# Harbour Energy job cuts expose challenges in UK’s oil to renewables transition



# The Challenges of Transitioning from Oil and Gas to Renewables

The Great Energy Transition, heralded as a necessary shift towards sustainable energy, is facing significant hurdles, as underscored by the recent announcement from Harbour Energy regarding substantial job cuts in Aberdeen. This decision, which sees 250 positions axed, is indicative of the broader challenges plaguing the oil and gas sector as it grapples with both long-term and cyclical declines. Harbour Energy, one of the UK’s largest oil and gas producers, is redirecting its capital to more profitable ventures abroad, such as Egypt and Argentina, where favourable tax regimes prevail.

This strategic pivot also extends to its commitments in carbon capture and storage initiatives, notably the Viking scheme in Humberside. Harbour Energy cites "repeated delays" from the UK government as a key factor in reassessing these projects, echoing concerns held by industry peers about the government's commitment to fostering a conducive investment climate in renewable energy. The delays are not merely administrative hurdles but a growing chasm between the waning oil and gas industry and the burgeoning renewables sector.

The urgent need for a seamless transition for oil and gas workers into renewable roles is increasingly apparent. However, many industry representatives argue that the rhetoric surrounding re-skilling does not match reality. The reality is stark: as companies retreat from investments in renewables amid financial uncertainties, the job security of workers remains precarious. Ørsted's recent decision to halt development on the Hornsea 4 offshore wind project illustrates these difficulties. Despite securing a long-term pricing guarantee designed to attract investors, the project's financial viability has become untenable, leading to hefty costs associated with breaking supply chain contracts.

In addition to the stoppages in offshore wind projects, Drax's ambitions for expanding its hydro power capabilities at Ben Cruachan have been similarly thwarted. The company postponed its £500 million expansion plan, again citing high capital costs as the stumbling block. This trend of halting or scaling back ambitious projects raises critical questions about the UK government's goal of achieving 95% clean energy generation by 2030. If current initiatives falter due to financial strain, the roadmap to meeting these ambitious targets will become increasingly uncertain.

This uncertainty is compounded by ongoing debates concerning energy market policies. The government's recent consultations on the oil and gas sector's future, particularly regarding taxation and licensing, are pivotal. The Energy Profits Levy, which imposes a substantial tax on oil and gas profits, is contentious within the industry. While critics argue that it stymies investment, proponents maintain it is crucial for ensuring energy security during a cost-of-living crisis. The dilemma facing the government is stark: easing the tax burden may foster stability in job numbers, but it risks undermining broader environmental goals.

Furthermore, discussions surrounding the Review of Energy Market Arrangements (REMA), which includes potential shifts from a national to a zonal pricing system, add another layer of complexity. While advocates argue this could lead to regional pricing that better reflects market conditions, critics warn of increased volatility and unpredictability. For renewable developers, such uncertainty presents significant risks, which could deter investments necessary for achieving a sustainable energy future.

Amidst these legislative and market uncertainties, significant financial commitments continue to flow into the energy sector. The establishment of a National Wealth Fund, recently pledging £600 million towards Scottish Power's projects, signifies a push towards enhancing grid connectivity essential for renewable energy distribution. Yet, the projected costs to achieve this vision could soar to £60 billion, a sum that could ultimately be passed onto consumers’ energy bills.

As the UK grapples with its renewable energy future, the myriad pressures on both the oil and gas sector and the emerging renewables industry create a precarious balance. The interim choices made by companies like Harbour Energy reflect wider industry trends and underline the urgent need for a cohesive and well-structured approach to energy transition. Striking the right balance between immediate economic concerns and long-term environmental goals will ultimately dictate the success of the UK's ambitious Net Zero agenda.

