

Scottish Affairs Committee

[Oral evidence: Scotland's whisky industry: tariffs, trade and growth, HC 575](#)

Wednesday 21 October 2026

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Watch the meeting

Members present: Patricia Ferguson (Chair); Maureen Burke; Dave Doogan; Douglas Lumsden; Mr Angus MacDonald; Douglas McAllister; Susan Murray; Kirsteen Sullivan.

Questions 1 - 56

Witnesses

I: Mark Kent, Chief Executive Officer, Scotch Whisky Association; Graeme Littlejohn, Director of Strategy, Scotch Whisky Association; Ruth Piggitt, Director of Industry Sustainability, Scotch Whisky Association; Emily Weaver Roads, Deputy Director International, Scotch Whisky Association.

Examination of witnesses

Witnesses: Mark Kent, Graeme Littlejohn, Ruth Piggin and Emily Weaver Roads.

Chair: Welcome to this session of the Scottish Affairs Committee, where we are going to be looking at Scotland's whisky industry, and tariffs, trade and growth specifically. A very warm welcome to our panellists this morning. I am going to ask each of you just to say your names and what your role is, and then we will get straight into questions. Mr McAllister, do you have a declaration?

Douglas McAllister: Yes, please. I declare an interest as the vice-chair of the APPG for Scotch whisky.

Mr MacDonald: Can I declare the same interest? I am also a vice-chair for the Scotch whisky APPG, or I will be later today.

Douglas McAllister: That is bold.

Dave Doogan: It is a committee of many vices.

Mr MacDonald: I am a more important vice-chair than he is.

Q1 **Chair:** We will not get into internal squabbles about the APPG. I will ask the panellists to introduce themselves, please.

Graeme Littlejohn: Good morning. I am Graeme Littlejohn, director of strategy at the Scotch Whisky Association.

Emily Weaver Roads: Good morning. I am Emily Weaver Roads, deputy director of international at the Scotch Whisky Association.

Mark Kent: Good morning. I am Mark Kent, the chief executive of the Scotch Whisky Association.

Ruth Piggin: Good morning. I am Ruth Piggin. I am the industry sustainability director for the Scotch Whisky Association.

Q2 **Chair:** Thank you again for coming along this morning. I would like to open by asking you how you would describe the current health of the industry and the main pressures that you face. I will start with you, Mr Kent.

Mark Kent: I should start by saying thank you very much for inviting us here today and giving us a chance to set out the position of the industry. You have received our written comments, but maybe it is useful if I just give you an overview of the current opportunities and challenges.

We are the UK's biggest food and drink export and a globally traded commodity to 160 markets around the world. We export 90% of everything that we produce. The UK is our fourth-largest market by value. This means



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we are dependent on global trade conditions and the prevailing issues in any one of those 160 markets at any one time.

It is generally positive that we are part of Scotland's soft power. We are of Scotland; we are made in Scotland and its communities, and we depend on them. Hopefully, we aim to give back to those communities which are our home base. We also should note, though, that the fact that we are so well known as a symbol of Scotland can bring problems for us when there are international trade disputes. We can find ourselves on the end of retaliatory action when these are disputes that do not have anything specifically to do to us. I just wanted to flag that potentially negative collateral damage can come up when trade disputes occur.

We are also very much a local industry. Our concentration is a geographical indicator. We have to be produced in Scotland. All Scotch whisky has to be produced in Scotland. That means that we bring jobs and investment. We are also affected by the prevailing economic conditions and policies of our home Governments in terms of production and the cost of doing business. We will come on to that a bit later.

The sector adds over £7 billion to the UK economy and supports over 65,000 jobs across the country, while Scotch whisky exports are worth over £5 billion a year. The past six years, starting with covid, have seen us face a series of challenging circumstances both domestically and internationally, with rising costs for business and consumers continuing to impact not just the producers, but the supply chain and the communities that rely on them, from the farmers who produce the grain through to the hospitality industry and tourism. Tourism is another plus of our global reputation and global soft power. We bring people to Scotland to spend their money here.

This has led to the industry having to be very resilient. It is a very resilient industry, but these circumstances, with such volatility, have required us to take mitigating steps such as production pauses, restructuring and the closure of sites or visitor centres. We have had to adapt to these challenging circumstances.

More recently, over the past few months, there have been some positive international trade developments, which we have welcomed. We welcomed the support that we have received from Government, including tariffs on exports to China being reduced, the UK-India free trade agreement coming into force, and US tariffs on Scotch whisky being lifted. These are all going to provide boosts to the industry over the longer term, but it will take time for them to be realised. Even in markets such as the US, the prevailing market conditions, even with tariffs off, will still be a challenge. With free trade agreements, there will be bumps on the way. As we know, across the world, you may have a free trade agreement, but implementation is an ongoing process.

We have seen these tentative gains, which are encouraging and show the potential for us to return to sustainable growth over the long term. There



is this long-term curve that we have seen, with Scotch being a product that is attractive to countries as they grow their disposable income. We want to return to that growth curve across the globe, but the domestic challenges in our production base remain.

We will soon be looking at the UK Budget. Spirits are taxed disproportionately more than other drinks categories. That affects Scotland disproportionately, as it produces 70% of all spirits. The costs of production, in particular energy, and doing business are continuing to rise, and the burden of regulation is increasing alongside un-evidenced negative narratives around spirits like Scotch whisky. If you talk to our members, they will say that the cumulative burden is still a worrisome one.

Where does that leave us? We are at a pivotal or hinge moment. We have the potential. We have a great product, a resilient industry and we are known across the globe, but we cannot take success for granted. We need domestic support to see the industry through this current period and ensure that distillers are in a position to take advantage of the opportunities abroad. We are optimistic about the industry's future, for the reasons I have said, but there is no guarantee. We believe that support at home will deliver regional growth, benefit our local communities and boost revenue generation.

A review of the alcohol duty system is under way. Addressing the domestic tax paid by spirits like Scotch whisky will be a key first step. This will give producers confidence to invest in growth at home and abroad. That is what I would set out as the starting position.

Q3 Chair: We will come to a lot of that as we go through the morning. Can I ask about the drop in both value and volume that we saw in 2025? What were the drivers of that? What is the current position? I do not know whether that is for Mr Kent or Mr Littlejohn. I will leave it to you two to decide.

Mark Kent: I will start off and then pass to my right. Over the covid period—I do not know whether it is useful for me to go through the dynamic—we saw spikes in consumption and export because what happened was, as you know, you had lockdowns and people could not go out across the world. They could not consume on trade premises. Bars and restaurants were closed. For us, as an exporting industry with a complex logistics chain, as you will recall, a lot of the containers were not where they needed to be. There was a business imperative to ship as much stock out to be near consumers in various countries around the world. We then saw a gradual opening up.

In the last few years, we have seen a combination of the international trade environment being complicated and a lot of inventory in certain countries being worked through. That has taken some time to come through.

We have seen a small growth in the first six months of this year in terms of both value and volume. We are always working with economic cycles as



well. Over the past six years, we saw volatility year on year. If you look at that long-term growth curve, we now have the potential to come back to that.

That is why I come back to the point I made before. This is a key moment. It is a very delicate moment, but, if we get the right support, especially for some of our smaller members, to push on, we can then go back and see this growth continue to consolidate and get back to the curve that we have seen over previous years.

Graeme Littlejohn: I would just add that it has been an extraordinary decade in many ways for the Scottish whisky industry. It has had to deal with a multitude of external factors. Of course, we had the impact of Brexit through the transition period, which was a particular challenge for small member companies. We then went into the first round of US tariffs connected to the Airbus-Boeing dispute from 2019 to 2021. We then went into the pandemic and the inflationary cost pressures and energy cost pressures that resulted from the pandemic. We then went into the second round of US tariffs, which we are thankfully now removed from.

That period shows the broad resilience of the industry. If you go back to 2019, there was £4.9 billion of global Scotch whisky exports. That rose to £6.2 billion during the pandemic because of a super-cycle connected to people staying at home and premium-ising their spirit choice, including in the Scotch whisky category. Last year that fell back to £5.3 billion, as you pointed out, Chair.

