Written evidence submitted by the Scottish Government (RES0039)

06 July 2021

Dear Pete Wishart MP

I am writing in response to your letter of 23 June 2021 to Mr Matheson MSP regarding the Scottish Affairs Committee's inquiry into renewable energy in Scotland.

As you are aware, we were unable to send anyone to the committee due to summer recess. Thank you for enabling us to provide written evidence. We have considered each of your questions and have submitted responses.

I look forward to hearing the outcome of this inquiry.

Yours sincerely

Graeme Dey MSP
Minister for Transport

1. HOW DO THE SCOTTISH GOVERNMENT WORK WITH THE UK GOVERNMENT ON RENEWABLE ENERGY DEVELOPMENT? HOW DO YOU REACH AGREEMENTS ON THE FUNDING OF RENEWABLE ENERGY PROJECTS?

General

The reservation of many energy powers means that Scottish Government ministers will engage regularly with their UK counterparts, both directly and in writing, about the effects that actions – or failures to act – in some of these reserved areas can have a major effect on investment in and development of renewables and other energy infrastructure across Scotland.

A good example of this is a letter that Michael Matheson, Cabinet Secretary for Net Zero, Energy and Transport, wrote last August to Alok Sharma, the then Secretary of State for Business, Energy and Industrial Strategy. Mr Matheson highlighted on that letter the need for urgent reform and action across a number of areas designed to address barriers – and a potential risk – to meeting Scotland's net zero commitment and delivering a green recovery from the pandemic.

These areas included the role of the energy regulator, and the importance of it being given an explicit statutory obligation to enable the delivery of net zero. The letter also touched on energy network charges, support for clean heat and clarity on the future of the gas network, and the need to bring forward investment decisions on CCUS and hydrogen production.

We recognise the importance of collaboration and joint working between the Scottish and UK Government on key areas of reserved policy, which is supported by continued constructive working relationships between Scottish Government and UK Government officials. The forthcoming BEIS Net Zero Strategy & HMT Net Zero Review is a key example of the significance of sharing draft policy development work and embargoed copies of these publications given the important areas of policy interdependency.

Renewables

We have a history of operating in step when it comes to support for renewable electricity development during the time when that support was delivered by the separate Renewables Obligation orders which applied in England and Wales, and in Scotland respectively. Although we would use our devolved powers to direct some additional support to priority areas such as tidal power and offshore wind, we took pains to ensure that the respective mechanisms operated complementarily, and in a way that supported a GB wide growth in renewables capacity.

Since these mechanisms were replaced by the UK Government's Contract for Difference (CfD) mechanism, we have done what we can through lobbying and supporting the efforts of stakeholders to ensure that the CfD design is effective and enabling sufficient growth across the sector.

The outcomes there have been mixed, although the recent decision to reintroduce CfD eligibility for onshore wind and solar is something for which the Scottish Government has long pressed, just as we did for the very welcome introduction of eligibility for island wind generation schemes in 2019 plus the separation of floating offshore wind from fixed offshore wind to assist with technology development.

There's no question that our legally binding commitments to reach net zero by 2045 in Scotland and 2050 across the rest of Great Britain will greatly increase the demand for renewable energy. This will make it vital that we continue to make every effort to work together on how to maximise renewables output, and that the UK Government use its reserved powers to ensure that policy and regulation in these areas is designed to remove rather than sustain barriers to the necessary investment.

Small-scale renewables

Following the closure of the Feed in Tariffs Scheme (FITS), investment conditions for new small scale renewables developments have changed considerably. The Scottish Government remains committed to continuing our support for small scale renewables in Scotland, working with the sector to provide a supportive policy framework to aid growth and deployment and through continuing engagement with our UK Government counterparts to ensure Scottish interests are considered.

