



Policy Brief

Hundreds of jobs at risk from inaction at Sullom Voe

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Taking no action to transition the Sullom Voe Terminal could ultimately cost 234 jobs across the Shetland economy by 2036, climbing to 402 by 2050.

Avoiding another Grangemouth or Mossmorran requires urgent action now.

Summary

What happens to Shetland's economy and local employment in a 'do nothing' scenario at the Sullom Voe Terminal ('SVT')?

Our research investigates the impact on jobs and income generation at the terminal site and across the local supply chain if oil processing activity winds down without action to transition to low-carbon fuel production. Our analysis uses our Shetland Economy Model ('SEM') and industry projections of the decline of oil and gas extraction activity in the East and West of Shetland oil fields.

A short-term boost could be delivered if the Clair oil field is extended but, even in that scenario, 340 jobs are at risk across the Shetland economy

Our results show that SVT and the local Shetland supply chain may experience a short-term boost in activity if BP's plans to unlock more reserves via the 'Clair South' development are progressed (though the longer-term outlook points to a sharp decline from the late 2030s, resulting from cessation of production from East of Shetland fields). We estimate that this will cost the Shetland economy a total of 340 full-time equivalent ('FTE') jobs by 2050 and £25 million per annum in local income generation (Shetland's gross regional domestic product, GRDP), assuming SVT continues to operate on a steady pathway of decline.

NEXT STEPS

[Read our second policy brief](#) investigating how proposed low-carbon fuel production at SVT would change the picture reported.

If the Clair extension does not go ahead, almost 250 jobs could be lost by the mid-2030s

The outlook is more acute if current regulatory and fiscal headwinds, such as the continuation of the UK Energy Profits Levy ('EPL'), prevent the Clair field extension from going ahead. In this scenario, our findings indicate that 80 FTE jobs will be lost at SVT from 2036, compounded by further 154 job losses across other local sectors as supply chain requirements and worker incomes decline. By 2050 (assuming SVT continues to operate on this steeper path of decline), total job losses across the local economy rise to 402 by 2050, while Shetland's GRDP falls by an estimated £30 million per annum.

Urgent action is required to unlock a pathway to a just transition for Shetland

The message is clear; without early planning and investment in new low-carbon fuel production and other replacement activity at SVT (which could also include extending Scotland's carbon capture and storage capacity), the cost of inaction to the Shetland economy and local communities extends well beyond the terminal gates. A timely transition is necessary, both to avoid skilled workers and their families from leaving the islands and unlock new economic opportunities. A key catalyst our research points to is the shift from export-focused fossil fuel processing to the production of low-carbon fuels in ways that sustain high-quality jobs and income generation, while meeting more of Shetland's energy requirements locally.

In conclusion, even in the best-case scenario, in which BP extends Clair production via SVT, 340 Shetland jobs will be lost and £24 million will be wiped from the local economy by 2050.