In the first half of 2026, we have seen the growth that Mark spoke about, up 3% by value and about 6% by volume so far in 2026. We will get the full figures in February next year. That shows you that there is growth in the world marketplace, but we are having to deal continually with the pressures coming to the industry. Our member companies are then having to react in various ways to the changing market that we have seen over the last decade.

Q4 **Dave Doogan:** Mr Kent, you set out in your introduction quite a lot about the economic impact of the industry. You would do that. I think you said it supports 65,000 jobs. Can you give us an understanding, in big handfuls, of where those 65,000 jobs fall? What element of the production and supply chain would they be? How much of it is in distilling? How much of it is in agricultural production? How much of it is in retail and marketing and shipping?

Mark Kent: These are jobs that are directly involved in the industry—

Q5 **Dave Doogan:** I am sorry to interrupt. That being the case, what would be the pattern of those jobs in the activity within the industry?

Mark Kent: At actual distillery sites, it is probably not a huge number of jobs. If you have been to a distillery, you will have seen this. Our smaller members will probably have two or three people involved in distilling. You then have the associated jobs to do with visitor centres. You have bottling



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plants and the other elements around distribution. We go back to that figure. We are talking about 65,000 in the UK, of which 41,000 are in Scotland.

Q6 Dave Doogan: The level of automation in distilleries is well understood. Any of us who are lucky enough to have distilleries in our constituencies will have seen that, much like in any other industry. There has been quite a lot of consolidation, by my estimation, of bottling activity away from distilleries into more, I expect, efficient operations in Fife and Glasgow. Would that be fair to say?

Mark Kent: It is fair to say that certainly the smaller distilleries will be sending their product to third-party sites for bottling.

Q7 Dave Doogan: To that end, most, if not all, of our distilleries are in rural settings, sometimes very rural. On the economic impact that distilleries have, accepting the automation and that the bona fide distillery process requires fewer and fewer people, what activity is that economic impact delivered by?

You said that there are 41,000 jobs in Scotland. That will be across distilling, bottling and other responsibilities. In the rural settings, where the distilleries are, in what function are the remaining jobs?

Mark Kent: As I said, directly on sites you are talking about the distilling, the visitor centre and the jobs that are associated around those communities. I would also say that there are a lot of distilleries in rural communities, but we also have urban distilleries all through Scotland. It is a mixture of small distilleries and bigger distilleries, grain and single malt. You will find the employment pattern will vary from region to region.

Q8 Dave Doogan: In your evidence, you were concerned about the robustness or otherwise of freight links from Islay. The industry is looking, I think I am right in saying, for a dedicated freight link. What problem would that solve? How has that problem developed? Is it now worse than it was? Is it now slightly better than it was? When we were on the Western Isles taking evidence, it was very compelling to hear, when we spoke to all the industries that were involved in any form of logistics, about the uncertainty around whether you could get to the mainland or not.

What is the dynamic now, as we speak today? Does it remain your position that you are looking for a dedicated freight link from Islay? How would that benefit?

Mark Kent: I will pass to Ruth, but, yes, infrastructure as a whole is a challenge; transport infrastructure is a challenge, as you would expect in certain rural parts of the country. There are also issues around the accommodation on islands. Islands tend to be where a lot of these issues really come into focus because of that dependence on those links. I will pass on to Ruth.



Ruth Piggin: Thank you, Mark. Yes, we think a focused freight service would relieve quite a lot of pressures in that network both for day-to-day passengers and commercial passengers. There are complications in terms of what you can and cannot carry on vessels around things like dangerous goods and other movements. It would allow the service to run more effectively and efficiently and with more clarity. People could plan and book, and we would know when sailings are going to happen.

In terms of how the service is operating currently, we have seen a slightly better season so far, but partly that will be to do with the fact that there are fewer movements from the whisky industry on Islay. Production is slightly suppressed at the moment. There are fewer cask movements, grain movements and spirit movements.

We are seeing new vessels coming into the network, which is greatly welcomed, but we are also seeing vessels being removed from the network as they are ageing and having to go outside of the fleet.

Dedicated freight services work well in other parts of the CalMac network, for example. Islay as a busy freight service, not only for whisky but for the farming and all the other commercial operations on the island, would help relieve that.

Q9 **Mr MacDonald:** On the subject of Japan, Scotland allows several million litres of raw spirit to be sent to Japan, having been—

Chair: Angus, if I can interrupt you, we were talking about rural areas.

Mr MacDonald: I am going to come on to rural, but to the point is really about the economy. Scotland allows several million litres of raw spirit to be exported to Japan from Scottish distilleries. There are two things here. The first is that we lose a great deal of tax because we are not getting the duty on that whisky. Secondly, is it appropriate that we are effectively allowing whisky to be distilled here—not matured—and effectively sold as Japanese whisky?

Mark Kent: We export whisky in various forms. Single malt has to be bottled in Scotland. We export in bulk. That is one of the important parts of our trade with India, for example. We have a long-standing relationship with Japan and Japanese whisky. This is not an issue that would provide any concern for us.

Emily, I do not know whether you want to add anything specifically on Japan. Japan is an important market. It is growing. We have a lot of Japanese investment in our distilleries, just as we do from other countries as well.

Emily Weaver Roads: As Mark has set out, the export of bulk Scottish whisky that has been matured is an important part of the supply chain. It is an important part of growth internationally. Markets such as India are really driving a lot of international growth, which brings economic benefit



back to Scotland and the UK. That is a really important part of the Scotch whisky market.

In markets such as Japan, India and China, we have been working very closely with our international counterparts to think about the improvement of global standards and the recognition of geographical indications or other standards that recognise those production methods and what they do. The Japanese industry is certainly looking at how it strengthens the consumer understanding between Scotch whisky, Japanese whisky and their own voluntary standard within that.

Mark Kent: If I may add to that, the regulations on Scotch whisky are very strict. Unless the spirit has been matured for three years in oak casks and all the other parts have been complied with, it is not Scotch whisky.

Q10 **Douglas McAllister:** I wanted to ask the panel this morning about the UK Government's decision to approve geographical indication—GI, if you want to refer to it as that—status for English whisky. Before I ask you about the industry's concerns, perhaps it would be helpful if you could explain what the difference is between the English and Scotch requirements. As I understand it, the definition of Scotch is that it is created from malted barley on a single site, which includes mashing and fermentation. Can you explain what English GI status is? What is the difference?

Mark Kent: I can, but Graeme can explain it even better because he has had a lot of practice doing this. I would just say, as an entry, that we have no problem at all with the English having a geographical indication. It is quite right that they do. Our concern is around the definition of single malt, as you have said. It is a category in which we have considerable equity and has been developed by the industry since the 1960s.

Graeme Littlejohn: I am glad you have asked the question because there has been quite a lot of misconceptions about why the Scotch whisky industry has taken forward an appeal to the English whisky GI. I am happy to clarify it for the Committee.

How you have set it out is absolutely right. The Scotch whisky industry, for a couple of generations, has built the category of single malt. It is not really a category that existed before the 1960s or 1970s. The equity that is now within that category has really been derived from Scotch whisky producers putting in that effort over the last few decades.

Essentially, "single malt Scotch whisky" means malted barley is brought into a distillery and is mashed, fermented and distilled on that single site. That is well understood by consumers around the world. The difference with the now approved English whisky GI, which we are currently appealing through the first-tier tribunal, is that you do not have to mash and ferment on that single site. You could distil on that site and it would still be called single malt English whisky. The practical impact of that is that you could have wash brought in from a brewery anywhere in the country but distilled, for example, in Cornwall, and you could call it Cornish single malt. We think



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that the connection with place, the connection with that single site, is vital to that category and is something that should be protected.

The other thing that I should say is we did not want to get to the place of having to appeal this decision. If I take the Committee back to a couple of years ago, at the end of 2024 the SWA was actively supporting the English Whisky Guild in taking forward the GI. We are a big supporter of GIs around the world, as you know. We want to see an English whisky GI, but throughout that process we always made clear our stipulation that we had significant concerns around the definition within that GI around single malt and that we wanted that to be clarified and tightened up before it went to the approval stage.