Hydrogen

We understand that the committee is considering looking at hydrogen in detail in a future session. This would be welcomed. From our own assessment work we are confident that Scotland has many of the key natural resources and components necessary to grow a strong hydrogen economy, supporting jobs and GVA growth, and developing new industrial opportunities on a significant scale. We anticipate the UK will publish its Hydrogen Strategy in July 2021 which we expect to be supportive of this growing sector in Scotland and the UK. This is in complement to our own Hydrogen Policy Statement[1], and our Hydrogen Assessment Report[2]; we suggest the Committee consider these as part of any future review on hydrogen.

Offshore oil and gas

Tax and regulation powers over offshore oil and gas are reserved to Westminster, with Scottish Government support for the oil and gas sector in the North sea conditional upon the industry contributing to a sustainable, secure and inclusive energy transition.

On 24 March the North Sea Transition Deal (NSTD) was agreed by the OGUK Board and UK Government, and looks to represent a transformative partnership between industry and Government which seeks to utilise the UK offshore oil and gas sector to help the UK meet its climate ambitions and achieve net-zero by their target of 2050, and deliver a managed energy transition. Scottish Government welcomed the NSTD and as part of the implementation plan, UK Government and Industry have committed to the formation of a North Sea Transition Forum, a NSTD Delivery Group and an Offshore Implementation Group where SG Ministers and officials are part of the governance arrangements.

The Scottish Government's £62 million Energy Transition Fund supports the sector's energy transition as we move toward a net zero society by 2045. Projects include the Energy Transition Zone (£26 million) and Global Underwater Hub (£6.5 million). The UK Government have also committed to the same funding for these projects.

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[1] Scottish Government Hydrogen Policy Statement - gov.scot (www.gov.scot)

[2] Scottish hydrogen: assessment report - gov.scot (www.gov.scot)

The UK Government has committed to introducing a new climate change compatibility check-point which will take place in advance of each new offshore oil and gas licensing round and will be implemented by the end of this year. The Scottish Government welcomes compatibility check-points however close collaboration is needed between both Governments to ensure licences awarded are aligned with our more ambitious climate objectives. These include net-zero emissions by 2045, and a just transition for Scotland's oil & gas supply chain.

Heat and Energy Efficiency

Transforming Scotland's building stock, to make it more energy efficient and install zero emission sources of heating such as heat networks and heat pumps, requires a step-change in deployment rates, supported by new policy and updated regulation across a wide range of areas. Significant progress is needed in advance of 2030 to meet Scotland's legislated targets, necessitating a pace of transition in installation of zero emissions heating systems that is faster than the rest of the UK. Some of the powers likely to be needed, such as regulation of building level energy performance and greenhouse gas emissions, are currently devolved to the Scottish Government, while others, including many aspects of energy policy, remain reserved to the UK Government. As a consequence, we need UK Ministers to take decisions that facilitate Scotland's meeting of pathways set out in the Scottish Government's Heat in Buildings Strategy, meet the targets set by the Heat Networks (Scotland) Act 2021, and achieve alignment across GB where this is necessary.

Emissions from buildings cannot be reduced to zero in a fair and just way through action only within devolved competence. A broad suite of energy market reforms is needed, including reviewing the future role for the gas network, changes to the ways in which policy levies are applied to energy supply and new safeguards put in place to share the cost of the transition fairly across consumers. Energy generators, as well as network and supply companies need to be better incentivised to deliver zero emissions heat solutions, and investment from the UK Government and the private sector needs to be significantly ramped up.

Scottish Ministers are asked to formally give consent to the changes to the Renewable Heat Incentive (RHI) and its successor schemes. Beyond the RHI and its successor joint working is as required, supported by close working relationships between Scottish Government and UK Government officials. No formal mechanism for decision making on heat and energy efficiency currently exists, however given the shared competence in this area a formal mechanism is perhaps desirable to unlock faster action in Scotland.