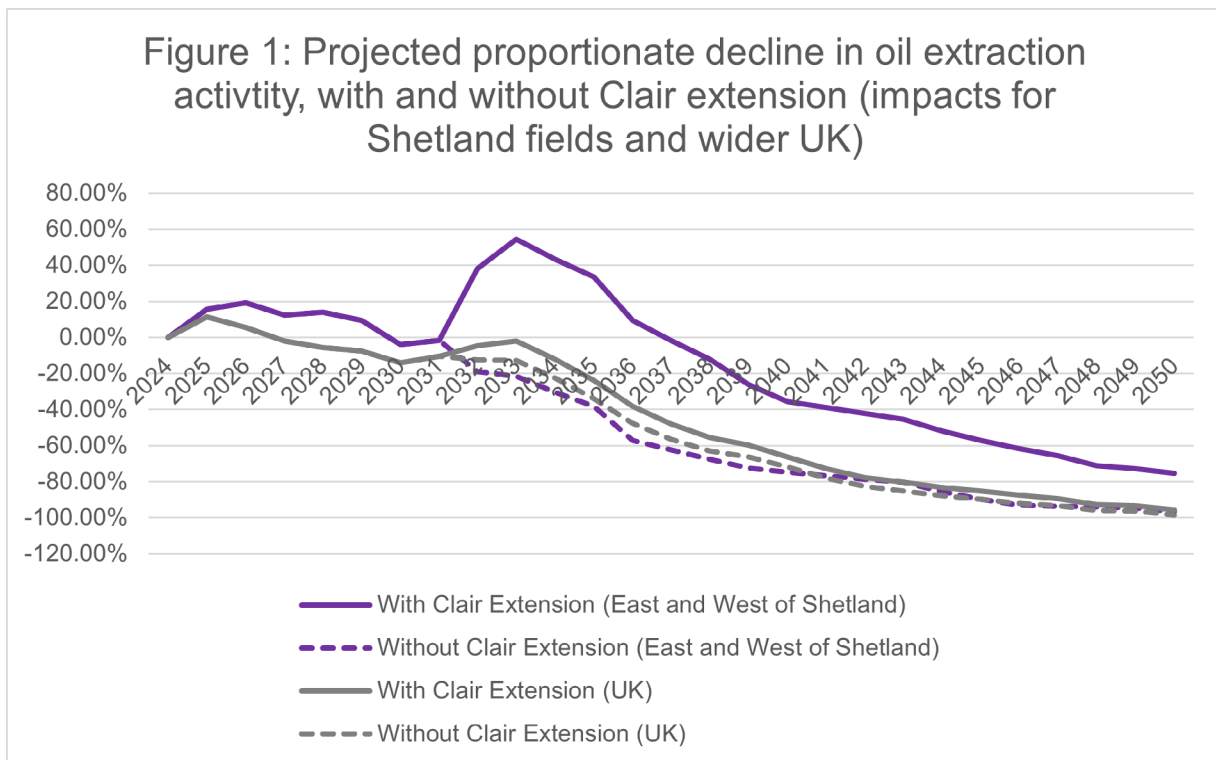
The challenge (and an opportunity)

Through the URKI [Ocean REFuel](#) and [Energy Demand Research Centre \(EDRC\)](#) projects, the University of Strathclyde’s [Centre for Energy Policy \(CEP\)](#) is studying the impacts of the net zero and energy transition on the Shetland economy, starting with what may happen to the Sullom Voe Terminal (‘SVT’). This is a question of national importance given the role SVT has played for the last half century as a key infrastructure asset in processing oil extracted from the North Sea and making Shetland’s ports the third busiest in the whole of the UK in terms of oil and gas traffic.ⁱ

[Plans being developed by Veri Energy](#) (a subsidiary of SVT Operator and part-owner, EnQuest) offer a clear view of the potential future for the SVT terminal and its local Shetland supply chain. These plans centre on scalable projects (including onshore wind, the production of e-fuels, and CCS) to transition to low-carbon fuel production and decarbonisation activity at SVT, which could also include extending Scotland’s carbon capture and storage capacity.ⁱⁱ

Here, an appropriate starting point is to consider the implications of a ‘do nothing’ scenario for Shetland’s economy if a transition pathway for SVT cannot be unlocked. That is, what will happen to the Shetland economy if oil processing activity at SVT declines as projected in the East and West of Shetland oil fields (see Figure 1), with no transition activity to replace it?

Our economy-wide scenario simulation approach allows us to identify and quantify impacts on key variables (such as local income generation) by tracking Shetland’s GRDP and employment. Our analysis highlights the prospect of substantial job losses if SVT does not successfully transition. In addition, this brings into sharp focus additional issues associated with the island’s declining and aging population, such as the viability of local public service provision (e.g., school closures if displaced workers and their families migrate to find employment).