Unfortunately, it went to the opposition period that DEFRA announced in February 2025. We then went through a period of offering up some compromises that we thought might allow the GI to go ahead but protect that category of single malt. That compromise included sites in England that have multi-site production bringing the wash in and then distilling it on a single site. That would allow that product to be called English malt whisky rather than English single malt whisky. We thought that was a reasonable compromise, but it was rejected by the English Whisky Guild.

We are now in a position, having had the GI approved by DEFRA, where we have appealed that decision because we think the equity of the single malt category built up by Scottish whisky is so important worldwide.

Just to finish on this, in March 2025, in the Commons, the UK Government set out that it would not be watering down the definition of single malt. You will remember that. The then Chief Secretary to the Treasury made that comment at the Dispatch Box. We are now in a situation where a consumer could have three different products on the shelf all named single malt. You would have single malt Scotch whisky, which would be produced on a single site by traditional practice and would be understood by consumers. You would have a second product called single malt English whisky, which would have potentially multiple sites involved in that production process. There is then a third category defined by DEFRA now, which means that even a product that does not comply with the agreed English whisky GI could still call itself single malt. For me, that is the very definition of watering down the definition. That is unfortunately where we are and why we are appealing the decision.

Q11 Douglas McAllister: What do you perceive the harm to be? Is it damage to the reputation of single malt Scottish whisky that has been built up for generations or is it an unfair competitive advantage to the English whisky? Is it a combination of both? What is the harm?

Graeme Littlejohn: It is a combination of both. The first thing is the confusion to the consumer around the category. It is well understood after decades that "single malt" means a connection to a place, a single site of production. We think that is potentially broken by this new definition.



The second thing is an undermining of the investment that a lot of our member companies have put into producing single malt on a single site. I think about the Port Of Leith Distillery in Edinburgh. Many of you will have visited it. It is a vertical distillery. They have spent tens of millions of pounds to have production on a single site on that vertical platform. That will potentially be undermined by this new definition where you can just ship in wash, distil it and call it single malt.

Globally, it is important that the equity of single malt is upheld. We have previously challenged definitions of single malt where we do not agree with the definition, such as in the United States. The US definition of a single malt, as agreed now, allows it to be produced on multiple sites. It does not need to be matured for any length of time, unlike Scotch whisky. In some places around the world, we are unsuccessful at arguing our case around the definition of single malt, but in other places around the world, such as China and India, we are successful. They have very strong definitions in line with the Scotch whisky definition of single malt.

We believe the high-quality category of single malt deserves a high-quality definition, and breaking that within our UK home market is a real challenge to the industry.

Q12 Douglas McAllister: I have one last point. You are quite correct. Susan Murray and I had the benefit of visiting that site at the Port of Leith. We could see the enormous investment that they were required to put in—it is a vertical distillery, effectively—simply to maintain that status where everything is produced in one place. We could see the extent of the investment. How would you see this resolved? You spoke about a mutually beneficial resolution to both the Scotch and English. What would that resolution be?

Graeme Littlejohn: In the last 18 months since the opposition process was launched in February 2025, before the application was finally approved last month, we have worked behind the scenes with DEFRA and the English Whisky Guild to try to find a mutually beneficial resolution where the GI could go ahead with clarity on the single malt definition. That includes the compromise that I outlined before. If you are producing whisky on multiple sites, you do not call it single malt, but you can call it malt whisky. We would allow a transition period of anywhere between three and five years if you wanted to produce true single malt to bring your production practices into line.

We think that was a reasonable compromise to allow the GI to go ahead and to protect the category of single malt. Unfortunately, that was rejected. We are where we are now. We are in that legal process. I should state that, because we are in that legal process of the appeal, it means that we are now challenging the entirety of the GI as opposed to just the single malt definition. That is just a consequence of the appeal process. That is not where we wanted to be. We have loudly and clearly said that we want to have an English whisky GI. We do think it has merit, but we have to protect single malt. Unfortunately, we are now in this process.



Q13 **Douglas McAllister:** That is not a step you would have taken lightly, I take it. It is quite a significant move.

Mark Kent: I would just add that this position on single malt is shared by the Welsh Whisky Society and the Irish Whiskey Association.

Q14 **Susan Murray:** I would add my support for the English GI. Given where we are today, is there an opportunity to increase the premium on single malt whisky, Scotch whisky, from a marketing perspective? Would the market allow you to do that? In terms of the total volume of product that is produced, I would argue that it becomes even more special. Is there an opportunity to capitalise that in business terms?

Mark Kent: Can I just come in on that? We are exported around the world to 160 markets. We are always at the premium end of the market. We have to distinguish ourselves from local whiskies and other local products. We have very strict regulation and a guarantee of quality. That tradition is really important for us.

The other thing to say—I was an ambassador abroad—is that in a lot of countries they do not quite get the difference between the UK, Scotland, Great Britain and Ireland. This comes back to Graeme's point about creating consumer confusion abroad. That is an important one to come back to.

Graeme Littlejohn: I understand your point entirely. It will not surprise you to know that we always say that single malt Scotch whisky is the most premium and highest quality of whiskies. It is that consumer confusion point. The example that I set out is a real-world example that we will be going into, where consumers, not just in the UK but around the world, will have those choices before them and see the definition of single malt before them, but not really have the real estate on the labelling or marketing to explain the multiple processes that are now behind those products.

Consumers will look at single malt with the equity that is behind that mark and select a product. We think that is potentially trading off the mark that we have built up over the last couple of generations, as I said, and undermines some of the investment that we have put in. Unfortunately, we are in that position now.

We still offer up the compromise that we offered up before. We want the English whisky GI to go ahead, but we want to make sure that consumers are not confused when they pick up a bottle of single malt in the UK or around the world as to what they are purchasing.

Q15 **Dave Doogan:** Mr Kent, hypothetically, say that the Danish wanted to create a single malt using a process similar to what the English distilling industry wants to use: bringing in wash from elsewhere, distilling it on site and calling it single malt. Would I be right in saying that, although that would be unfortunate because we would see that as an inferior product to Scotch single malt, the risks would be much less because the chances of somebody confusing a Danish single malt with a Scotch single malt are way



less than the chances of somebody confusing an English single malt with a Scotch single malt?

To your point, you can stick a Union flag on it. The international vagaries around referring to the United Kingdom are well understood. Is it England? Is it Scotland? Which bit of Scotland is it? Which bit of the United Kingdom is it? Is it the same thing? It is a particularly risk-laden development for an English single malt to eat into that brand, as opposed to any other jurisdiction, given the interchangeability of England and the United Kingdom to many of our international friends. It is a particularly challenging and risk-laden situation for it to be English single malt that is a much lower standard.

Mark Kent: To start off with, around the world we advocate for a high definition of single malt because we want to protect the overall category of whisky. Graeme has referred to some of that. We are working with the Chinese, for example, on that. We are working with the Indian Malt Whisky Association, because they understand that that premium value has to be protected.

On your second point, I would refer to the points that Graeme originally made about the specific situation in our home market.

Q16 **Douglas Lumsden:** Following on from Dave's question, when I visited the SWA before, we were talking about brand protection. They could not have something like a piper on it because that would be deemed to be Scottish, but would something like a picture of a distillery be allowed to be on an English malt?

Graeme Littlejohn: Yes. If it were the distillery that produced that whisky, yes, absolutely. In the Scotch whisky GI, we take our intellectual property very seriously. We have previously taken action against whiskies around the world that purport to be whiskies from Scotland by having, say, images of bagpipers, tartan or even images of the Houses of Parliament, particularly British images, because the consumer around the world will align those, as Mark said, with the identity of Scotland. We take action against those, and have done so successfully in the past.

A very confusing situation has been created. Two years ago, before the GI launched into the opposition process, I could tell you pretty confidently what single malt was because it has been established for many decades. I sit here today with some confusion as to what it is. If I am confused, consumers will be confused about it because we have those multiple definitions.

Talking about the distilleries in England that are not complying with the GI, DEFRA has said that they will not be able to call their product "English single malt whisky" anymore, but they can call it "English whisky" or "single malt whisky", just not "single malt English whisky". You have to follow along with me a little bit on that, but that does create confusion in the eye of the consumer. That is one of the principles that we are trying to defend in our appeal.