2. HOW ARE THE SCOTTISH GOVERNMENT WORKING WITH RENEWABLE ENERGY COMPANIESTO ENSURE A GREEN RECOVERY POST-PANDEMIC?

The Scottish Government has an established and structured way for engaging with the energy industry in Scotland. The Scottish Energy Advisory Board (SEAB) was established in 2009 to provide a forum for strategic discussion on the current and future energy challenges and opportunities for Scotland. SEAB is co-chaired by the First Minister and Professor Sir Jim McDonald, Principal of the University of Strathclyde and meets quarterly. Membership is at CEO and Chair level and was reviewed in 2020 alongside the Terms of Reference to refocus the remit of the Board to ensure a green economic recovery and net zero greenhouse gas emissions by 2045.

SEAB is supported by Strategic Leadership Groups (SLGs) with a more specific focus on issues relevant to key areas within Scotland's energy sector. Most SLGs meet quarterly and are co-chaired by an industry or academic representative and either a Minister or senior Scottish Government official. There are currently four SLGs and one working group, which have the following remit:

- The Renewable Energy SLG's remit is to provide advice and recommendations on the key challenges and opportunities facing the sector, the options for addressing them, and how the sector may go further to support the Scottish Government's Energy Strategy priorities.
- The Energy Networks SLG's remit performs the same function and considers the same issues from the perspective of Scotland's energy networks, the growth of and huge investment in which – over a short period of time – will be essential to meeting our net zero commitment.
- The Oil and Gas and Energy Transition SLG increased the frequency of meetings since March 2020 to discuss the support required of the sector and the green economic recovery from the pandemic. The group seeks to complement and reinforce work already underway, whilst ensuring the energy transition agenda continues to meet Scotland's net zero emissions ambition.
- The Energy Consumers Commission provides advice and recommendations on the key challenges and opportunities facing Scottish energy consumers, including those related to decarbonisation, while also directing spend of the Scottish portion of the energy consumer advocacy levy paid by industry.
- The Scottish Offshore Wind Energy Council's primary function is to deliver robust leadership to the sector in Scotland and maximise economic returns from Scottish offshore wind projects.

The Scottish Government also worked in cooperation with Professor Sir Jim McDonald, Principal of the University of Strathclyde to establish an Energy Task Force, with a more focussed remit of identifying actions to unlock barriers to investment within the energy sector, in order to support the green recovery post-pandemic. Members include a sub-set of SEAB, with additional representation from sectors focussed on new technologies. The Energy Task Force have developed a joint business plan for unlocking investment in Scotland's energy sector, which they plan to share with UK Government over summer 2021.

This established and important stakeholder network will be crucial as the Scottish Government moves forwards with plans to refresh the 2017 Energy Strategy. Whilst the content and format are still in development, the Scottish Government is mindful of the need to ensure the Strategy supports the green recovery post-pandemic and a just transition to net zero greenhouse gas emissions by 2045. The refreshed Energy Strategy will bring together discrete areas of policy development,

consider whole system issues, reflect Net Zero targets, and represent Scottish Government prioritises post-COP26.

The Scottish Government has committed to deliver a new 10 year National Strategy for Economic Transformation, setting out the steps it will take to deliver a green economic recovery and support new, good, green jobs, businesses and industries for the future. We are making investments in key net zero markets including buildings, energy and transport, that will drive demand for good green jobs and increasingly aligning our skills policy, including through the Climate Emergency Skills Action Plan published in December, to support reskilling and retraining to access green jobs now and in the future. For example we are investing in the transition of our energy sector, including £62m through the Energy Transition Fund to provide a package that will support our energy sector to transition and grow, supporting jobs and regional growth. We are also investing £180m in the Emerging Energy Technology Fund to support innovation in key energy technologies like Carbon Capture Utilisation and Storage and Hydrogen.