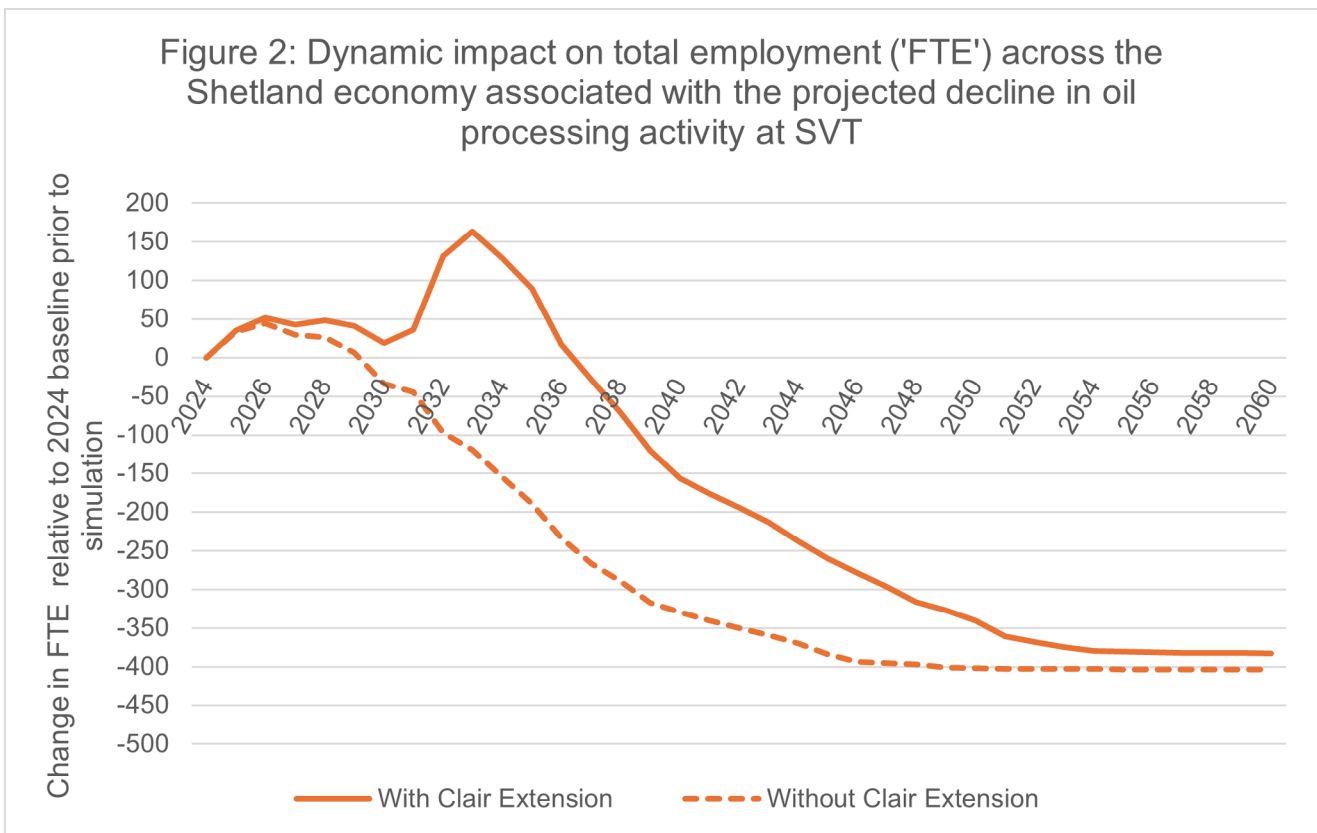
Source: Produced using Wood MacKenzie projections provided to the CEP team.