- Q17 Chair:** This might be a really naive question or suggestion; forgive me if it is. The issue is about that definition. I realise how difficult it is to go back and change how things are done. There is a reputation that has been built up over a long time. If Scotch single malt whisky was defined as single-site malt, that presumably would be something that those English distilleries that do not produce on a single site would not be able to call themselves. Is there an option there, ultimately, to be very specific about what single malt in Scotland is?

Graeme Littlejohn: There is not that option, simply because single malt Scotch whisky is very clearly defined in the Scotch Whisky Regulations 2009. We have done that deliberately in terms of the five categories of Scotch whisky that can be produced.

There will be some debate within the whisky industry as to whether those are the right five categories, but that is the legal framework in which we currently exist. We cannot put any further stipulation on that, which is why we are trying to be specific about English malt whisky produced on multiple sites as opposed to English single malt whisky, which, I should say, is the majority of English producers. There are some very good English whisky distilleries in the Cotswolds and Norfolk, which have been around for a long time, produce on a single site and have every right to call their product English single malt whisky.

To bring in other distilleries that are producing at multiple sites as well as distilleries that are not even complying with the GI but can still call their product single malt is the fundamental issue at the core of this.

Chair: That is helpful to know about the regulation. Thank you.

- Q18 Maureen Burke:** How significant could the UK-India trade agreement be for the whisky industry?

Mark Kent: I will take that. India is the world's biggest whisky market. At the moment, Scotch whisky accounts for something around 3% of the market. The market is growing year on year. Even in these times of difficulty that we have been talking about over the past six years and the turbulence that we have seen, India has continued to grow. It has been the biggest market in terms of volume. In 2024, it went up 15%.

The free trade agreement with India is very significant indeed. It brings down the external tariff, which was 150%, to 75%, and then over 10 years that will go down to 40%. This gives us a significant opportunity. It is important for consumers in India because what we hope to see now is that some of our smaller producers, which previously had looked at the tariff and the difficulty of getting into market and been put off, will now look at India as a serious market to focus on.

It is also important for the Indian authorities. An increase in the export of Scotch will lead to more revenue for the Indian Government.



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We are also working closely with the Indian whisky industry. What we are seeing and what we are going to continue to see is more of a strategic partnership where companies from the UK invest in Indian whisky and Indian companies invest in the UK. We already have quite a complex relationship in terms of trading with India. We alluded to some of that previously. We have bulk exports that are then either bottled in India or put into a blend, which is put into Indian-made foreign liquor, which is a significant part of the market. You then have the whisky that is bottled in the UK, single malt and certain blends.

India is the biggest whisky market and the market continues to grow. Over time, we are going to see India continue to increase. That is why we are very grateful for the effort being put in by UK and Scottish Governments to support this effort. Just last week we had an important mission by the UK Government. The First Minister is in India as we speak. We are grateful for that support. It is strategically important for our industry.

Q19 Maureen Burke: You have covered part of my next question, which was about how quickly you would expect that to happen. You have covered that with what you have just said there.

Mark Kent: I would just add that, as it is a very big market, it will take time. The companies that are now coming in will need to look at where they start because you have to focus in one or two states and then gradually build up your network and your exports.

Q20 Susan Murray: Just building on that a little bit, do Indian state-level barriers to trade cause the greatest problems? What can the UK Government do to assist you with that?

Mark Kent: This comes back to the general point that I made at the beginning. A free trade agreement is not the end of the process; it is the start of the process. We have the reduction of the external tariff, which is very welcome, but you then have different regulations in all the states in India, which have their own excise duty systems. Some of them are dry. There are various bureaucratic requirements around different labelling, et cetera.

That is one of the issues that we are talking about with the Government, in terms of about how you can reduce these barriers at a state level. We have an ongoing programme of work on that. These are some of the issues that we have been talking about last week and this week in the ministerial visits.

Q21 Susan Murray: India is already the highest market by volume, but it is considerably lower by value than the US. Is there a risk that the expectations for growth in India have become too optimistic?

Mark Kent: We are an industry that is remarkably resilient and has both feet on the ground. If I compare the Scotch whisky industry with my previous experience as an ambassador and getting small businesses to export, it is in the DNA of our industry and our smaller producers. You will



not find any over-optimism. It is one of the purposes of the Scotch Whisky Association to address market access barriers and we will continue to do that.

You rightly say that the US is our biggest market by value, but India is important and will be increasingly important going forward. It will require an ongoing dialogue on some of the issues that we are facing. We do not want to see a situation—I do not think it would help India—whereby the reaction to external tariffs going down is to put up internal excise duty. That will not benefit consumers or the Indian Exchequer either.

Q22 Douglas Lumsden: You mentioned the USA, and we are going to stay on that just now. As you mentioned, the tariffs are on and off all the time in the USA. How damaging has that been for the Scotch Whisky Association?

Mark Kent: It has been very damaging. Graeme referred to this. We have had two rounds of tariffs. The first was as a by-product—we were collateral damage—of the Boeing-Airbus dispute. That was a 25% tariff on single malt. Most recently, the latest tariffs were put on as part of President Trump's initial policy on tariffs. In a big market where a lot of our smaller members are present, it was a big strain on the industry.

Q23 Douglas Lumsden: What impact has that had on the whisky industry? Has there been a decline? Have we recovered from that?

Mark Kent: We have not recovered from that yet. I am just looking at the latest stats. We saw a 4% decline in 2024 and that continued in 2025. We are down 8% over the year so far.

Emily Weaver Roads: To pull out the specific impact of the 10% tariff, when that was introduced we saw a 15% reduction in the value of our exports to the US over the rest of 2025 and a 10% reduction over the first half of 2026.

It also impacted the US whisky industry. The import of casks from the US industry for use in the Scotch whisky supply chain dropped by nearly a quarter over that same period. We have now seen the tariffs lifted, and that is a hugely important step forward. It is a tough market in the US at the moment. Ongoing support to make sure that we can maintain that protection is good for us and the US industry as well. The really close relationship between the UK and US whisky industries is hugely important. We have seen that now being extended to Irish whiskey. Continuing that positive relationship that benefits everyone is critical.

Q24 Douglas Lumsden: Now the tariff has been removed, have we recovered yet or is that still work in progress?

Emily Weaver Roads: We are still seeing challenges. It is part of that ongoing compounded challenge that we have seen since Boeing-Airbus and the most recent round of tariffs. There is ongoing work to keep supporting the industry to recover. We are fairly early on from that tariff being



removed and, as Graeme has highlighted, we will see fuller impact when we get the full-year results in next February.

- Q25 **Douglas Lumsden:** Is the reduction in the US market all down to tariffs or have there been changes in what people want to drink, changes in behaviour or changes in the US economy? How much of it was down to tariffs and how much of it was down to other factors?

Mark Kent: The tariffs play a part, but, as Emily has mentioned, the market in the US is soft at the moment. We are always looking at some changes in consumer preferences, but that is something that we see generally as an ongoing issue across the world. It is also the economic cycle. The market in the US, even with tariffs off, is still soft. It is still challenging for us and for our US counterparts.

Emily Weaver Roads: If I may, we have spoken about the potential impact of India and the impact of US tariffs. We have seen really positive progress in both these markets over the last year, but it is a strong reminder that the work on international trade to support the Scotch whisky sector does not stop with the US and India. We need ongoing sustained action to support the industry internationally to look at new opportunities and new deals, as well as the work that has already been mentioned in terms of supporting the industry at home.

- Q26 **Douglas Lumsden:** How big a market is the US?

Emily Weaver Roads: It is our largest market by value, worth just under £1 billion in exports last year—£933 million.

- Q27 **Kirsteen Sullivan:** I would like to continue on the points that my colleague Douglas made. We have heard about the two rounds of US tariff action, which were largely unrelated to anything involving the whisky industry. What does that really say about the risks of relying on the US market? Is that something that you have really had to consciously look at? Does it also strengthen the argument for diversifying away from the US? Does the fact that it is still your largest market by value mean that it is too important to wander too far?