In the Marine Energy sector, we are engaging with industry through the Scottish Marine Energy Industry Working Group to further explore how the sector can support a green recovery. Recent project developments showcase Scotland's technical lead in both tidal and wave energy as well as the impact of the Scottish Government's long-term support. Orbital Marine Power's O2 tidal stream turbine, is the most powerful device of its kind anywhere in the world and was manufactured by Scottish company Texo Group at their quayside facilities in Dundee, with key components sourced from across the UK This summer has also seen the installation of Mocean Energy's Blue X wave energy prototype for the start of sea trials in Orkney. The device was developed and fabricated in Scotland with funding from the Scottish Government's Wave Energy Scotland programme. These projects showcase the potential of the Scottish supply chain, and the potential economic opportunities arising from marine if given the support required to access the mass market.

At present, only UK Ministers have the powers to provide the direct route to market required to incentivise private investment in marine energy and drive the commercial development of a sector which could provide a route to post-pandemic recovery. It is essential that the UK Government takes meaningful action to provide the sector with a viable route to market, beginning with the next allocation round under the Contracts for Difference.

On small scale renewables, we remain committed to continuing to work with the sector to provide a supportive policy framework helping to contribute to the decarbonisation of our energy supply, ensuring a green recovery post-pandemic, and contributing to Scotland's transition into a Net-Zero Carbon society by 2045. This includes providing support to the hydro sector through chairing of the Hydro Task and Finish Group to facilitate solutions and opportunities for the sector, as well as working closely with those within the solar energy sector, such as Solar Energy Scotland, with ongoing discussion taking place around development of the sector.

With transport, the Scottish Government is taking a co-production approach to decarbonising of buses. Zero Emission Buses require substantial investment in energy distribution infrastructure as well as vehicles. The Scottish Government established the Bus Decarbonisation Taskforce in November 2020 which brings together renewable energy companies, bus operators, the supply chain and financiers to explore and address opportunities and barriers to decarbonisation of the sector. The Taskforce is building real partnerships between renewable energy companies, bus operators, and manufacturers. Last year we awarded over £50m to support 172 new electric buses, which

Scottish Power and Scottish and Southern Electricity are providing the energy for, Alexander Dennis in Falkirk are building most of the buses, and bus passengers across Scotland are benefitting.

Work also continues on the Zero Emissions Train (ZET) project to enable a former ScotRail Class 314 electric train to be converted to powered by hydrogen fuel cell technology. The ZET project will allow local suppliers to test the integration of hydrogen power supply equipment within a live train environment with the aim to run the train at Bo'ness Railway this year. This £3,5m project which is being taken forward under the auspices of the newly established Scottish Government–funded Hydrogen Accelerator at St Andrews University. The work is being progressed by the world-leading leading hydrogen technology company Arcola Energy. The work seeks to address all the issues associated with bringing a new product on to the rail network i.e. standards, certification, controls, business operations, supply chain capability etc. In addition to the ZET work, we are engaging directly with manufacturers of hydrogen powered fleets around the world to understand their development and how these could fit with our challenging Decarbonisation targets. Transport Scotland is also discussing, with various British based train owners, their proposals to convert existing fleets to hydrogen fuel cell traction and also link this with infrastructure requirements and fuelling supply.

3. HOW WILL THE SCOTTISH GOVERNMENT EVALUATE THE SUCCESS OF THE GREEN JOBS FUND AND THE NATIONAL TRANSITION TRAINING FUND?

A just transition to net zero requires a robust, diversified economy where businesses can make investments with confidence and our enterprise and skills agencies can support the growth of high potential, sustainable and low carbon industries. With this in mind, the 2020/21 Programme for Government announced a national mission to create new jobs, good jobs and green jobs, by maximising our £2 billion low carbon investment towards priority actions that strengthen the business base and local economies and support the creation of quality green jobs.

As part of the overall funding package, the Green Jobs Fund (GJF) provides significant leverage for our green recovery, offering businesses the chance to innovate and diversify as we collectively tackle the twin economic and climate crises. The GJF is not a skills or training fund. Rather, it is a five year £100m capital fund offering support to businesses (and their supply chains) to help them better transition to a low carbon economy. In so doing, the GJF will support businesses to create green employment through investment in equipment and premises and research and development (R&D), with subsequent opportunities for individuals to retrain and upskill in new and high-growth areas supported by our apprenticeship system and the National Transition Training Fund (NTTF).

