www.bbc.co.uk/news/uk-scotland-north-east-orkney-shetland-64318032> - Harbour Energy, a North Sea oil and gas firm, announced job cuts in Aberdeen, attributing the decision to the UK's windfall tax on profits. The company is reassessing its future activity levels in the UK following an increase in the Energy Profits Levy (EPL) from 25% to 35%. While the exact number of job losses hasn't been confirmed, the majority of its UK employees are based in Aberdeen. The Treasury states that the EPL aims to strengthen the UK's energy security amid a cost of living crisis. The tax, which applies to profits from extracting UK oil and gas, is set to remain in place until March 2028, extending beyond its original end date of 2025.
3. <https://www.bbc.co.uk/news/uk-scotland-scotland-business-65178626> - Harbour Energy, the UK's largest oil and gas producer, plans to cut 350 UK onshore jobs, blaming the UK's windfall tax. The company has been reviewing its operations since January, following the increase of the Energy Profits Levy (EPL) from 25% to 35%. The vast majority of its 1,200 UK onshore staff are based in Aberdeen. Harbour Energy is working to mitigate the impact of the workforce reduction through measures like a recruitment freeze and a voluntary redundancy scheme. The EPL applies to profits made from extracting UK oil and gas and is set to run until March 2028.
4. <https://www.reuters.com/business/energy/harbour-energys-32-mln-annual-profit-curbed-by-britains-windfall-tax-2024-03-07/> - Harbour Energy, the largest oil and gas producer in the British North Sea, reported a net profit of $32 million for 2023, significantly down from its $597 million pretax profit. This sharp decrease is attributed to the UK's windfall tax (EPL) impacting energy companies, which resulted in Harbour setting aside $1.5 billion for the tax, and lower natural gas prices and output. Revenue fell to $3.7 billion from $5.4 billion in 2022, further affected by $911 million in hedging losses. The EPL pressured Harbour to cut headcount, reduce North Sea investments, and explore international expansion, including acquiring Wintershall Dea's non-Russian assets in an $11.2 billion deal. The company produced 186,000 barrels of oil equivalent per day in 2023, down from 208,000 in 2022, and forecasted lower production for 2024 due to planned shutdowns and the sale of its Vietnam business. Harbour also proposed a $100 million final dividend and partnered with BP on the Viking CCS carbon capture project.
5. <https://www.telegraph.co.uk/business/2023/04/05/north-sea-operator-blames-windfall-tax-as-it-axes-350-jobs/> - Britain’s biggest oil and gas producer, Harbour Energy, confirmed plans to cut 350 jobs, blaming the expanded Energy Profits Levy (EPL) imposed by Chancellor Jeremy Hunt. The company stated that the increased tax rate had squeezed cash flows and deterred financial backers. The job cuts were announced shortly after fellow North Sea producer Enquest said its Kraken field would face 'natural decline' due to the levy prompting delays in further drilling. Harbour Energy has been a vocal critic of the decision to increase the tax rate on UK oil and gas companies to 75% from January 1, up from 40% last year.
6. <https://www.reuters.com/business/energy/harbour-energy-joins-north-sea-producers-retreat-ahead-tax-hikes-2024-10-23/> - Harbour Energy, a leading North Sea oil producer, is looking to sell stakes in several North Sea oilfields and revive plans for a U.S. listing in response to upcoming tax hikes announced by the new Labour government. Finance Minister Rachel Reeves is set to increase the windfall tax on oil and gas profits from 35% to 38%, raising the overall tax rate to 78%, starting November 1. The revenue from these taxes will fund renewable energy projects. Harbour intends to reduce its exposure in the North Sea by selling its stakes in the Armada, Everest, Lomond, Catcher, and Tolmount fields. Other companies, such as TotalEnergies and Neo Energy, are also scaling back their investments and activities in the North Sea, citing the region as 'un-investible' due to the unstable fiscal regime. The Labour government aims to extend the tax duration to 2030 and scrap investment allowances, further discouraging investment in the aging oil basin.
7. <https://www.ft.com/content/8d95e2df-3b2f-47f2-9805-02f02bd663ac> - Banks have significantly reduced loans to UK oil and gas producers following the imposition of the windfall tax in 2022. This has raised concerns about the feasibility of investing in the North Sea oil and gas industry, potentially leading to its premature shutdown before viable renewable energy alternatives are fully developed. The introduction of the Energy Profits Levy, a tax on fossil fuel companies, has resulted in a 40-50% drop in available credit. Additionally, ongoing tax uncertainties and the transition toward renewable energy have caused major banks and other potential financiers to step back from funding UK projects. This financial strain has led to significant underperformance in the stock prices of UK energy companies compared to their Norwegian counterparts, who benefit from more stable policies despite similar tax levels. If the current tax regime persists, UK energy production could be halved by 2030. Consequently, several UK producers are exploring investment opportunities in more politically stable regions. The UK Treasury has expressed its commitment to working with the industry to provide long-term tax certainty and develop a future regime to handle energy supply shocks.