Mark Kent: You are right to talk about diversification. We see that in other industries that are not as diverse. We have at least 160 overseas markets at any one point. That is a certain hedge, if you like. Companies will always take decisions on exporting based on market conditions. Emily has referred to the amount of US exports being just under £1 billion, which is about 20% of our overall exports. That is not surprising, given the size of the US. If you look at the list of countries to whom we export, it is quite diverse. Europe is an important collective market. Asia is important. Companies take their own decisions based on their networks and their particular product, but we can expect the US to remain a very important market for us over the longer term.

- Q28 **Kirsteen Sullivan:** Clearly, whisky has a long production and maturation cycle, while international events can move a lot more swiftly. What can



producers realistically do to protect themselves against these sudden changes and the volatility in the international world?

Mark Kent: You have put your finger on a very important point because the minimum period of maturation for whisky is three years. At the moment, three years is a very long time in politics. Our industry is constantly trying to estimate, on a moving target, what demand is going to be like in three, eight or 12 years. You are producing today for a situation that you are not sure of. It is a remarkably resilient industry. It is quite complicated in terms of production and stock management going forward.

Part of this is about the protection of the category. Some of the issues that we have been talking about, such as having a strong definition of whisky across the world, are important when we are looking for new markets, as Emily has just talked about. I was in Thailand just 10 days ago looking for support for a free trade agreement.

We are not static in any of this. This is an important point. We will have breakthroughs, but we will have to keep going back to this as new market access barriers emerge. We do not exist in glorious isolation. At any one point, the EU is going to be doing trade deals. We are seeing that in south-east Asia. The US is looking to increase its exports in a domestic market that is challenging. We are constantly having to keep up with the competition and keep up with those markets across the world.

Part of the answer is about the long-term tradition of looking past short-term volatility to global trends. The other part is about ensuring that we are as competitive as we can be as an industry to keep on producing a fantastic product that people want to taste around the world.

Q29 **Kirsteen Sullivan:** It is probably fair to say, given the events of the past decade that you outlined, Mr Littlejohn, that you have had to be dynamic and fleet of foot. I imagine that you have had to build in a lot more resilience and specific measures or practices that perhaps you did not need to consider previously.

Mark Kent: Yes, we are resilient, but I would come back to a point that I mentioned at the beginning. We are an export industry, but we need support at home. In some cases, the danger that we have run is that we are seen as being traditionally very successful—people think, “Scotch is well-known. It will always do well.” That is not the case. It is very delicate. Especially if you look at some of our smaller producers, the cost of doing business, the cost of energy and the cost of regulation are taking their toll.

In order for us to carry on being as successful as we are around the world, we need support back at home. This is not a political point. We need those who are taking policy decisions, whether those be parliamentarians like yourselves—we welcome that you have been and visited distilleries—Ministers or civil servants, to understand the specificities of our industry.

For example, sometimes we see policies on energy relief that classify brewing as an energy-intensive industry but not distilling. Anybody who



has been to a distillery would know that, broadly speaking, the first part of distilling is a brewing process. We need constantly to be working with our home Governments to ensure that they understand the opportunities, how we can continue to invest in the country and in local communities and how we can continue to create jobs, and the challenges that we have. Ruth devotes a lot of time to issues such as energy, infrastructure and some of the issues around skills. It is a challenge at home to ensure that we continue to be an international success story.

Q30 Mr MacDonald: This is in relation to Irish whiskey and Scotch in terms of tariffs. Basically, the tariffs have swung up and down between the two. As you see it currently, how is this impacting the Scotch position in the US market?

Mark Kent: The Irish have also had their tariffs lifted as a result of President Trump's visit. You are right. We work very closely with the Irish, but the Irish will benefit from tariffs that are given to the EU. It comes back to the point that I was making before. We constantly have to be looking at our competitive advantage or disadvantage with our main competitors, which is why we urge the UK Government to keep on looking at new market opportunities, so that we do not lose ground to our main competitors because we have less advantageous conditions of trade.

Q31 Mr MacDonald: Are you seeing any other tariffs increasing in this new world of tariffs? I know India is dropping, but are there other countries that are putting tariffs on us?

Mark Kent: It is very volatile. Tariffs come on and go off again. For example, this year, as I said, we have had some good wins. China reduced its tariff from 10% to 5%. The India free trade agreement came into force and we saw a lowering of tariffs there. The US lifted its tariffs. Tariffs are not something that is unknown to us. When you are dealing with an export industry of a global commodity around the world, tariffs can come on and off, but our concern is ensuring that we are not unfairly prejudiced by them.

Q32 Kirsteen Sullivan: Picking up from my previous point about diversifying and looking at other markets, is Scotch whisky at risk of losing its competitive position as other countries are looking to do the same and secure better access to key export markets?

Mark Kent: We have to remain competitive in our access to market. We have an excellent product. We are in a premium range. If you are a whisky enthusiast, you will have Scotch and you will probably have Irish whiskey and bourbon, et cetera. In a lot of cases, we work with other whisky categories, going back to the issue about categories, regulation and definition, on having strong definitions, strong quality and a strong reputation for the whisky category as a whole.

As Scotch, we need to ensure that we protect our intellectual property. Whenever we see any whiskies passing themselves off as Scotch, we will take action. The market access conditions need to be there, so that we



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have a level playing field when we are exporting compared to our main competitors.

Emily Weaver Roads: If I may, on your point about where we see other countries or markets striking trade deals and competitiveness, as Mark has said, it is vital that we remain competitive. We are now seeing the EU and the US striking deals that the UK could also look to negotiate, which would substantially improve our market access and bring tariffs down in key growth markets.

The EU-Mercosur deal, for example, brings an 18% to 20% tariff on whisky exports down to zero over four years. If the UK were to look at striking a similar deal and negotiating with Mercosur—Mercosur as a bloc was worth £190 million in Scotch whisky exports last year and it was a market that was growing last year—it would be a really significant opportunity.

We risk losing our competitive edge. The same can be said for Thailand, with which the EU is negotiating a deal, and Indonesia. There are some really exciting opportunities there. As I said previously, the trade for Scotch whisky does not stop with the US and India. We need to keep building on those opportunities to improve our global competitiveness.

Mark Kent: Can I just link that back into the domestic situation? You are talking about how we maintain our position. The UK is our fourth-biggest market, but it also sets the tone when we go into other markets. This is why we are looking at what is going to be happening on 28 October with particular concern. It is not just affecting us in the UK; it sets a precedent for other markets where they have unfair systems of taxation and excise, which prejudice us as an imported spirit.

Q33 **Kirsteen Sullivan:** Just to pick up on the point that you made about the opportunities that exist, particularly around a Mercosur-type deal, I want to ask you about the converse. The EU now has a trade deal in place. Does that potentially put the UK and Scotch whisky at a disadvantage?

Emily Weaver Roads: We can very specifically see that, where the EU is facing reduced tariffs or zero tariffs in key markets and we continue to face tariffs, that instantly puts us at a competitive disadvantage. We need to ensure that we remain competitive.

As I said, the tariff in Mercosur is 18% to 20%. The tariff in Thailand is 50%. In Indonesia, it is 150%. In the UAE, where again the EU is negotiating a deal, it is 50%. There are some really significant tariffs in those growth markets. There is an immediate competitive disadvantage—the EU is already facing those reduced tariffs in Mercosur—but that is compounded over time. We know a trade deal does not happen overnight. We need to ensure that we are agile and fleet of foot.

The other point that I would add is that we have spoken a lot about global volatility and the uncertainty over the last 10 years. The UK striking these deals gives certainty and stability for a long-term industry like the Scotch



whisky industry. It gives that opportunity for companies to plan, to look ahead and to follow those trends where we see growth in these markets. That will deliver now, but it will also help us to think about how we will deliver the 12-year-old single malts that are being distilled today.

- Q34 **Susan Murray:** We have heard about the equity that has been built in the Scottish whisky industry and the premium position that we have managed to create for single malt Scotch whisky. How effective has the UK Government's brand initiative been in turning international promotion into commercial opportunities, bearing in mind the confusion that operates in the market?