GJF comprises two tranches of money – £50m baselined into the Enterprise Agencies capital R&D; and £50m under the direct control of Scottish Ministers. Over the next five years, we will use the GJF to invest alongside businesses and organisations to support new and increased opportunities for green job creation across Scotland. Green jobs include those in renewable energy, the circular economy and zero waste, and the nature based sector with wider 'green skills' sitting on a spectrum ranging from highly specific requirements in sectors directly supporting the transition to net zero such as energy, transport, construction, agriculture, and manufacturing, through to more generic requirements across all sectors to thrive in a net zero economy.

The current working categories for such green jobs are:

- New and emerging jobs that relate directly to the transition to net zero e.g. hydrogen cell technicians, carbon monitoring technicians and urban miners;
- Jobs affected by the transition to net zero that will need enhanced skills or competencies e.g. architects and environmental consultants; and
- Existing jobs that will be needed in greater numbers as the result of the transition to net zero e.g. insulation installers, energy assessors and designers and multi-skilled on-site operatives.

In partnership with our Enterprise Agencies and Skills Development Scotland (SDS) Sottish Government policy leads and analysts are currently developing a more refined definition of green jobs with the aim of agreeing a Scottish Government definition which we can operationalise, and which will become part of our wider measurement frameworks for current and future low carbon policy. In the meantime, our Enterprise Agencies have derived a definition of green jobs which they are using to collect jobs data as part of their ongoing administration of the GJF.

The NTTF will be available to provide training support in 2021/22 for those businesses successfully bidding for Green Jobs Fund support. Introduced in 2020 as part of the response to the economic impact of Covid-19, the NTTF supported a broad range of training interventions across a number of sectors, enabling individuals to train for new or better opportunities and sectors to train staff to support recovery. It has been delivered through a number of partners, including SDS, FE/HE

institutions, Scottish Enterprise, Creative Scotland and LANTRA. Delivery in FE/HE continues for Year One until the end of the academic year.
In Year Two, NTTF has a broadened remit, which alongside addressing the impacts of Covid-19 and Brexit, includes supporting the transition to net zero in support of the implementation of the Climate Emergency Skills Action Plan (CESAP).

The first 25 projects have been approved for 2021/22 with funding up to £20m available. This includes a commitment to support training needs of those businesses successfully gaining Green Jobs Fund support. We are working with Scottish Enterprise to agree the level of support required. This funding sits alongside support for a range of projects in support of the implementation of the Green Jobs Workforce Academy, a key CESAP action and 100 Days commitment of the Scottish Government.

As it develops and with the broadened remit, it is critical we understand the short, medium and longer term impact of NTTF. We are currently measuring initial outcomes from the delivery of the training but will develop a framework for longer term assessment of impact and value for money across a very wide range of interventions in the coming months.

4. HOW WILL THE SCOTTISH GOVERNMENT ENSURE THAT PEOPLE ARE SUFFICIENTLY SKILLED TO WORK IN THE RENEWABLE ENERGY SECTOR IN SCOTLAND?

The Scottish Government is a member of the Energy Skills Alliance, a newly created and cross energy collaborative group established to develop an integrated skills strategy for a vibrant, net zero energy industry.

The ESA brings together leaders from across oil and gas, renewables, nuclear and refining industries, as well as representation from regulators and trade unions, and has devised four key work programmes. These task and finish groups have been designed to create an integrated skills strategy for a net-zero UK energy industry:

- Future energy skills demand and supply;
- Integrated STEM programme;
- Delivery of an integrated all-energy apprenticeship scheme; and
- Development of a roadmap for aligning training and standards.

The latest Oil and Gas Survey [33rd] from the Aberdeen and Grampian Chambers of Commerce shows the likely acceleration of diversification from oil and gas activity following the Covid pandemic, such as that 75 per cent of contractors are likely to become more involved in UK Continental Shelf renewables work over the coming three to five year period.

