

How black gold was hijacked: North sea oil and the betrayal of Scotland

In 1975, the Government faced a dilemma: how to exploit the potential of its new oil fields without fuelling demands for Scottish independence. So it buried the evidence.

By Ben Russell and Paul Kelbie. Published in The Independent on Friday, 9 December 2005

It was a document that could have changed the course of Scottish history. Nineteen pages long, written in an elegant, understated academic hand by the leading Scottish economist Gavin McCrone, presented to the Cabinet office in April 1975 and subsequently buried in a Westminster vault for thirty years. It revealed how North Sea oil could have made an independent Scotland as prosperous as Switzerland. The Freedom of Information Act has yielded many insights and revelations into the working of the British government, but none so vivid as the contents of Professor McCrone's paper, written on request in the dog days of Ted Heath's Tory government and only just unearthed under the FOI rules.

Earlier this week, the Chancellor Gordon Brown underlined the vital revenue stream that North Sea oil still is in the context of British politics. In his pre-budget report, Mr Brown extracted an extra £6.5b in tax from North Sea oil and gas producers, to be taken over the next three years. Economists like the Liberal Democrats' Treasury spokesman Vince Cable say that high oil prices have already bailed out the Treasury to the tune of £1 billion this year.

Imagine then, what the oil could have done for a Scotland which chose independence in the mid 1970s and claimed ownership of the reserves. Thirty years ago, Professor McCrone answered that very question and his conclusions shocked his political masters.

Although BP first discovered the giant Forties oilfield in 1970 - which by 1977 was producing 500,000 barrels of oil a day, equivalent to a quarter of Nigeria's entire daily production - the real rush for "black gold" had only begun around 1973, when the Yom Kippur War caused a crisis in the Middle East and forced prices up to around \$16 a barrel.

By the time the oil companies realised that North Sea drilling was not only cost-effective but highly lucrative, and the British government realised it was sitting on a gold mine, the Scottish nationalists had already laid claim to the oil.

The "It's Scotland's Oil" campaign began in 1972. If only they had seen the professor's research. An independent Scotland's budget surpluses as a result of the oil boom, wrote Professor McCrone, would be so large as to be "embarrassing".

Scotland's currency "would become the hardest in Europe, with the exception perhaps of the Norwegian Kronor." From being poorer than their southern neighbours, Scots would quite possibly become richer. Scotland would be in a position to lend heavily to England and "this situation could last for a very long time into the future." In short, the oil would put the British boot, after centuries of resentment, firmly on the foot standing north of the border.

Within days of its receipt at Westminster in 1974, Professor McCrone's document was judged as incendiary and classified as secret. It would be sat upon for the next thirty years.

The mandarins demanded that Professor McCrone's 19-page analysis be given "only a most restricted circulation in the Scottish Office because of the extreme sensitivity of the subject." The subject was sensitive alright. This is a story of Whitehall betrayal that will satisfy the pre-conceptions of the most extreme Scottish anglophobe.

It was the comparison with Norway that particularly worried the Westminster politicians. In the mid 1970s of course, Norway was fully independent and about to take advantage of an oil boom that has generated undreamed-of prosperity to the present day. In Scotland, the situation was somewhat different, and potentially explosive.

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National pride had been hugely galvanised by the appearance of the Scotland Football Team in the 1974 World Cup, a competition for which the England side had failed to qualify. But economically, the outlook was bleak. Heavy manufacturing, which had been the heart and soul of the Scottish economy for generations, was in deep trouble. Between 1970 and 1974 the number of coal mines in Scotland fell by a third, while steel production plunged by a fifth.

Shipbuilding, the mainstay of the Clyde, was in particular trouble. After the Heath government refused to bail out four yards in Upper Clyde in 1971, trade unionists staged a work-in and occupied the yards. Some 70,000 people marched calling for government help and a 48-hour strike by other workers brought out more than 100,000 in support.

Meanwhile, in politics, the nationalists were riding high as never before. The 1970 general election saw the SNP poll just 11.4 per cent of the vote and one seat. But in February 1974 they scored 21.9 per cent and won seven seats. Within eight months, by the October election of that year, their support had risen to the all-time high of 30.4 per cent of the vote, and 11 seats. The party was also nipping at the heels of Labour in 34 other Labour-held seats. This was the high tide of Scottish nationalism.

Previously unheard of would-be terrorist cells began to emerge: The "Scottish Legion", "Jacobites", "Border Clan", "Tartan Army" and the "100 Organisation", which took its name from the famous historic Declaration of Arbroath, stating: "So long as 100 of us remain alive we will never submit to English rule."

American companies based in Aberdeen became nervous that a Scottish breakaway, socialist in outlook, was threatening their interests. Pressure was exerted on the government to control the situation. Professor McCrone's report, in such volatile circumstances, would almost certainly have provoked a turning point in the history of the United Kingdom.

Billy Wolfe, who was leader of the SNP at the time and the man credited with developing the nationalists as a clearly defined left-of-centre political party, is in no doubt of what the McCrone findings could have meant. "If that information had been published before the October 1974 election," said Mr Wolfe, "we would have won Scotland and it would be a much wealthier and happier place. A whole lot of economic factors would be a lot different, especially in the fishing, steel and shipbuilding industries. It would have been a tremendous boost for Scotland."

Tam Dalyell, who served as Labour MP in West Lothian for 43 years, agrees that the document could have led to independence. "In my view it might have done," he said. "It could have tipped the balance in a number of seats including mine. Oil was very much a totemic issue. It was new and it was dramatic. Politics at that time was very different. In 1974 my majority went from around 6,000 in February to around 2,000 after the October general election. "It was most unpleasant. People were saying 'it's our oil'."

By the mid 1970s, international convention had already agreed that the North Sea north of the 55th parallel was under Scottish jurisdiction. That meant around 90 per cent of the UK's oil and gas reserves fell within Scottish waters. Such was the fear of the rise of Scottish nationalism that the document remained secret under the governments of Callaghan, Thatcher, Major and even Tony Blair.

Its very existence only emerged when Scottish National Party researchers, thought to be acting on a tip off from a former official, placed a carefully-worded request under the freedom of information legislation.

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Next week the Scottish Executive is due to publish the annual Government Expenditure and Revenue in Scotland analysis, which charts expenditure north of the border.

Statistics for 2002- 03 showed expenditure per head of £6,579 in Scotland compared with £5,453 in England. It also showed that Scotland received £9.3 billion more than it took in taxes. It is an old English nationalist refrain that the Scots are both over-subsidised and over-represented in the British Parliament. In response to the first of those charges, for the first time in thirty years the Scots now, in the form of Professor McClone's suppressed report, have hard evidence to suggest that it could have been Scotland, not England, sending money across the border. Yesterday Alex Salmond, the SNP leader, made it clear that the 31-year-old McClone papers were not just a dusty history lesson, but would form a central part of their campaigning for the future.

He said: "The impact of this would have been dynamite. It would have had great influence. "I was astonished by how direct the paper was, and appalled at the extent of what has been hidden from the people. McCrone was saying that an independent Scotland would be Europe's Switzerland. The Labour party were saying that it would be like Bangladesh.

"This is hugely important. But it was not just important then. It is important now. Gordon Brown's black hole is being filled by black oil."

At the time of Professor McCrone's report to the cabinet office, the SNP claimed that North Sea Oil would yield £800 million a year for the government by 1980.

Professor McCrone's main criticism of their analysis was that their forecasts were "far too low". He put the sum at about £3 billion.

Scottish independence had become a mortal threat to the British exchequer. "The importance of North Sea oil" wrote, the Professor, "is that it raises just this issue in a more acute form than at any time."