

## BRIEFING NOTE #14: 14<sup>th</sup> NOVEMBER 2017

### PARTICIPATION IN A SMALL ARCHIPELAGO (SHETLAND)



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#### Before the oil

Shetland lies 700 miles north of London, 300 north of Edinburgh and is 200 miles from Bergen. Its history is 'interpreted as a succession of peoples who came by sea, who settled and built up a way of life only to have it replaced by the culture of new arrivals' (Nicolson 1975: 28). This history and its remoteness give rise to a perception of cultural, economic and political distinctiveness. The population had been in long-term decline and stood at 17,567 in the 1971 census. Around this time, its economy was heavily dependent on external support with fishing, fish processing, sheep farming and knitwear the staples of the islands' economy.

In 1967, oil was discovered in the Norwegian sector of the North Sea raising the possibility of opportunities in the UK sector with Shetland being the nearest landfall for a large part of potential oil development. This was also a period of economic difficulties for the UK. In 1971, oil was discovered in the East Shetland basin and within a year it was clear that this was a massive discovery. Subsequent discoveries meant that Shetland would indeed become crucial to oil development and transform the islands.

#### Opportunities, threats and choices

Oil companies and the UK Government saw the North Sea as offering great opportunities. North Sea oil wealth was impossible to calculate precisely, not least as new fields kept being discovered, oil prices would fluctuate significantly and the technical challenges and therefore costs of extraction were unclear. Geopolitical developments had resulted in oil prices quadrupling over the winter of 1973/74. The UK had serious balance of payments problems. The National Union of Mineworkers (NUM) had gone on strike in 1972 and 1974 adding to the Government's energy crisis. Getting oil out of the North Sea as quickly as possible would be a priority for the UK Government. Oil companies shared that objective.

**'God has given Britain her best opportunity for one hundred years in the shape of North Sea oil.'**

**Prime Minister James Callaghan 1977 (quoted C. Harvie, *Fool's Gold*, 1994).**

For Shetlanders, however, there were other considerations. Oil development would involve massive disruption, challenge traditional ways of life, and potentially damage Shetland's existing and sometimes fragile economy. In October 1972, the *Shetland Times* complained, 'It is almost pathetic that the Government, pinning its hopes on oil for the economic salvation of Scotland, seems to have left it to a relatively impoverished local authority to wrestle with the enormous infrastructural problems of the oil boom' (*Shetland Times*, 11 October 1972).

There were inevitably different views in the islands. The local council faced a number of challenges:

- Aggregating and articulating the divergent views in Shetland's communities;
- Gaining formal legal powers to manage oil development;
- Negotiating with UK Government and oil companies, requiring expertise in highly technical complex engineering, economic and legal matters.

While oil developments would have an impact throughout the archipelago, some places would be much more affected than others. Opportunities and threats existed unevenly and would require careful and sensitive responses. There was the potential for divide-and-rule in the community by oil companies and there were individuals tempted by lucrative side deals.

**'The views of Shetlanders [in c.1972] covered the whole spectrum from excitement to anxiety, while for those who did not wish to see Shetland changed in any way by the oil industry, there was still the comforting thought that so far no oil had been discovered off Shetland, or at least no finds had been announced. It was still possible to dream that the oil men would drill only dry wells.'**

**James Nicolson, *Shetland and Oil*, 1975, p.69**

The Council was ill-equipped to deal with oil developments. It required new powers and increased capacity which it pursued through special Parliamentary procedures. An Act of Parliament was passed in 1974 giving the Council a range of important new powers. New infrastructure would be required but it was difficult to know exactly what would be required and therefore what support was necessary. The community would require new expertise and shrewd leadership. It could not rely on the wholehearted support of the UK Government given divergent interests in the speed of oil extraction. A paternalist attitude was prevalent in London. In the House of Commons, an MP referred to the 'simple gentle people' who would be outwitted by 'land-grabbing Mafia of Edinburgh and Texas' in reference to financial and oil interests.

### **Asymmetric information**

In the early/mid 1970s, Shetland faced Rumsfeldian challenges. There was much that the community simply could not know about the future but was then required to make decisions. The challenge of asymmetric information would be one of the greatest challenges facing the community.

**'There are *known knowns*; there are things we know that we know. There are *known unknowns*; that is to say, there are things that we now know we don't know. But there are also *unknown unknowns* - there are things we do not know we don't know.'**

**Donald Rumsfeld, US Defense Secretary, February 12, 2002**