The Robert Gordon University 'Energy Transition Institute UK Offshore Energy Workforce Transferability Review', published in May 2021, estimates that the current UK offshore energy sector supports direct and indirect employment of c.160,000, and that by 2030 it anticipates this could increase to around 200,000 under its best case scenario, with the low carbon offshore energy workforce increasing from 20 per cent to 65 per cent by 2030.

The report estimates that over 90 per cent of the UK's oil and gas workforce have medium to high skills transferability and are well positioned to work in adjacent energy sectors, and that around 100,000 [c. 50 per cent] of the jobs in 2030 are projected to be filled by people transferring from existing oil and gas jobs to offshore renewable roles as well as new recruitment.

The Climate Emergency Skills Action Plan (CESAP) sets out the importance to position skills to form as part of a systematic response to changing conditions, while retaining skills and expertise in the labour market, including the renewable energy sector. An Implementation Steering Group has been established to drive forward activity and to develop an Implementation Plan to set out a route map for skills provision as we move towards achieving Scotland's climate change targets.

Building on the lessons of the National Transition Training Fund established in response to COVID, in 2021, we will establish a Green Jobs Workforce Academy. The Green Jobs Workforce Academy will support existing employees, and those who are facing redundancy, to assess their existing skills and undertake the necessary upskilling and reskilling they need to secure Green Jobs opportunities as they emerge. We will also establish a Green Jobs and Skills Hub that will cascade intelligence into the skills system on the numbers and types of green jobs that will be needed over the next 25 years.

On 19 June Scottish Government announced £26m to develop the Energy Transition Zone (ETZ) through its Energy Transition Fund. The ETZ, which will be located in Aberdeen's south harbour, is

expected to directly support 2,500 green jobs by 2030, alongside a further 10,000 transition-related jobs.

The ETZ project will include investment in a skills ‘academy’ hub to support the transition of existing oil and gas skills and skills from other sectors negatively impacted by the current economic climate. The skills ‘academy’ hub will help advance the understanding and equality of opportunities in the energy sector and support the development of skills required to succeed. It will support transitions to high quality, well-paid, and sustained employment and facilitate the provision of a highly skilled workforce.

5. HOW ARE THE SCOTTISH GOVERNMENT SUPPORTING THE DEVELOPMENT OF THE SCOTTISH SUPPLY CHAIN FOR RENEWABLE ENERGY? WHAT INVESTMENT DOES THIS INCLUDE?

Over the last 6 years, the Scottish Government has committed over £9.5 million in grant funding to support innovation and skills in offshore wind, developing opportunities for the Scottish supply chain. This includes over £460,000 in grant funding to the Energy Skills Partnership to support offshore wind skills development. This has provided technology and expertise to colleges, establishing courses which are under high demand, and which result in a high level of graduate employment.

We have worked closely with the Carbon Trust, funding the successful Offshore Wind Accelerator programme and the Floating Wind Joint Industry Partnership. Scotland is helping the offshore wind industry to achieve cost reductions, but in doing so, we expect to see that investment in innovation not only benefit project cost-competitiveness, and accelerate deployment, but also to lead to employment opportunities in Scotland.

The Scottish Government also match funded a number of projects delivered by ORE Catapult in partnership with industry and the Welsh Government, through their Floating Offshore Wind Centre of Excellence. These projects explored barriers and opportunities for floating wind in Scotland across innovative areas including floating substructure fabrication in Scotland, and mapping of the Scottish supply chain.

The current ScotWind Leasing Round (the first to be administered by Crown Estate Scotland) takes a stringent approach to developers who do not honour their supply chain commitments and offers all important visibility of a pipeline of contracts for the domestic supply chain to prepare for. Applicants to the Leasing Round are required to submit a Supply Chain Development Statement that sets out the anticipated level and location of supply chain impact throughout the lifetime of the project. Crucially, those who do not comply with the commitments laid out in their Supply Chain Development Statements (SCDS) can expect to face consequences, ranging from financial penalties to an inability to progress to a seabed lease. The introduction of SCDS demonstrates that this Government is serious about holding developers accountable when they do not honour their supply chain commitments and fully expect developers and OEMs to be engaging with the domestic supply chain from the outset to ensure that those more ambitious commitments come to fruition.

