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Convener

Economy and Fair Work Committee

Scottish Parliament

By Email:

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Convener,

Thank you for the opportunity to appear before the Energy and Fair Work Committee on 9 October to provide evidence on the Scottish Government's Programme for Government economic priorities. During the session, I agreed to follow up on certain areas in more detail. I have set out the additional information requested by the committee below.

Green Industrial Strategy (GIS) Opportunity Areas

Our approach to defining the Opportunity Areas of the GIS was guided by a range of data and analysis, combined with qualitative judgement from stakeholder engagement and existing policy positions in Scotland's energy transition. Pages 14 and 15 of the publication provide a summary of the approach (building on existing strengths to identify opportunity areas) and include links to the published research which informed the GIS opportunity areas.

Specifically:

<https://www.climateexchange.org.uk/projects/economic-opportunities-in-scotlands-net-zero-and-climate-adaptation-economy/>

<https://scottish-enterprise.com/media/e5vlpm4u/the-economic-impact-of-scotlands-energy-transition.pdf>

Starting with a sectoral approach, we considered research commissioned through ClimateXChange and carried out by Ramboll and Fraser of Allander Institute on the economic opportunities in Scotland's net zero and climate adaptation (NZCA) economy. The research looked across existing net zero and climate adaptation economic opportunity areas identified by Scottish Government in previous publications. Having identified over 60 possible sectors, the researchers completed high level data collection across those areas,

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bringing together qualitative and quantitative insights from Scottish Government, Scottish Enterprise and external sources. This data collection was used to refine the list down to 12 key areas, which were then reviewed and refined by an independent peer review group.

Scottish Government and Scottish Enterprise prepared supplementary analyses of the 12 sectors, using indicators for GVA, employment, and comparative advantage (export potential). This was used to support further determination of Scotland's current strengths in the NZCA economy, and where there might be credible potential to build on these strengths. The indicators do not lead to exact choices but inform the evidence base, alongside qualitative evidence and insights from external engagement.

External engagement was conducted over three phases:

- Phase 1 took place between March and May 2024, whilst the strategy was still being drafted. We undertook touchpoints and engagements with over 80 organisations. The thrust of our engagement was to ascertain what stakeholders expected from a green industrial strategy, understand both blockers and enablers whilst articulating our emergent thinking.
- Phase 2 comprised a series of workshops in June 2024 with internal Scottish Government and external public sector partners to define the actions associated with each of the economic enablers.
- Phase 3 commenced in July 2024 with trusted external stakeholders reviewing the near final draft and providing comment.

Engagement was a combination of speaking opportunities, roundtables and 1:1 meetings with key industry stakeholders across the private, public and investment sectors. These are some of the organisations with whom we engaged:

- *Trade bodies and their members:* Scottish Renewables (11 member organisations directly), Prosper (33 member organisations directly), CBI Scotland (4 members), Scottish Cities Alliance and STUC
- *Public sector:* Scottish Enterprise, HIE, SOSE, NatureScot, SEPA and Aberdeenshire Council; members of SG's Making Scotland's Future panel
- *Investors:* abrdn, SNIB, UKIB, Magnesium Capital
- *Corporates:* Shell (directly), ScottishPower, SSEN, EDF (indirectly through CBI)
- *Professional service companies:* Sheppard and Wedderburn, ARUP, Mott MacDonald
- *International:* South Australian Government, Brazil CNI (CBI equivalent)

Taken together, the evidence showed onshore wind, offshore wind, professional and financial services to be strong economic opportunity areas with likely potential comparative advantage for Scotland. These are presented as Opportunity areas 1 (Wind) and 3 (Professional and Financial Services) in the GIS.

Specific and significant commitments and targets on energy generation and transition articulated in the Energy Strategy Just Transition Plan (not yet published) determined a logical (essential) place for Carbon Capture and Hydrogen to feature as priority economic opportunity areas in the GIS. The potential to achieve globally competitive positions is assessed in wider publications and research (referenced in the GIS). Both opportunity areas are reinforced by Scotland's comparative advantage and strength of the wider energy sector. The Scottish Government supports carbon capture and hydrogen as solutions to the country's energy transition. The GIS presents a route to international commercial success and they are included as opportunity areas 2 (Carbon Capture) and 4 (Hydrogen) in the GIS.

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The fifth opportunity area relates to clean industries. This is based on the thesis that, with potentially abundant supplies of clean energy, Scotland may be able to attract new clean energy intensive industries such as data centres. This is grounded, in the natural comparative advantage of our abundant wind energy potential, but there are various dependencies which the GIS addresses.