Emily Weaver Roads: There are some excellent initiatives out there already in terms of promoting Scotch whisky and we are committed to working with them. I am thinking of the GREAT campaign, Brand Scotland and trade shows. We are working with both UK and Scottish Government on those initiatives. They are really important in particular for small companies that are looking to enter new markets such as India for the first time. They help those companies build their reputation and build brand knowledge, but they also help in terms of navigating the market, which is very complicated, and having that on-the-ground knowledge. We are committed to working with those initiatives to promote Scotch whisky.

There is always more that can be done. We work very closely with embassies and high commissions around the world in terms of supporting the serving of Scotch whisky. We have an iconic British product, and it is a great opportunity for the UK and Scottish Governments to be on the front foot in showcasing the best of British and Scottish produce through Scotch whisky at events. There is always more that can be done. We can always look at what other categories such as Irish whiskey or tequila are doing to support the promotion of those products and what more we can do to support events such as trade shows to drive that promotion internationally.

- Q35 **Susan Murray:** What can the UK Government do to support whisky that cannot realistically be done by the trade bodies?

Emily Weaver Roads: First of all, there is supporting initiatives like trade shows. In terms of missions such as the UK Government mission to India last week and events such as ProWein, the UK Government can drive those initiatives to make sure there is a clear presence of products such as Scotch whisky at trade shows. There are always more trade shows appearing, and there are great opportunities there.

It also comes back to practical support. They can provide really clear guidance and really clear on-the-ground support. We have seen great initiatives like the agri-food and drink counsellors and attachés around the world, which can provide very practical guidance that goes hand in hand with promotion to help companies enter the market, navigate these new agreements, navigate those regulations and make sure that they can really hit the ground running to take those opportunities.



Q36 **Susan Murray:** Are the UK Government and the Scottish Government co-ordinating well to support these efforts? Is there any duplication going on?

Emily Weaver Roads: We see good strong efforts on both sides. We see initiatives such as Scottish Development International, which is based in missions around the world, where it can work with UK Government on these kinds of initiatives. There is real strength in that collaboration. It also recognises where there are unique opportunities, through things such as Burns Night and St Andrew's Day celebrations, et cetera, to put Scotch whisky at the forefront.

Q37 **Maureen Burke:** The reforms in 2023 were intended to simplify alcohol duty and tax drinks according to their strength. What has been the practical effect of these reforms on Scotch whisky?

Graeme Littlejohn: It was the right decision in 2023 to look at the system that we have in the UK for taxing alcohol. It has grown up over decades as a Frankenstein's monster of a thing, with different parts bolted on at different times, making it quite an unbalanced system.

You are right to say that the 2023 reforms were predicated, through the Queen's Speech, on ensuring that there was fairness for the Scotch whisky industry. I have to say that Frankenstein's monster has got a little bit worse in the last three years with different parts bolted on that have made the system even more unbalanced for Scotch whisky.

We look forward to the Budget next week. We will see the outcome of the Chancellor's decisions on spirits duty. We have asked for a cut to the duty on Scotch whisky, which is the highest in the G7 developed economies, the fourth-highest across European nations and higher than any other alcohol category in the UK.

In terms of the reforms, an evaluation is going on through Treasury and HMRC about those reforms. We have put in formal evidence to that evaluation. Essentially, we want a further opportunity to rebalance the system so that we have fairness.

One of the things that has been missed in the reforms is the strength-based narrative. Volume is being forgotten in all of this. You tend to have a dram of whisky, which is a 25 ml measure. That is one unit of alcohol. An average-strength pint in the UK contains 2.6 units of alcohol. It is the alcohol content of drinks that we should be most concerned about.

If I can give you a very basic example, I would encourage members of the Committee to go out to your local supermarket and find a 330 ml 6% ABV can of beer. That will contain two units of alcohol. You can also find a 330 ml 6% ABV spirits-based cocktail or Scotch whisky-based cocktail. That will also contain two units of alcohol. The Scotch whisky-based drink will get taxed 18% more despite having exactly the same volume, strength and amount of alcohol. That is a very clear imbalance in the system that has not been addressed by the reforms of 2023.



Q38 Maureen Burke: Where do you think the current system becomes unfair to spirits?

Graeme Littlejohn: There is a multitude of areas. I have just spoken about one of them, which is duty disparity. For the same amount of alcohol, for the same units of alcohol, you pay up to four times more in taxation than you would in other categories.

We give an example in our written evidence to the Committee. For a single unit of Scotch whisky, you pay 34p in duty. You can get 3.8 units of alcohol as cider for 34p in duty. That is clearly a duty disparity within the system, which has not been addressed by the 2023 reforms.

A second one, which is one of those additional bolt-ons to the monster that I spoke about, is draught relief. Draught relief is intended to support on-trade businesses through a reduction in excise duty on alcohol served in the on trade. It comes with stipulations. The alcohol must be below 8.5% ABV and it must be contained in casks of at least 20 litres and dispensed from a draught system.

I do not know about you, but in most of the pubs, bars and restaurants that I go into only beer and cider get that relief as opposed to spirits, which are poured by bartenders and other trained staff behind the bar, who are pouring you a world-class cocktail, for example. Again, that is an imbalance in the system. We are cut out of that relief, effectively.

One of the recommendations in the written evidence that we have given the Committee is that the draught relief system should be reformed to ensure that spirits like Scotch whisky can have access to that relief in the on trade. We all understand the importance of supporting hospitality, but it strikes me as unnecessary for spirits, which are a huge driver of profitability in the on trade, to be cut out of that relief.

The last area that I would pick up on in terms of the imbalance to the system is the revenue picture. We have discussed this for many years. We have a challenge with the way that alcohol duty and spirits duty in particular is forecast in terms of revenue. We have seen a £100 million reduction in spirits revenue last year compared to the year before following the 17% increase to excise duty over the last three years. More than that, over a number of years we have pointed out differences in the five-year forecast versus the real-world data that we see through.

In fact, in November of last year the forecasts were revised by £2.1 billion down from when the reforms were first floated in 2021. £1.3 billion of that reduction is accounted for by the spirits industry. We can drive revenue to the Exchequer through a more competitive tax rate. We have seen this for many years. The duty rates were frozen by Gordon Brown for 10 years. Revenue from excise duty on spirits went up by £800 million in that period. It does not need to be a reduction to the Exchequer, but the way that we think about the five-year forecast right now is really hampering spirits from



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generating that revenue and growth that we all want to see in the economy.

- Q39 **Dave Doogan:** Mr Littlejohn, it could be that, under the current regime, these challenging increases in duty for the industry resulted in a better fiscal receipt for the Government, and like most other businesses, you just have to suck that up and get on with it. How frustrating is it, despite absolute crystal-clear evidence to the contrary, that increasing duty in this way leads to a smaller quantum of sales and therefore a smaller receipt to the Treasury? It is there in black and white. How frustrating is it that Treasury cannot see that manifest logic?

Graeme Littlejohn: It is very frustrating for our member companies, which, for a number of years, have pointed out the differences in the forecast versus the real-world receipts, the outturn receipts. We have, for many years, gone through a process, both with Treasury and OBR, of pointing out how the real-world receipts and forecasts have come out. They have been off for a long time.

We are told, "There is no problem with the forecasting. There is no problem with the forecasting. There is no problem with the forecasting." In November last year, there was a problem with the forecasting because it was revised by that figure of £2.1 billion, which is not inconsequential when total alcohol revenue is £14 billion. That is quite a big chunk that has been revised down in one sweep.

- Q40 **Dave Doogan:** In your petitions that I am sure you make to Treasury officials, have you highlighted that it is not just the lower receipt, the damage to the industry, or the threat to hospitality more broadly, but all of these things?

Graeme Littlejohn: Yes. I am not here to speak for the Treasury, but the Treasury will say and have said to us directly that there are a multitude of reasons why forecasts change. It can be to do with market dynamics, moderation or people making different consumer choices. One of the factors that they leave out of it is an excessive tax rate, which does impact consumer demand, pricing and other issues that are important not only to producing revenue but to the health of the industry more generally.

Of course, it is not just the direct impact of alcohol duty. It is the health of our member companies, in terms of their employment, their investment and their opportunities to grow, that is ultimately going to grow the economy.