As previously mentioned UK Government retain control over the Contracts for Difference (CfD) mechanism. The Scottish Government has been calling for changes to the Supply Chain Plan (SCP) element of the CfD process to be a more rigorous, holding developers more to account on their commitments. Therefore we welcome the introduction of greater scrutiny of the SCP and the potential to termination right for the most egregious incidences of Supply Chain Plan breaches.

The Scottish Government has supported the development and demonstration of marine energy in Scotland for more than a decade. This support includes the Saltire Tidal Energy Challenge Fund, in which more than £5 million was invested in projects designed to further the commercial development of tidal stream energy, and the Wave Energy Scotland programme, in which the Scottish Government has invested more than £40 million since 2014.

Tidal stream projects deployed to date in Scotland have been delivered with an exceptionally high degree of UK supply chain content - around 80 per cent in both Orbital Marine Power's O2 project

and Nova Innovation's Shetland tidal array. The Marine Energy Council advises that the largest supply chain opportunities from the growth of marine energy will include installation and maintenance, port operations and logistics, vessel operations, and licensing and monitoring, as well as opportunities in fabrication and metal work. As the European Marine Energy Centre (EMEC) has reported, based on its extensive experience, existing supply chains and companies ranging from marine construction and diving companies, to fishermen, oil and gas survey companies and plant suppliers are ready to diversify into this new area of work and are looking for the right market signals. Through the Scottish Marine Energy Industry Working Group we will gather further evidence this year on Scotland's marine energy supply chain capabilities, opportunities and requirements.

Through its Community and Renewable Energy Scheme (CARES), the Scottish Government supports the delivery of community and local owned renewable energy projects across Scotland, allowing for project development and implementation. Since its inception, CARES has supported over 600 renewable energy projects (making funding of up to £54 million available) including community hydropower projects in more remote and rural areas of Scotland which have played a key role in supporting local supply chains through the creation of crucial local jobs.

6. WHAT HAVE THE SCOTTISH GOVERNMENT DONE TO ENSURE A JOINED-UP APPROACH TO THE CONSENTING OF A)OFFSHORE AND B) ONSHORE RENEWABLE ENERGY PROJECTS?

It is important to note at the outset that each application to generate or transmit electricity will always be considered on its own merits against a backdrop of relevant national and local planning policies.

That said, we are committed to ensuring a joined-up approach to the consenting of offshore and onshore renewable energy projects. We have established a Major Energy Network Projects Group, which brings together Scottish Government energy policy, planning and consents unit officials, Scotland's transmission network owners, the electricity system operator and other key stakeholders. The key purpose of the Group is to maintain a focus on the progress of major electricity transmission projects, while widening its focus to other major energy network projects and developments as required.

Scottish Government officials are also taking part in discussions about the connection and planning / consenting issues linked to the ScotWind offshore wind leasing round. This round table, established by industry, also includes Scotland's transmission owners, the system operator and Crown Estate Scotland. It is discussing how Scottish interests and policy goals can best be accounted for as part of the UK Government's Offshore Transmission Network Review (OTNR). The OTNR is seeking to deliver a co-ordinated approach to offshore grid which, if successful, could enable a reduction in the infrastructure required to meet the aspirations of the Scottish Government to deliver a Just Transition to Net Zero emissions by 2045.

Finally, it should be noted that the Energy Consents Unit has made a number of efficiencies and improvements in recent years which have already reduced determination times. We will continue to work closely with stakeholders to further improve the determination timescales for complex electricity network and generation applications, and consider any opportunities for improvements to the consenting framework.