What we did

We used our SEM model to conduct dynamic scenario simulations of how the Shetland economy would be impacted by reducing demand for the processing activity of SVT as oil extraction activity declines in the offshore installations in the waters around the islands in a 'do nothing' case.ⁱⁱⁱ Here, we have drawn on Wood Mackenzie data^{iv} regarding projected declines in oil extraction activity at the East and West of Shetland fields, on the basis that SVT mainly processes the output of these fields. The projections (see Figure 1) suggest that, in contrast to the projected steady decline in oil and gas extraction activity across the UK, SVT might experience a temporary uplift in oil processing activity if the Clair oil field extension proceeds, followed by a sharper decline from 2033. However, if the Clair extension does not proceed, the decline is expected to be more acute for SVT and Shetland than across the UK as a whole, given the age of the hydrocarbon assets currently using the terminal.

What we found

We ran dynamic, economy-wide impact simulations for the projected decline scenario (with and without the Clair extension), mapping the data projections of reduced extraction activity in the East and West of Shetland fields to reductions in demand for oil processing at SVT. We applied a conservative perspective to the likely response of the Shetland labour market, given the limited mobility of workers between the types of jobs offered at SVT and other parts of the Shetland economy. That is, any flexibility in Shetland's labour market, including downward wage flexibility, is unlikely to stem job losses triggered by the decline in demand for SVT services.

