



House of Commons
Scottish Affairs Committee

Renewable energy in Scotland: Government Response to the Committee's Fourth Report

**Third Special Report of
Session 2021–22**

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The Scottish Affairs Committee

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the offices of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

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Publication

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Committee staff

The current staff of the Committee are Rosie Akeroyd (Committee Specialist), Samantha Colebrook (Committee Operations Officer), Deborah Courtney (Committee Operations Manager), Nerys Davies (Committee Specialist), Chloe Jago (Senior Media and Communications Officer), Alex Knight (Senior Economist, Scrutiny Unit), Leoni Kurt (Clerk), Xameerah Malik (Senior Committee Specialist), Zac Mead (Second Clerk), Ellen Parry (Committee Researcher) and Chloe Smith (Committee Specialist).

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Third Special Report

The Scottish Affairs Committee published its Fourth Report of Session 2021–22, [Renewable energy in Scotland](#) (HC 51) on 17 September 2021. The Government's response was received on 17 November 2021 and is appended to this Report.

Appendix: Government Response

Committee recommendation: *Ofgem must complete a review of the grid in Scotland as a matter of urgency, and at the latest by the end of 2022 to implement changes in good time for the 2045 target. Ofgem should prioritise reinforcement of the grid where there is potential for a high renewable energy yield.*

Government response: Government recognises the need for increased capacity on the grid to support our net zero ambitions. While enabling increased flexibility and storage can address this to an extent, we are acutely aware of the need for network reinforcement to enable increased renewable generation in areas of Great Britain, including Scotland.

By law, network regulation is a matter for Ofgem as the independent regulator. In this role, Ofgem use the price control framework to encourage network companies to invest in the grid to ensure that consumers are provided with a secure and stable supply of energy, while making the necessary changes to our energy system to achieve net zero at the lowest possible cost. Within the recently commenced RIIO-2 price control for electricity transmission, Ofgem placed a strong focus on enabling strategic investment ahead of need, where reasonable. This will help maintain efficient spending while providing the infrastructure required with minimised disruption so that, as new renewable projects are built, the grid is ready to deliver the clean electricity generated to consumers. We will continue to engage with Ofgem to support its work in providing a network that acts as an enabler for decarbonisation of the electricity system.

Committee recommendation: *The UK Government must specify that, as part of its internal review, Ofgem must consider the financial burden of transmission charges in Scotland. Ofgem should consider the long-term impacts on net zero targets and ensure renewable energy projects can flourish over the next 30 years, rather than pushing for a short-term, lowest cost view. Ofgem should publish the result of their internal transmission charges review within six months.*

Government response: The Government shares the Committee's view on the importance of transmission charging arrangements to the delivery of renewable energy projects and achievement of net zero targets. By law, transmission charging is a matter for Ofgem as the independent regulator. On 1st October 2021, Ofgem published a call for evidence on possible transmission charging reforms. It provides all interested parties with an opportunity to submit views and evidence on the extent to which reforms are needed; priority areas for reform; the correct vehicle for change; and timescales to which any reform programme should work. The call for evidence runs until 12th November 2021, and Ofgem has said it will announce next steps later this quarter. The Government welcomes the open and timely approach being taken by Ofgem with the call for evidence and will continue to engage closely as Ofgem progresses its consideration.

Committee recommendation: *The UK Government must amend Ofgem’s statutory duties to consider net zero targets in all its decision making.*

Government response: Ofgem’s statutory duty to protect consumers’ interests includes their interests in the reduction of emissions of targeted greenhouse gases, which means the updated Climate Change Act target of 100%. Government and Ofgem are aligned on the interpretation of the primary objective in that Ofgem should support and promote the delivery of net-zero initiatives considering the cost to consumers. As we transition to net-zero, with new services and technologies, Ofgem will have an important role to play, and its regulatory remit will likely expand. However, the Government has no plans to amend Ofgem’s statutory duties to include a separate net-zero duty.

