

Committee seeks views on UK's future skills needs

Fuels Industry UK

Fuels Industry UK is the nation's biggest fuels sector trade association. Our members manufacture and supply over 93% of the UK's transport fuels, investing in sector-wide transformation to help the country reach net zero. Our membership includes conventional and lower-carbon alternative fuel suppliers alongside terminal and pipeline operators.

Fuels Industry UK, along with over a dozen of the UK's largest manufacturing trade associations, [wrote to UK and devolved governments in 2024](#), raising concerns we share about the current and growing shortage of workers across our sectors, in particular of trades roles and suggesting five broad steps which should be taken to ensure a growing UK skills base (through improving prestige of vocational qualifications; fixing the Apprenticeship Levy; offering long term policy stability; working collaboratively to improve equality, diversity and inclusion; as well as supporting visas where there is short term need).

Questions

The Committee is interested in answers to the following questions:

1. What kinds of skills do you think will be needed for the future of the UK economy? Is the UK's skills and training system capable of equipping increasing numbers of people with these skills?

The future of the UK economy will demand a diverse set of skills, including but not limited to, technological expertise, innovation, project management, and environmental sustainability.

In our 2022 assessment of the expected skills needs for delivery of fuels (and the low carbon fuels that will be essential in future), what is notable is the number of knowledge, skills and behaviours likely to similar demand over the next 10 years to now. This is reflective of an industry which is in constant flux, through the need to meet regulatory requirements, compete within a strong UK (and global) market, and respond to new technological advancements within sector.

Nowhere is this more noticeable than when considering the future of key industrial decarbonisation technologies in hydrogen and carbon capture. Both technologies have been identified as essential to meeting the UK' Net Zero aims, particularly in industry¹, while as the fuels manufacture sector, we are already familiar with both technologies, being the largest producers and consumers of hydrogen (grey hydrogen for now) and using processes such as amine treatment, which are expected to be a common means of gas scrubbing for carbon capture. The skills our existing workforce uses to produce the fuels of today, are likely to be highly relevant to the UK economy of the future.

Do you expect the following 'Knowledge, Skills and Behaviours' to become more or less in demand in the next 10 years?

	LESS DEMAND	SIMILAR DEMAND	INCREASED DEMAND
Digital skills	8 %	23 %	69 %
Innovation	0 %	38 %	62 %
Digital security	8 %	31 %	62 %
Managing change	0 %	46 %	54 %
Managing risk	0 %	46 %	54 %
Technology identification and application	0 %	46 %	54 %
Compliance	0 %	62 %	38 %
Creative thinking	8 %	46 %	46 %
Designing, implementing, controlling & optimising new processes	8 %	46 %	46 %
Health & Safety	0 %	62 %	38 %
Problem solving / critical thinking	0 %	62 %	38 %
Data analysis and interpretation	0 %	69 %	31 %
Data management and handling (reporting)	0 %	69 %	31 %
Project / Programme management	0 %	69 %	31 %
Communication	0 %	77 %	23 %
Working with other companies (domestic partnerships / clusters)	8 %	62 %	31 %
Mentoring / Coaching	0 %	85 %	15 %
Networking skills	8 %	69 %	23 %
People / Team management	0 %	85 %	15 %
Team working / collaboration	0 %	85 %	15 %
Negotiation	8 %	77 %	15 %
Working Internationally (overseas partners)	15 %	62 %	23 %

However, while those in the workforce have relevant and applicable skills, there are already issues with shortages in some of those skills, which are likely to grow without mitigation in future. Long term shortages in STEM skills at high levels of competence are being added to in trades which have lower (non-degree) qualifications but still require upwards of 3 years' training, and years of experience. The Engineering Construction Industry Association (ECIA), whose

¹ Climate Change Committee, [Net Zero – the UK's Contribution to Stopping Global Warming](#), May 2018

members assess whose members employ many such workers as contractors, view there is a long-standing and deteriorating issue with the available trades workforce with as much as 30% of confirmed (contracted) demand cannot be met and perhaps double that of possible contracted work.

2. What is the appropriate level of government intervention in the development of skills policies? What should the Government's proposed post-16 education strategy include in relation to apprenticeships and training?

Government intervention in skills policy should strike a balance between setting frameworks and allowing flexibility for innovation and adaptation. The government's role should focus on creating an enabling environment, facilitating partnerships, and providing targeted support where necessary to address skills gaps and promote lifelong learning.

On targeted support, and as noted in Q3, it is important to ensure there is consistent messaging on the importance of roles/skills in shortage and ensuring routes to attaining such skills are valued by society, which has not been the case in recent decades. Change is needed within education providers to ensure qualifications, standards and the curriculum are fit for purpose. This must be based on a strategic assessment of where and how skills are needed, which would be a keen intervention by HMG to deliver a trusted assessment.

3. Are existing Government policies on skills, particularly apprenticeships and training, sufficiently clear? Have policies, funding, and the institutional set-up been sufficiently consistent over time? If not, what changes or reforms would you recommend?