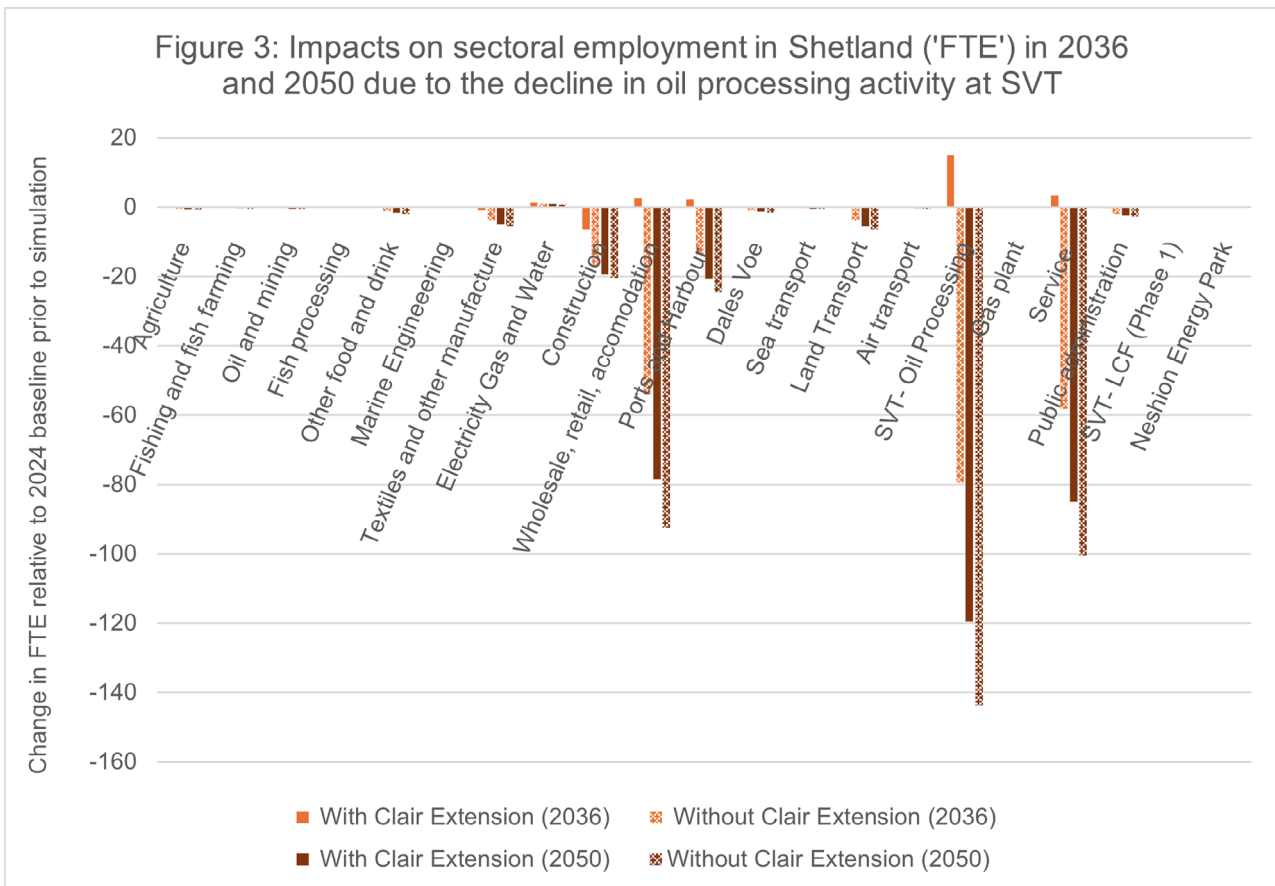


Source: CEP's simulation using SEM.

In the current regulatory and fiscal environment, not least with the continued application of the EPL by the UK Government, it is increasingly likely that the Clair field extension may not go ahead, or will at least be significantly delayed.^v When we run this scenario in the SEM model, with the associated reduction in demand for SVT oil processing services, we find that 80 FTE jobs are likely to be lost at SVT by 2036, and a further 154 across other sectors of the Shetland economy. See Figure 2.

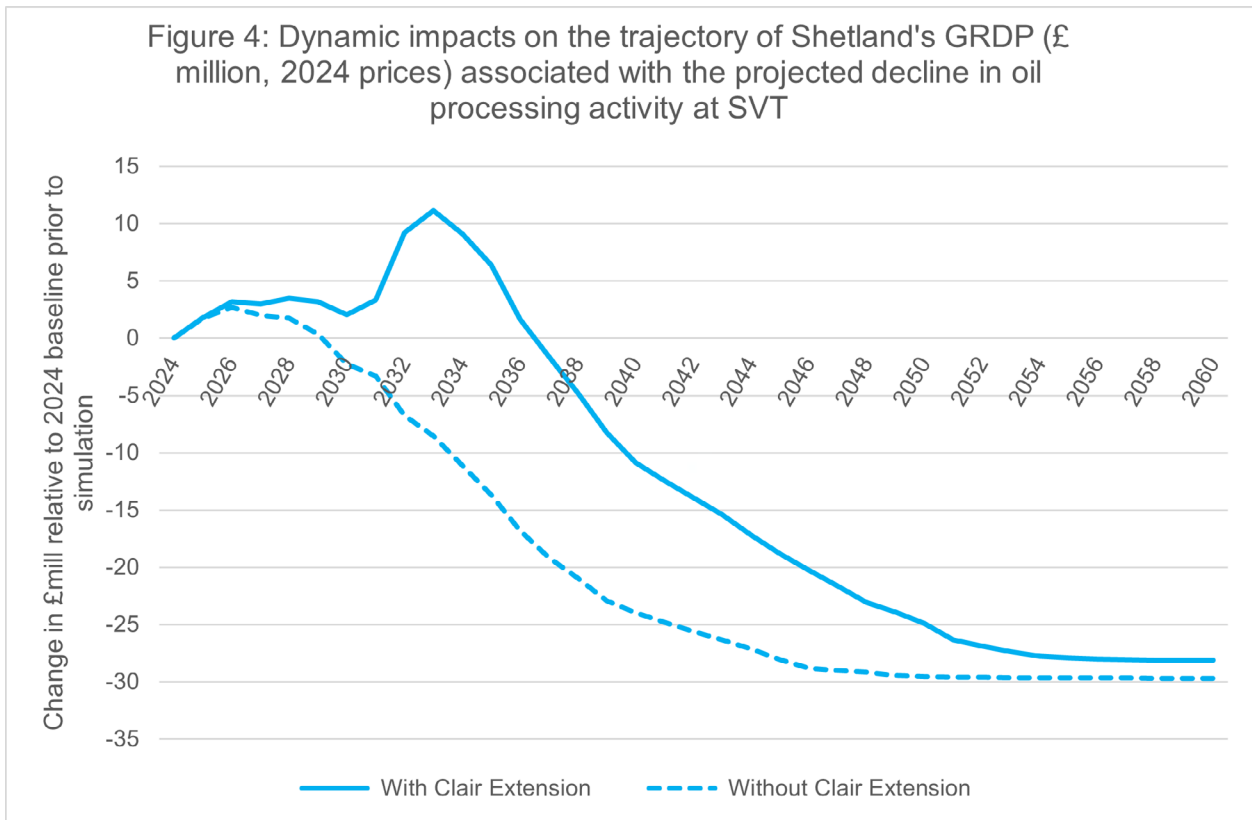
In contrast, if the Clair extension goes ahead, it could provide a transitory boost to employment in the mid-2030s. This would be associated with a constrained expansion of the Shetland economy (see Figure 4 for net impacts on Shetland’s GRDP), given labour supply challenges and other local constraints (which will dampen activity in other sectors to some extent if activity increases at SVT, even temporarily).