The excessive tax rate—the average bottle of Scotch whisky has a 72% tax burden—holds the industry back and is something that can be addressed in the Budget next week through a cut to duty, which could be a step on the road during the evaluation period of making sure that Scotch whisky, which is already taxed at a higher rate than other categories, gets a fairer shake in the UK tax system.

- Q41 **Chair:** I want to move on to talk about the cost of energy for your



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members. I wonder whether energy costs are reducing the competitiveness of the industry at the moment. I am also interested to know whether smaller or more remote distilleries disproportionately feel that impact.

Ruth Piggin: Yes, absolutely. Energy is a significant factor in the costs of making whisky. Around 90% of all the energy in our operations sits at the distillery. Around 90% of that is energy for heating. We are significantly exposed to high energy prices. That puts real pressure on to those businesses.

In terms of the competitive challenge, yes, absolutely. From the UK Government's own data, our energy prices are around double those in Europe. In 2024, we were at the top of the International Energy Agency's list. We have a significant cost pressure that others do not face in other sectors and in terms of our export markets. That real price pressure is a particular factor in the operations for distillers at the moment.

In terms of the rural question, yes, around about 25% of production is not even on-grid. There is a greater exposure, therefore, to other fuel fluctuations in terms of having to import fuel by road and other means, whether that is biomass or LPG, for example. The fluctuations in those prices have a particular profound effect.

Grid access is a real challenge. It is definitely a constraint on what distillers are able to do in terms of reducing their operational costs and improving energy efficiency and reducing emissions. Price is a particular constraint for businesses at the moment, but access and the capacity of the grid system are real challenges in terms of being able to adopt technologies that would save them money and reduce emissions.

Q42 **Chair:** Is it possible to differentiate between the structural problems that we see in the UK energy market, such as the grid, and the volatility that we have seen in recent times? Does one compound the other?

Ruth Piggin: Absolutely, yes. We have seen that in recent years. It is not unique to the Scotch whisky industry, but, given the fact that our distilleries are spread across Scotland—we have around about 100 distilleries in those rural and island locations—the exposure to energy prices is particularly challenging, especially because your options to do something about it are more limited.

Q43 **Chair:** The industry is not part of the British industrial competitiveness scheme at the moment. Is that something that industry should be involved in? Why would that be the case?

Ruth Piggin: The British industrial competitiveness scheme is specifically targeted at seven industries within the industrial strategy. However, as Mark alluded to earlier, in previous years when there have been energy price shocks, for example with the start of the Ukraine war, Government have stepped in and helped support businesses of different types when prices have risen dramatically and very quickly. We have been excluded from those in the past, such as the energy bills discount scheme and others



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that have operated in recent years, despite our energy demand and our energy need and other beverage sectors being included.

We are looking to the Government to look at including us on future schemes. There has been discussion around a targeted energy discount scheme, for example. In the British Industry Supercharger consultation that is coming out, there are discussions about support through energy relief schemes as well. Our plea is that we are included and consulted as part of that process because previously we have been overlooked.

Q44 Kirsteen Sullivan: This Committee has had representatives from many industries before it who have spoken about severe challenges in the workforce and skill shortages. Is the Scotch whisky industry facing similar challenges?

Ruth Piggin: We see very high demand still for engineering, science and digital roles within the industry. There are certainly challenges in terms of recruiting for some of those positions. We work with our member companies quite closely in terms of supporting them, raising awareness and trying to make the industry attractive and show that those skills are used.

Often, the traditional image of whisky is just a distillation point, but our industry covers a huge amount of functions and we have a global reach. There is a real opportunity for employment by the sector. There are particular challenges that come from being located in rural locations across Scotland, which are linked more to local infrastructure, the ability to get there by public transport or not and the local facilities and services such as schools for your children or NHS services that are provided as well. Attracting the talent that you need in engineering roles at a distillery, a packaging plant or elsewhere around our network can be quite challenging in those circumstances.

Q45 Kirsteen Sullivan: Are you finding that there are specific skill shortages?

Ruth Piggin: We still see high demand for engineering, science and digital roles. In particular with the adoption of new technologies and the digital and engineering transformations, those new skills are coming up more often in job adverts into the industry. That is a real opportunity, but it is also an area where we may be competing with other industries in Scotland, such as oil and gas on engineering. Things like that make it very competitive and there are certainly challenges in recruitment for those sorts of positions.

Q46 Kirsteen Sullivan: Do you have any concerns around the reports that some employers may be less inclined to take on people who require a bit more development? There have also been reports that there are fewer apprenticeships available. Do you have concerns around that?

Ruth Piggin: It is an incredibly challenging time at the moment for the industry. Those pressures that my colleagues have been talking about this morning, in terms of the domestic pressures and the international



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challenges in our export markets, are all playing out in the roles and opportunities that are available for direct employment. That leads to a need, quite often, for an employee to come in and be able to pick up a job quite quickly, because there is an awful lot of pressure on teams already.

Apprenticeships still remain very popular in the industry. There has been some great success in the modern apprenticeship schemes in terms of bringing people into the industry who are making mid-career job changes. The graduate schemes are also very successful and highly valued by many of our member companies.

The one thing that I would say about the graduate scheme in Scotland is that the funding and the rigid framework that it sits in can often mean it is very difficult for employers to navigate and take advantage of those systems. That often means it tends to be only the bigger companies that are able to develop and build up those schemes. It is much harder for smaller or medium-sized companies to take on apprenticeships under those systems.

Q47 Kirsteen Sullivan: What would you like to see changed to make it easier?

Ruth Piggin: There is a need for greater work with employers, skills agencies and others to understand where those pressure points sit and to make the most of the opportunities. There are particular things around—this term is not particularly great—the softer skills that go with employment, which really can come through. Communication skills and customer service skills are really valued and really important in our industry. We are a consumer product. We are facing customers all the time, and we want to make sure those skills are there. That is sometimes something that can be missing. Working with agencies to come and develop those courses can really help.

Q48 Kirsteen Sullivan: We have recently seen production reduced at a number of sites and proposed job losses, most notably at Diageo's Cameronbridge site. That has caused a lot of concern. Does that point to a wider contraction in employment across the industry?

Ruth Piggin: The pressure on businesses more broadly is resulting in job losses. A year ago, we were talking around about 1,000 job losses in the industry. That has certainly grown in the last 12 months because of the pressures that my colleagues have been talking about today.

The loss of growth in our export markets definitely plays through to the fact that we are now not growing an employer, but the opportunity certainly remains for recovery and for improving the job market within our industry. There are many opportunities to do this. As I say, there are certain skills that are still really highly in demand, such as engineering and digital skills. Language skills are also something that is highly valued by the industry. We are an export-facing sector. In talking to visitors and clients around the world, languages are a really valuable skill that the industry still looks to recruit.



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There is one thing that would really help support our member companies. There are many different schemes, whether they are about apprenticeships or skills development, across Scotland and the UK. That complexity can often be very difficult to navigate as an employer. Again, if you are not one of the bigger companies that has teams of people who can help them through into these systems, it just becomes a bit of a barrier. Signposting and clarity is always welcome.

Q49 Kirsteen Sullivan: You talked about recovery there. Is that recovery not going to be more difficult when the demand is there but there has not been the investment in the workforce?

Ruth Piggin: Our members are still investing in the workforce very much in different schemes. The challenge is whether those are on pause, contracting or expanding. Previously, we have been expanding. They are now more restrained because of the current circumstances. It is something that we still remain very committed to. We work very closely with skills agencies. We talk to the Scottish Government often to see what we can do.

Q50 Susan Murray: Moving to another area of policy, the deposit return scheme, Scotland, England and Northern Ireland are excluding glass from the scheme, but Wales is not. What concerns do you have and what practical costs or difficulties is this going to bring to you?

Ruth Piggin: As you point out, we are one year, almost to the day, before the deposit return scheme comes into effect. With Wales including glass and the rest of the UK not, it is no longer an internal market. That causes significant disruption. Supply chains and distribution chains, whether you are a producer or a retailer, do not look at borders. They look at the whole of the UK market. Artificially drawing lines along those borders for a policy purpose such as this just adds complexity and cost.