7. WHAT ARE THE SCOTTISH GOVERNMENT DOING TO ENCOURAGE GRID REINFORCEMENT AND BETTER CONNECTIONS FOR RURAL AREAS WHERE RENEWABLE ENERGY IS GENERATED?

Any answer to a question like this comes with an important caveat, which is that the electricity network policy and regulation are reserved issues, and the responsibility of the UK Government. Recognising this up front is by way of context setting, rather than diminishing the very clear interest that the Scottish Government has in these matters.

Our ambitious and binding net zero commitment will drive up demand for electricity across the country and all sectors of the economy, as we strive to decarbonise the energy we need to heat our homes, run our cars and transport system, and power our industrial processes and demand. This growth, which will require much more renewable generating capacity in the form of onshore and offshore wind, solar, hydro and marine technologies, will require major change and upgrades to the electricity network to which it will connect and through which this generation will be transmitted to where it's needed.

It's vital that national and local Scottish energy targets, commitments and priorities are taken into account as part of the decision making and business planning processes that will drive investment in our electricity networks. This is why we have led work to develop and agree *Gas and Electricity Development Principles*, in collaboration with Ofgem, Scotland's energy network owners and the GB electricity system operator.

These principles, the publication of which was announced by the First Minister in March 2021, reflect the profound influence that devolved policy and targets can and should have on network development and growth - including the basic fact of Scotland's more ambitious net zero target and timeline. This important collaboration will help support and justify network investment decisions linked to Scottish Government policy priorities, while recognising the need for network owners and Ofgem to work within the existing GB regulatory system.

One of those key priorities is to see the development of major transmission links from Scotland's main islands, which will enable the development and transfer of the huge renewable potential across those islands and the capture of the social and economic benefits that these can engender. Welcome progress has been made on Shetland, but there is still much to do to ensure that we achieve similar outcomes for the Western Isles and Orkney. We will continue to work collaboratively with the UK Government, Ofgem, network owners and island stakeholders in order to do so.

There are important sustainability and security issues wrapped up in this, as some instances over the past year involving the failure of existing network cables to and between some of Scotland's smaller and more remote islands have underlined. Investment in new and more secure connections will help address this, as will the growth and development of new technologies, including storage solutions such as green hydrogen, as well as technological advances which aid flexibility and smarter demand management. All of these can help manage constraints across our network, and ensure that Scotland's renewable potential – and its vital role in enabling net zero – is exploited to the fullest extent possible.

The Scottish Government also continues to support and promote the development of renewables across Scotland’s communities, as we continue to move towards a future where local generation and demand becomes increasingly important. This underlines the need for investment in these networks,

and is why we were very pleased to work with Scotland's distribution network owners this summer as they successfully secured £50 million of Green Recovery funding from Ofgem for network investment in projects across Scotland.

The ways in which network charges are distributed and gathered can have a huge influence not only on the cost to consumers, but on decisions to invest in new renewable generation. The Scottish Affairs Committee (SAC) has heard a lot on the issue of transmission charging in particular, and about whether these charges are calculated and apportioned in a way that's consistent with net zero and the renewable capacity that will be required to meet it.

We share the concerns that developers have expressed about the cost disadvantage for Scottish renewable projects compared to the rest of GB, and also the unpredictability of these transmission charges. Ofgem has said that it understands these concerns and is willing to review transmission charging. While that's a welcome sign, we believe that this needs to be committed to and carried out urgently – reflecting the pace and clarity demanded by net zero.

The required growth and development of our electricity networks, including the speed at which this needs to happen, presents a blend of challenges as well as opportunities. We will continue to work closely with Scotland's electricity network owners to understand the number, pace and scale of major upgrades and new lines likely to come forward for consent to build over the coming years.

This will enable us to plan and resource the relevant processes more effectively, but also to consider other aspects - including the importance of engaging and involving the relevant communities, as well as focusing on the role that these projects can play in delivering economic benefit to Scotland, supporting a green recovery and enabling a Just Transition.

July 2021