However, Figures 2 and 4 show that employment and income generation (reflected by the GRDP trajectories) across Shetland will ultimately reduce, with the potential Clair extension providing only a temporary cushion to the long-term decline. Moreover, this assumes that SVT operations do not reach an earlier critical ‘cut off’ point under either scenario or labour market landscape.



Source: CEP’s simulation using SEM.

In the long term, if the Clair extension does not go ahead, and assuming the SVT operations continue on a declining pathway (which may not be the case), by 2050, our results indicate that 144 jobs will have been lost at SVT and a further 258 across Shetland’s economy (a total of 402 FTE). The indirect job losses are concentrated in a few key Shetland sectors: construction (20 jobs); services (100 jobs); ports and harbours (25 jobs); and, most significantly, across wholesale, retail and accommodation, where workers spend money (93 jobs). See Figure 3.



Source: CEP's simulation using SEM.

Moreover, if the Clair extension does not proceed, the associated long-term impact on Shetland's income generation (GRDP) would be estimated at £30 million annually by 2050, representing a steep drop-off from 2036, at which point GRDP losses are forecast to be c.£17.38 million for the year.

On the other hand, if the Clair extension goes ahead and SVT continues to operate at reduced capacity, this would temporarily slow the sustained contraction of the Shetland economy. For this “best case” scenario, our results suggest that by 2050, the net total job losses across the Shetland economy will be 340 (See Figure 2), with 119 of these lost at SVT. The associated contraction in income generation would be similarly limited to £24 million a year by 2050. However, in this case, this loss would follow a temporary boost in the Shetland economy, with 17 additional jobs and £2 million of GRDP gains in 2036.

Conclusion

The message emerging from our analysis is clear; if nothing is done to transition activity at the SVT terminal, particularly in the context of how the current energy and fiscal policy landscape in the UK is affecting decision making in the oil and gas industry, the cost to the Shetland economy and local community – with a declining population of currently just around 23,000 people – will extend well beyond the terminal gates.

The results reported in this brief provide an outlook in which hundreds of jobs will be lost, and income generation across the economy will move onto a steeply declining trajectory. Moreover, the



implications will extend beyond the scope of this brief's analysis. For example, if workers losing their jobs at SVT or in the local supply chain decide to leave Shetland, migrating with partners/spouses who currently work in other sectors and children, this could risk the viability of key public services, such as schools, where pupil numbers fall below critical levels.

Thus, there are multiple reasons why the need for early planning and investment in new low-carbon fuel production and other replacement activity at SVT (which could also include extending Scotland's carbon capture and storage capacity) is becoming increasingly urgent. If we are to avoid another Grangemouth or Mossmorran, in a highly vulnerable remote island community, early action to ensure a commercially viable transition to e-fuel and other low-carbon activities at SVT is becoming increasingly critical.