To provide strategic guidance to Ofgem on its net-zero responsibilities, the Government committed in the Energy White Paper to consult on a Strategy and Policy Statement for Ofgem (SPS) in 2021. The SPS will set out the strategic priorities and policy outcomes of the Government’s energy policy, and net-zero will be a driving theme in the SPS. Once the SPS has been designated, it will impose a legal obligation on Ofgem to have regard to the strategic priorities and policy outcomes when exercising its regulatory functions.

Ofgem will be required to report on how it intends to implement the SPS at the outset, and then report annually on its performance and its plans for the coming year. This creates a clear source of legal accountability where Ofgem must consider net-zero related strategic priorities and policy outcomes when making regulatory decisions.

Committee recommendation: *The next Contracts for Difference round should prioritise renewable energy systems, not just at the lowest cost, but with a long-term view that focuses heavily on net zero targets and best value for money, up to 2050.*

Government response: The Contracts for Difference scheme has been hugely successful in supporting investment in new capacity while seeing the costs of some renewable energy technologies decrease dramatically. We have recently announced the details of the next allocation round, due to be the biggest yet. We also know that the design of our schemes will need to evolve to continue to deliver the maximum benefit to consumers and the public. Views on this were sought through a call for evidence earlier in the year¹ and are being factored into future policy design.

Committee recommendation: *More financial support should be guaranteed by the UK Government for development of tidal energy through the CfD mechanism. This will be able to bring tidal energy generation to market to maximise the potential of renewable energy in the UK, give confidence to investors, and increase exports of tidal technology.*

Government response: Tidal stream generation could also have an important role in the long-term decarbonisation of the UK, but it will have to reduce its costs to compete with other low-carbon renewable technologies. However, tidal stream is an eligible technology for the Contracts for Difference scheme.

Last year’s Call for Evidence on marine energy garnered substantial material on several tidal stream and range projects and we are evaluating this in the light of our statutory commitments on decarbonisation of the Economy.

1 <https://www.gov.uk/government/consultations/enabling-a-high-renewable-net-zero-electricity-system-call-for-evidence>

Committee recommendation: *The UK Government should use part of the £12 billion outlined in the Ten Point Plan to invest in a pipeline of renewable energy projects in Scotland.*

Government response: The UK Government is working closely with partners in the devolved administrations to achieve our climate goals. The Government's net zero target covers the whole UK, and all four parts of the UK have an integral role to play in delivering the Government's carbon budgets leading up to 2050.

As the Committee is aware, the Contracts for Difference (CfD) is the Government's main mechanism for supporting the deployment of renewable technologies across Great Britain. The scheme has been hugely successful in bringing forward deployment whilst significantly reducing cost. CfD auctions (together with the bespoke CfD contracts signed in the early days of the scheme) have seen the award of c.13GW of offshore wind and c.16GW of other renewable technologies, including onshore wind and solar—with Scotland benefitting significantly from the CfD scheme. 20 of the 58 projects awarded CfDs to date are in Scotland. This represents 34% of all CfD projects and 21% of total CfD capacity (around 3.4GW of nearly 16GW awarded contracts to date).

The Prime Minister's announcement of 6 October 2020 committed to holding the next CfD allocation round in December 2021 and set out how it will be our biggest yet, aiming to support up to 12GW capacity of renewable electricity. This will support all countries in Great Britain and help us on a pathway to eliminate our contribution to global warming.

In addition, the Net Zero Strategy, published 19 October 2021, outlines the Government's measures to transition to a green and sustainable future, helping businesses and consumers to move to clean power while supporting hundreds of thousands of well-paid jobs and leveraging up to £90 billion of private investment across the whole of the UK by 2030. Building on the landmark Prime Minister's Ten Point Plan for a Green Industrial Revolution, our Net Zero Strategy will drive forward our ambition to reach net zero and level up the UK by supporting up to 190,000 jobs in the middle of the 2020s and up to 440,000 jobs in 2030. These jobs will be spread across the UK—with specialists in low carbon fuels in Northern Ireland and low carbon hydrogen in Sheffield; electric vehicle battery production in the North-East of England; more engineers in Wales; and more offshore wind technicians in Scotland.