## Reference Map:

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2. <https://www.bbc.co.uk/news/uk-scotland-scotland-business-65178626> - Harbour Energy, the UK's largest oil and gas producer, announced plans to cut 350 UK onshore jobs, attributing the decision to the UK's windfall tax. The company stated that the Energy Profits Levy, which results in an effective tax rate of 75% in the UK, has led to a reassessment of its future activity levels in the country. The majority of the affected staff are based in Aberdeen. Harbour Energy emphasized its commitment to mitigating the impact of the workforce reduction and is working to support affected employees. The company also highlighted its intention to continue supporting investment in existing projects while scaling back investment in new exploration licensing. The Energy Profits Levy, introduced by the UK government, applies to profits made from extracting UK oil and gas and is set to remain in place until March 2028. The tax has been a point of contention, with critics arguing that it undermines investment in the UK's energy sector. The Treasury, however, maintains that the levy helps strengthen the UK's energy security amid a cost of living crisis. Harbour Energy's decision reflects the broader challenges faced by the oil and gas industry in the UK due to the increased tax burden and its impact on operational decisions and workforce planning.
3. <https://www.thenationalnews.com/world/uk-news/2023/03/09/harbour-energy-warns-of-job-cuts-as-windfall-tax-hits-profits/> - Harbour Energy, Britain's largest oil and gas producer, has warned of significant job cuts and a reduction in UK activities due to the impact of the UK's windfall tax. The company stated that the Energy Profits Levy, which has increased the tax rate to 35%, has led to a reassessment of its future activity levels in the UK. Harbour Energy emphasized its commitment to supporting investment in existing projects but indicated a scaling back of investment in new exploration licensing. The company has initiated a review of its UK organization to align with lower future activity levels. The windfall tax, introduced by the UK government, applies to profits made from extracting UK oil and gas and is set to remain in place until March 2028. Harbour Energy's decision underscores the challenges faced by the oil and gas industry in the UK due to the increased tax burden and its impact on operational decisions and workforce planning.
4. <https://news.stv.tv/north/major-north-sea-oil-firm-harbour-energy-axing-350-aberdeen-jobs-in-response-to-windfall-tax> - Harbour Energy, a major North Sea oil firm, has confirmed plans to cut 350 onshore jobs in Aberdeen in response to the UK's windfall tax. The company stated that the Energy Profits Levy, which results in an effective tax rate of 75% in the UK, has led to a reassessment of its future activity levels in the country. Harbour Energy emphasized its commitment to mitigating the impact of the workforce reduction and is working to support affected employees. The company also highlighted its intention to continue supporting investment in existing projects while scaling back investment in new exploration licensing. The windfall tax, introduced by the UK government, applies to profits made from extracting UK oil and gas and is set to remain in place until March 2028. Harbour Energy's decision reflects the broader challenges faced by the oil and gas industry in the UK due to the increased tax burden and its impact on operational decisions and workforce planning.
5. <https://www.thisismoney.co.uk/money/markets/article-12069707/Windfall-tax-forces-Harbour-Energy-axe-350-jobs-tries-save-40m-year.html> - Harbour Energy, the UK's largest oil and gas producer, is set to cut 350 jobs as it shifts investment away from the UK due to the windfall tax. The company stated that the Energy Profits Levy, which has increased the tax rate to 35%, has led to a reassessment of its future activity levels in the country. Harbour Energy emphasized its commitment to mitigating the impact of the workforce reduction and is working to support affected employees. The company also highlighted its intention to continue supporting investment in existing projects while scaling back investment in new exploration licensing. The windfall tax, introduced by the UK government, applies to profits made from extracting UK oil and gas and is set to remain in place until March 2028. Harbour Energy's decision reflects the broader challenges faced by the oil and gas industry in the UK due to the increased tax burden and its impact on operational decisions and workforce planning.
6. <https://www.cityam.com/harbour-energy-blames-windfall-tax-for-scrubbing-out-profits-as-it-confirms-heavy-jobs-cuts/> - Harbour Energy, the largest oil and gas producer in the North Sea, has confirmed plans to cut hundreds of jobs in the UK due to the impact of the UK's windfall tax. The company stated that the Energy Profits Levy, which has increased the tax rate to 35%, has led to a reassessment of its future activity levels in the country. Harbour Energy emphasized its commitment to mitigating the impact of the workforce reduction and is working to support affected employees. The company also highlighted its intention to continue supporting investment in existing projects while scaling back investment in new exploration licensing. The windfall tax, introduced by the UK government, applies to profits made from extracting UK oil and gas and is set to remain in place until March 2028. Harbour Energy's decision underscores the challenges faced by the oil and gas industry in the UK due to the increased tax burden and its impact on operational decisions and workforce planning.
7. <https://www.bbc.com/news/uk-scotland-north-east-orkney-shetland-64318032> - Harbour Energy, a North Sea oil and gas firm, has announced plans to cut jobs in Aberdeen, attributing the decision to the UK's windfall tax on profits. The company stated that the Energy Profits Levy, which has increased the tax rate to 35%, has led to a reassessment of its future activity levels in the UK. Harbour Energy emphasized its commitment to mitigating the impact of the workforce reduction and is working to support affected employees. The company also highlighted its intention to continue supporting investment in existing projects while scaling back investment in new exploration licensing. The windfall tax, introduced by the UK government, applies to profits made from extracting UK oil and gas and is set to remain in place until March 2028. Harbour Energy's decision reflects the broader challenges faced by the oil and gas industry in the UK due to the increased tax burden and its impact on operational decisions and workforce planning.