Next steps

A timely transition to low-carbon fuel production at SVT could unlock new opportunities for the islands' energy sector, including shifting from what has been an entirely export-focused fossil fuel processing operation to the production of low-carbon fuels via a pathway that both sustains high-quality jobs and income generation and meets more of Shetland's energy requirements locally.

The next stage of CEP's research involves investigating how such developments would change the picture reported in this brief. Here, our work going forward will be supported by both the existing [Ocean REFuel](#) project and CEP's work as part of the UK [Energy Demand Research Centre](#), where the focus is on the equity of meeting energy demand in new low-carbon ways. Here, proposals for how low-carbon fuel production at SVT could help meet local decarbonisation requirements (e.g., in Shetland's marine-based sectors) point to an important shift in Shetland's export base, rather than the need to reduce dependence on costly imported fuels.

An initial analysis of a potential transition of the SVT terminal, focusing on Veri Energy's Phase 1 plans for low-carbon fuel production, has already been conducted by the CEP team. [Please see the second policy brief](#) we have published as part of this research.

As we extend our research focus to consider a wider range of planned 'green energy' and related activities (e.g., our ongoing analysis of how investment in the ultra-deep-water quay at [Dales Voe](#) will impact the Shetland economy), we will continue to revisit the 'base case' or 'do nothing' scenario examined here as the dynamic local, national and global landscape changes. We also aim to introduce consideration of a wider range of concerns, such as the impacts of changing workforce demands on Shetland's declining population, which will have important implications for the provision of local public services.



CONTACT

The quality and usefulness of our research depend on the input of local stakeholders and experts. Please reach out to the CEP research team (cep@strath.ac.uk), led by Professor Karen Turner (karen.turner@strath.ac.uk) if you have any inputs, thoughts or suggestions.

ACKNOWLEDGEMENTS

The research reported in this paper is part of the EPSRC [Ocean REFuel project](#) (EPSRC grant reference EP/W005018/1), with additional support through the [Energy Demand Research Centre, EDRC](#) (UKRI grant reference EP/Y010078/1) in considering distribution and 'just transition' issues. We are grateful to Shetland Islands Council and Highlands and Islands Enterprise for data and information input to our research on the Shetland economy and the energy transition, and to Wood Mackenzie and Veri Energy for sharing data to inform our scenario simulations.

End-notes and references to underlying research

- i. See p. 24 of 'Shetland in Statistics 2024' at <https://www.shetland.gov.uk/downloads/file/10684/no-44-shetland-in-statistics-2024>.
- ii. The CEP team have also conducted economy-wide analysis of how Scottish carbon capture and storage via the Acorn project could impact across the UK economy. See the peer reviewed paper by Turner et al., (2023), published in Local Economy at <https://doi.org/10.1177/02690942231203932> and a report on the outcomes of our work on the Innovate UK funded Scotland's Net Zero Infrastructure project published at <https://strathprints.strath.ac.uk/88173/>. We are currently in the process of updating our research given the pending closure of Mossmorran as an emitter: please contact us at cep@strath.ac.uk if you would like to learn more.
- iii. The Shetland Economy Model is currently undergoing initial peer review. It is a regional CGE model sharing key properties with the Scottish AMOSENVI model (e.g., see the peer reviewed paper by Figus et al., 2019 published in Regional Studies at <https://doi.org/10.1080/00343404.2018.1490012>). In developing the scenarios for oil and gas decline, we adopt a similar approach to that applied in previous work with a broader UK focus as reported in the CEP policy brief by Karkoutli et al., 2024 at <https://strathprints.strath.ac.uk/90491/>.
- iv. The Wood Mackenzie projections were made available for this analysis through stakeholder engagement established as part of the project.
- v. Operator BP is reported to be delaying decisions on the Clair extension in the current UK fiscal landscape, with particular concern around the EPL or 'windfall tax'. For example see the 2025 piece in the Energy Voice at <https://www.energyvoice.com/oilandgas/578194/bp-in-wait-and-see-mode-over-north-sea-decisions-ahead-of-windfall-tax-review/>.