Chief Entrepreneur

The Committee will be aware that Mark Logan has decided to step down from his role as Chief Entrepreneur and has made his reasons for that clear. I am grateful to Mr Logan for what has been an exceptional contribution to Scottish economic policy and believe that the response to his decision from industry and investors stands as testament to the quality of his work. Key achievements of the role include:

- The publication of the Scottish Technology Ecosystem Review (STER), regarded across the UK as a landmark plan to accelerate the growth of emerging start-up ecosystems.
- The creation of Techscaler, for the first time providing a scaled, well-funded institution dedicated to the creation and scaling of high growth enterprises. Techscaler has exceeded all expectations and is delivering end-to-end commercial education to Scottish entrepreneurs including direct access to some of Silicon Valley's most prestigious programmes.
- His work to convene key figures across the investment community to accelerate the creation of Scotland's first ever domestic Series A Fund, focussed on supporting high growth Scottish firms to reach the next level of scale.
- His partnership with Ana Stewart to deliver the Pathways, another landmark publication focussed on achieving a step change in the number of women who start and scale businesses.
- The creation of the Scottish Ecosystem Fund, which provides small grants to Scotland's many outstanding start-up ecosystem builders, supporting international conferences, inward investment and showcasing Scotland's best companies to external investors.

Mr Logan's departure creates an important inflection point in this work and I intend to take the time necessary to consult with key figures in business and investment over the future shape of the role.

Domestic investment

We are committed to supporting businesses across Scotland. Our package of support, delivered through Enterprise Agencies, offers tailored resources to help Scottish businesses to start and scale, boost productivity, develop new products and services and compete on a global scale. Enterprise Agencies offer a range of debt and equity finance as well as grants to SMEs across Scotland. These funds provide investment finance across different stages of company growth and help to crowd in private capital to create a busier ecosystem of investors active in Scotland.

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The Scottish National Investment Bank (SNIB) offers long-term, patient capital on commercial terms and will make both debt and equity investments to achieve large-scale impact. The Bank's approach to investment, operating often in areas where the risks are beyond the appetite or private capital, helps stimulate private investment helping to create and shape new markets. Our national investment agencies also collaborate with SNIB where necessary to deliver larger investments.

Our focus on promoting entrepreneurs and innovators will play a key role in ensuring our economic future. Techscaler, the Scottish Government's £42m national programme, supports the creation, development, and scaling of tech startups. Techscaler is central to our ambitions to create one of the finest state-funded entrepreneurial systems in the world, dedicated to the creation of high-growth businesses. The benefits are vast including increasing productivity, innovation, high wage employment and at the end of June 2024 the total lifetime capital raised by companies participating stands at over £450m.

Our Regional Growth Deals Programme is driving economic growth by supporting industry collaboration, skills development, and entrepreneurship. Through the Regional Growth Deals programme over £270m has been committed by the Scottish Government to projects with an innovation focus, providing vital investment in innovation infrastructure to support Scottish Businesses, accounting for over 14% of the overall £1.9bn funding programme.

Supporting the internationalisation of Scottish businesses can help increase their productivity and innovation, as their goods and services are exported and compete in global markets.

Through A Trading Nation, the Scottish Government's export growth plan, Scottish Development International (SDI) provides targeted export support to Scottish businesses, based on their growth potential. In 2023/24 the companies they engaged had £2.15bn in forecast export sales over the next three years. In addition, through A Trading Nation we have delivered over 100 trade missions in partnership with the Scottish Chambers of Commerce delivering forecast sales of c£45m. We have also leveraged key global events to increase Scotland's export growth, for example COP 28 in 2023 secured c£67m in forecast export sales.

Fergusons

As indicated in the evidence session, I have asked the Cabinet Secretary for Transport to write to you separately on the issues raised around possible amalgamation of the ferries bodies.

Planning

In line with previous commitments, we are continuing to consider the justification for, and practical operation of, compulsory sales orders. We need to fully consider the justification and benefits of introducing compulsory sales orders against a complex practical and legal background, including compatibility with the European Convention on Human Rights. In the meantime, we are delivering a programme of work to reform and modernise the compulsory purchase system in Scotland, with a view to making it simpler, more streamlined and fairer. As we indicated in the Programme of Government 2024-25, the Scottish Government will be publishing a consultation on proposed reforms in 2025. We are also implementing our wider programme of planning reforms which will help make Scotland more attractive to

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investors, including our commitment to roll out Masterplan Consent Areas (MCA). These will allow Planning authorities to take a more proactive lead in planning and consenting future development in their areas, by frontloading scrutiny and aligning of consents - to make their areas more attractive to investors, and shape new development in their places. We will be publishing guidance in December to help planning authorities prepare MCA schemes around the time that the MCA regulations are due to come into force.

New Deal For Business

I understand that in private session, Committee members had requested an update on New Deal for Business Group (NDBG) progress reporting. The New Deal programme is due to end in April 2025, and it is intended that this work will transition into a longer term project . We will confirm future reporting arrangements in due course. As part of marking the one year anniversary of the NDBG Implementation Plan on 29 October we published a refreshed [Business Principles Agreement](#), underlining the Scottish Government's continuing commitment to a meaningful partnership with business.

I hope that the information has been helpful and look forward to continued constructive work with the Committee.

Yours sincerely,



KATE FORBES

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