



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 22 February 2023

Session 6



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ECONOMY AND FAIR WORK COMMITTEE

5th Meeting 2023, Session 6

CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

DEPUTY CONVENER

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

COMMITTEE MEMBERS

- *Maggie Chapman (North East Scotland) (Green)
- Jamie Halcro Johnston (Highlands and Islands) (Con)
- *Fiona Hyslop (Linlithgow) (SNP)
- *Gordon MacDonald (Edinburgh Pentlands) (SNP)
- *Graham Simpson (Central Scotland) (Con)
- *Colin Smyth (South Scotland) (Lab)
- *Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

- Hisashi Kuboyama (Federation of Small Businesses)
- Liz McAreavey (Edinburgh Chamber of Commerce and Scottish Chambers of Commerce Network)
- Michelle Primrose (Forth Ports Limited)
- Stuart Wallace (Forth Ports Limited)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament
Economy and Fair Work
Committee

Wednesday 22 February 2023

[The Convener opened the meeting at 09:31]

Decision on Taking Business in
Private

The Convener (Claire Baker): Good morning and welcome to the fifth meeting in 2023 of the Economy and Fair Work Committee. I have received apologies this morning from Jamie Halcro Johnston.

Our first item of business is to make a decision on taking items 3, 4 and 5 in private. Are members content to take those items in private?

Members *indicated agreement.*

Just Transition
(Grangemouth Area)

09:31

The Convener: Our next item of business is the first evidence session for our inquiry into a just transition for the Grangemouth area.

Industry is the second-highest carbon-emitting sector in Scotland after transport. There is currently a target for Scotland to cut greenhouse gas emissions to net zero by 2045. The committee is interested in looking at how we can support, incentivise and de-risk that transition in the Grangemouth area first, to benefit companies and individuals. I thank everyone who responded to our call for evidence, which closed last week. All submissions will be considered during the inquiry.

In today's session, we will focus on the challenges facing businesses. I welcome Hisashi Kuboyama, development manager for the west with the Federation of Small Businesses in Scotland. He is joined by Liz McAreavey, who is chief executive of Edinburgh Chamber of Commerce, and, from Forth Ports Limited, Stuart Wallace, chief operating officer, and Michelle Primrose, group human resources manager. As always, it would be helpful if members and witnesses could keep their questions and answers as concise as possible.

I welcome our witnesses to the committee. I will go to Hisashi first, followed by Liz. I will focus my questions on both of you at the start.

The Government is producing a just transition plan for the Grangemouth area, and we expect to see the draft of that in the spring. What are the businesses that you represent looking for in the draft plan? Are you confident that it will reflect the challenges that are being faced by businesses? What is your understanding of where the focus is?

Hisashi Kuboyama (Federation of Small Businesses): Thank you very much, convener. It is important to recognise that Scotland's just transition to net zero cannot be achieved without getting small businesses involved. Any plan needs to have thorough consultation with the small business community, because, obviously, they operate very differently from larger businesses. The fact that net zero cannot be achieved without involving small businesses is partly because, as British Business Bank research suggests, around 50 per cent of industry carbon emissions are created by small businesses. Given the size of a small business—small businesses make up around 98 per cent of the entire business community—the contribution of each is significantly smaller than that, but the total is still a

significant chunk of emissions, so it is important to get small businesses involved rather than leave them behind. It is important for us to see them as part of the solution, rather than as the problem.

What are we looking for from the Government? There are barriers to small businesses achieving net zero. Small businesses are increasingly aware of the importance of reducing carbon emissions, and they have done quite a lot of things already, such as improving energy efficiency, reducing waste or changing their transport habits. However, those things are not really done in a systematic manner, if that makes sense. It can be quite piecemeal. Also, the businesses that did some of those bits of work did so because it made financial sense, and not really because of the wider net zero plan or strategy.

There is a bit of confusion around what net zero means as well. It can get quite jargony, with terms such as “carbon neutral” and questions about what the difference is between carbon neutral, net zero and zero carbon. Quite a lot of members ask us what it means for us and where our starting point is. Obviously, assessing carbon emissions is a starting point, but that costs quite a lot of money. I think that it costs between £3,000 and £6,000 to get a consultant to do that, and it takes 12 months or so.

The Convener: The Government is focusing on Grangemouth first, which, in industry terms, is one of the highest-emitting areas in Scotland. You have informed us of the general position of all businesses across Scotland, because they are all trying to meet the target, but there is a particular focus on Grangemouth. What will the impact be on smaller businesses in that area? Do you feel that you are being involved enough in putting a plan together?

Hisashi Kuboyama: Grangemouth obviously has a lot of different businesses from different sectors, and a lot of those are in the petrochemical industry supply chain—they do a lot of work for the likes of Ineos, for example—in transport, haulage, construction and decommissioning. It is a quite wide-ranging sector, but a lot of businesses use big lorries and vans that can release a lot of emissions. Engagement with the local small business community is key in identifying the need for change and then implementing some kind of support.