Reforms are required to the Apprenticeship Levy and the wider package of adult learning in the UK. Employers need a high-quality system of skills training that is flexible and sustainably funded. Currently, large businesses pay into the Levy but are unable to access funds, even where there is significant underfunding nationally. This has led to a situation where companies are spending twice as much on apprentice schemes as they used to and getting only as many (or fewer) apprentices in the business. Within our sector we view that the apprenticeships available, both on the ground and in terms of standards are suitable, however, the quality of applicants has fallen in recent years. The Levy has also seen an end to unfunded apprenticeships, which had been a source of 'backup' apprenticeships where inevitable attrition was seen. Other issues around apprenticeships are around flexibility in how funds can be used where they are accessed – the emergence of industrial decarbonisation clusters offers an opportunity for co-funding of apprenticeships where skills and training could be shared among cluster members – derisking the

investment by sharing it, offering greater chances for employee development, and potentially improving retention for the companies – we explore this more in Q8.

4. Are the right institutions in place to ensure an effective skills system for the future? Should co-ordinating institutions be national, regional, or sectoral, or a mixture of each? What is your view of Government's proposal to establish a new body, Skills England?

Fuels Industry UK does not have a strong view on whether the right institutions are in place, this will vary considerably by region and the challenges each region faces. There are multiple institutions to engage with at most levels which may be a source of confusion or at the very least lack of a coherent strategy for skills. If Skills England is better able to offer such coherence and long term planning then it would be welcomed.

5. What should be the role of businesses in encouraging the development of skills in the UK? Should businesses be a consumer, funder, trainer, or co-designer of skills provision?

Ensuring there is flexibility in such roles is likely to be the best option given all sectors have different skills needs, now and in future, and approaches to recruitment and retainment are also different. At present, business is likely to be all of the above and this should be continued. Businesses are suitably incentivised to being efficient in any of those roles, for example by agreeing common industry standards or training schemes to reduce costs of delivering individually, or losing qualified employees soon after the end of a course.

6. What incentives do employers have to provide training for their employees? Why do you think that employer investment in training has declined in recent decades?

Fuels Industry UK does not have an answer to this question.

7. Should further incentives be put in place to reverse the decline in employer investment in training, and if so, what form should these incentives take? Do smaller employers need greater support to access skills provision, and what form should this support take?

Incentives such as tax incentives, grants, or subsidies for training programs all exist and are used, however, attitudes to work, where worker expectations may aim for greater breadth of experience, rapid promotions best delivered by moving companies than working up within one, and mobility². Macroeconomic

² Michael Page, [The changing attitudes towards what employees want](#), 2023

factors have also been associated with lower investment in training, with slow economic growth over the past 15 years, with a poor growth forecast in the UK also likely weighing on such investment³.

8. Concerns have been raised over the operation of the Apprenticeship Levy, particularly in relation to the decline in young people taking on apprenticeships. Is there a case for reforming the levy, for example by ring-fencing more levy funding for training for younger apprentices? If so, what portion of Levy funding should be ring-fenced, and for what ages and levels of qualification?

As noted in Q3 the operation of the Apprenticeship Levy requires careful evaluation and potential reforms to address concerns and optimize outcomes. Ensuring that all levy funding is spent, or can be reclaimed by inputting companies could help incentivise participation and address skill shortages among younger demographics, but there are many other issues with the Levy model and outcomes which need to be reassessed.

9. Should the Apprenticeship Levy be made more flexible, allowing funds to be used for shorter courses? What is your view of the Government's proposals for a Growth and Skills Levy?

Yes, the Levy should be made more flexible, with shorter courses being one such flexibility. Shorter courses would have the benefit of being able to create a higher level of competence sooner in early careers (or those switching from a markedly different career), making them able to contribute more to the sector sooner. While there may be concern about dilution of quality, there are existing, robust processes in place to ensure courses are relevant and it is in the interest of employers (and apprentices) to ensure that the courses are appropriate.

There are however many other flexibilities that we would welcome in a future Levy including:

- Increased ability to sponsor apprenticeships in other supply chain companies – this is particularly important where there are symbiotic relationships such as with refineries and the trade contractors regularly employed by the sector for essential maintenance and large projects.
- Enabling greater choice for employers to decide what their levy is spent on. As noted above, it is not in an employers' interest to spend funds on unhelpful or sub-standard training for apprentices. Reported underspend of the Levy does not benefit any group, so enabling greater flexibility to ensure that all Levy

³ KPMG, [UK Economy Forecast](#), September 2024

funds are spent would increase training (whether directly for apprentices, or even by freeing up monies for other employees if the apprentices additional training which would have happened anyway is now Levy-funded).

- Being able to fund previously unfunded apprentices where there is attrition of those previously funded (as was the case before the introduction of the Levy – sadly this route of unfunded apprentices may have dwindled too far to be effective in future)

10. What is your view of the Government's proposals for a youth guarantee of access to training, apprenticeships, and employment support? If a guarantee was to be introduced, which institutions should be responsible for providing it and would they need additional resources or powers to do so?

We do not have a strong view on this question

11. Should further education be funded in a demand-led way, as is the case in higher education? Is such a shift practical, and would it be necessary to provide a youth guarantee of access to training?

We do not have a strong view on this question

12. How does the UK's approach to skills and training compare to those of other countries? Are there examples of good practice that the UK should be learning from?

We do not have a strong view on this question