The concern that we have is that, 12 months away from the start of this, there is still very little detail of how this will operate. The real concern is that, because of the inclusion of glass, we will be paying EPR, and potentially DRS as well. There will be duplication of cost. There is no way set out about how that can be avoided. That is a significant concern to member companies.

Q51 Chair: I wanted to look at the regulatory and environmental requirements that might be creating difficulties for the industry. Are there any specific problems arising from that framework? A deposit return scheme will possibly be in the future—hopefully not—but are there any others that give you cause for pause or could cause problems?

Ruth Piggin: In packaging policy specifically, the extended producer responsibility scheme is the most visible and probably the most talked about in recent months in terms of the pressure that brings. When it was first introduced, the fees that were set were not conducive to delivering a circular economy. It was very high for glass and very low for other



materials, such as plastic, despite circularity and the respective ability for a circular economy for each of those.

Although some of that has started to be addressed, the EPR fee still remains significantly high for glass. If we are looking at comparisons, it is around £40 a tonne in Italy if you are in an equivalent scheme. Here, even for the best-case scenario for glass, we are currently looking at about £185 a tonne. It is quite a significant distinction, and, again, a competitive distortion with our key markets that we are exporting to. There is movement on the methodology to look at this, and we really welcome that progress. We look forward to working with the producer organisation behind that, to continue to look at how that system can be improved and fairness can be brought through.

There are challenges with the policy as well in terms of how it is constructed because, in terms of on trade versus consumer, materials placed on market cannot be determined. Again, you are looking at some having to make double payments, which is again wasted money for businesses and additional costs and pressures on the system. There are important things that need to be ironed out with the policy that still remain.

One point I would note, however, is that EPR is only one part of the policy landscape on packaging. DRS is another one that will be coming in 12 months. There is a lot to be worked out with that, which is still unknown. That creates challenges for business planning and financial planning for businesses.

Another one is packaging recovery notes, or PRNs. Apologies; there are a huge amount of acronyms in this space. Packaging recovery notes are also part of this landscape in terms of trying to improve recyclability, our recycling systems and our materials collections. The packaging recovery notes system was originally meant to be reviewed once EPR was brought in, but, apart from a very narrow review earlier this year, there has not been a wholesale look at how these different policies interact. There is an argument to say that there are large duplications across these policies now. Again, that results in duplication of fees.

An additional challenge for glass is that export packaging recovery notes are easier and cheaper to handle than internal, which means that, even when we are collecting glass, quite often that material is being lost. It is not staying within the UK, to be remelted and reused to make bottles and other high-quality products, but may be being exported to other markets or turned into aggregate. It is lost to the system. That, again, is not true circularity.

Q52 Chair: In terms of water abstraction, I think the industry has accepted that, when water levels are low, SEPA has to act, but there is an issue about the methodology, perhaps. I wondered what you would want changed there.



Ruth Piggin: Yes, absolutely. Climate change is really being felt now in Scotland. We are seeing those changing rainfall patterns. There is changing snow as well in the winter, with snowmelt missing. That is a significant factor in river flow in some areas as well. One of the main challenges is that the current way that the abstraction licences operate means they are highly linked to things such as gauging stations, which measure river flow and levels in certain locations.

For Speyside, a large proportion of our distilleries sit there, and other abstractions are also present, but large areas of that is actually determined by a gauging station that is potentially 10 to 12 km away from the river and is on a tributary further up. That presents challenges because, in the reality of how rivers recover, the flow can return to the Spey before to the tributary, and you are actually losing opportunity to produce. Abstracting water for cooling is a critical part of our processes. If we cannot abstract, those distilleries are shut.

We are really looking for an improvement in the data. The need to shut down when there is not water is fully accepted. We want to protect the environment, and we do as much as we can, but the data points on which those decisions are made, both for the environment as well as for business, really need to be as robust as they can be.

Q53 **Chair:** This is not an environmental area of policy, but I wondered about minimum unit pricing. What effect has that had on the industry?

Graeme Littlejohn: MUP is embedded in the Scottish environment now. It has been recently uprated to 65p. We have some questions around the effectiveness of the policy in terms of targeting alcohol misuse. It is a population-wide measure, and we know that the minority of the population that do drink above the CMO low-risk consumption guidelines need targeted interventions, not those that impact across the population. We have some questions around the effectiveness of the policy. It seems to be an embedded policy now.

With MUP, we need to avoid an automatic uprating every year, because that, in effect, is a proxy tax system in Scotland, and we have the excise duty being reserved to Westminster. With MUP being in place, we think that we need to continue to look at the evidence base for how effective it is, if it is at all, and then to change tracks because we want to reduce alcohol misuse across Scotland and have the best policies in place in order to do so.

Q54 **Chair:** I think it was yourself, Mr Littlejohn, who mentioned earlier the disparity in taxation with, say, something like a high-alcohol-content cider and whisky. Does minimum unit pricing reflect that kind of disparity too?

Graeme Littlejohn: It does it in a different way. If we are talking about minimum unit taxation, you have my full support. In fact, one of the changes that the Government made in 2023 was to move to a system



where every product is taxed on a per-litre-of-alcohol basis. We support that. That has always been the case for the spirits industry.

The challenge on that is that they have set different rates across that LPA category. You have a different rate for cider, a different rate for beer, a different rate for wine and a different rate for spirits above certain ABVs. If you just had one rate for all LPAs, then you would be paying the same rate of tax for every unit of alcohol. That would be a perfectly fair system, and you would not need minimum unit pricing because you have minimum unit taxation.

Q55 Kirsteen Sullivan: We have heard how the industry is very energy-intensive. I wondered how it is approaching decarbonisation and the challenges that you face in doing so.

Ruth Piggin: We have been working towards reducing our emissions and reducing our energy intensity since our first industry-wide strategy in 2008. We have made significant progress in our journey. The approach that the industry generally takes is energy efficiency before energy switching, because you want to try to reduce your overall demand before you start to switch. You cannot really decarbonise an inefficient system effectively.

The challenge that we are facing now is that the technologies that are available for us, in particular on energy efficiency, are often electricity-linked. Therefore, grid access and capacity become a particular constraint, as well as price, obviously. Things such as mechanical vapour recompression technologies, electric boilers and high-temperature heat pumps are all proven now. We are not looking at demonstration; we are looking at deployment, and the barrier to that is often whether you have access to the grid and whether the grid has sufficient capacity for you to implement those technologies.

We have heard from some member companies of wait times for grid connections of up to eight years. That is not something you can then make a business plan around, and obviously that delays opportunities for those energy emissions savings but also those energy cost reductions from efficiency that can be gained.

Q56 Kirsteen Sullivan: In your written evidence, you call for better energy infrastructure, lower costs and stronger policy support. We have heard a bit of that this morning as well. If I had to ask you, what are the two or three specific interventions that you most want Government to make in this area?

Ruth Piggin: In terms of policy and things that could be done relatively easy, the climate change agreement scheme currently requires, for example, a multiplication factor of 2.1 to be applied for energy that comes from electricity sources. That just distorts the view of the energy savings within that scheme. It acts as a disincentive to putting in electrification technologies, or it comes with the risk of companies having to pay a buyout price because of that 2.1 factor. Things such as that can be sorted out



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within the policy. It is a hangover from its original design, which was over 10 years ago, so it is something that should be looked at and addressed, to see what can be done about that.

In terms of energy infrastructure, there has been some significant progress, in particular in the last couple of years, under the national energy strategic planning group, which is looking at how it can look at grid access, wait lists and things like that. We really want to see that progress. The look at Scotland in particular within that network is going to be really important. Grid access and capacity remains a significant constraint, but some of those policy points could also make a real impact as well for the industry.

Chair: You might be slightly reassured to know that we did talk about the grid and the problems of connecting to the grid in our energy report recently. Hopefully, we are putting on a little bit of pressure there too.

That brings us to the end of our session. I would just like to thank you all for coming along today, and for your time and engagement. It has been very helpful in setting the scene for our onward inquiry, which we are really looking forward to. We thank you again very much indeed.