We have not had any significant engagement with, for example, the Grangemouth future industry board. I think that Scottish Enterprise might be represented, but not any small businesses. I understand, however, that the board is implementing some wider engagement work in the first half of this year, so we are looking to engage with it more deeply and to give it as much

feedback as possible from our members’ perspective.

The Convener: Thank you.

Liz, I have a similar question for you about what you hope to see in the draft plan. At this stage, does your chamber of commerce have an idea of what needs to be included in the draft plan and what kind of support businesses need, and whether there is support that is particular to the types of businesses that are based in Grangemouth?

Liz McAreavey (Edinburgh Chamber of Commerce and Scottish Chambers of Commerce Network): We are doing quite a lot of work around a just economic transition. I sit on the city’s infrastructure investment programme board, which has a just economic transition subgroup and I chair the subgroup for Edinburgh. At the moment, we are capturing a lot of information about what a just economic transition means and how businesses, particularly small to medium-sized enterprises, engage in the process.

I think that we can provide Government with quite a lot of that knowledge and insight. The just economic transition group for Edinburgh could be an interesting model through which we could engage with Grangemouth. We already do an awful lot of work with Forth Ports, which is part of the green freeport, and the wider Firth of Forth, which I think we really need to look at as a whole.

The just economic transition group, which is about what “just” is and how we ensure that the transition to net zero is just, has four subgroups. We have a subgroup that looks at the SME supply chain and skills, because this is about enabling SMEs to access contracts and procurement frameworks and to be part of supply chains, in which case they need to develop their own green credentials to be part of those frameworks. We need to look at skills and ensuring that SMEs can invest in the skills that they need so that they can take advantage of the clear opportunities that will come through the green freeport and the transition around the Firth of Forth, but we have to make sure that everybody has access to those opportunities.

We are also looking at enablers, partners and finance. Government is obviously an enabler. Working with partners enables the transition to be fair and just. At the moment, the biggest barrier for SMEs is cost and finance, so we are looking at how we can support SMEs to get on the journey.

The other piece is about measurement, impact and communication. A huge amount of work is going on, and we need to communicate to wider communities, not just to the SME community.

We are very interested in community wealth building. The area around the Firth of Forth will produce a massive economic benefit for the south-east and the whole of Scotland, but how do we maximise that potential? In Scotland, 99 per cent of businesses are SMEs, so how do we maximise their engagement, growth and access to contracts, ensure that they have support to upskill and make sure that they are not left behind? Also, if we can use local tradespeople and local businesses and help them scale up, that will create jobs locally, and that really empowers communities to start that local community wealth building.

It is about working in partnership with corporates and harnessing the knowledge that they already have. They are doing great things; they are well ahead of the game in addressing their own net zero footprint. We are looking to develop a mentoring programme, so that knowledge sharing takes place, and then engage more widely with a communication strategy.

We could provide a lot of the knowledge that we will pick up through the just economic transition group. We hope that we will have an opportunity to contribute and consult while you develop the policy.

The Convener: At the moment, the work that is being undertaken is not linked specifically to Grangemouth, is it? It is broader work.

Liz McAreavey: It is broader.

The Convener: Have you been engaged in the drafting of the just transition plan that the Government is putting together, which might be published in the spring? Have there been conversations around that?

Liz McAreavey: No, not at the moment.

The Convener: Okay, thank you.

Michelle Primrose and Stuart Wallace, welcome to the committee. I will ask a general question. Do you think that there is a shared understanding of what a just transition is? There are a number of terms, and Hisashi Kuboyama talked about confusion for small businesses around whether we are aiming for carbon neutral, net zero or whatever. Is there a shared understanding in the Grangemouth area of what a just transition means, and of your responsibility in helping to deliver that?

Stuart Wallace (Forth Ports Limited): I think the wider community's understanding of what a just transition means is evolving. In the wider sense, the local community has had that petrochemicals industrial complex in the area for so long, and, as we head towards the transition to net zero, genuine and proper questions are being asked about what it means for the community. Therefore, residents are keen to understand, as we see the transition happen, that it happens in

such a way that the local community benefits from it. That was very much at the core of some of the assumptions in the Firth of Forth green freeport bid, for example, with place-based investment and the economic benefits that come out of the activity that is generated from inward investment, and how those can be seen to benefit local communities.

On things such as skills funds and, as has been mentioned, the interaction that SMEs have to have with the green freeport as it develops and some of the concepts that were in the freeport bid around specific areas where SMEs could be the inward investors, the onus now has to be on how we get those SME investments to happen in a way that recognises local employment.

A big part of the bid will be about the engagement that we want to have with local communities around the just transition. That applies not just in Grangemouth but in areas such as mid Fife and north Edinburgh. There is a process that we will have to go through as part of the bid's development and implementation to make sure that those communities are brought along with and fully understand the concept and delivery of a just transition.

The Convener: Okay, thank you.

Michelle Thomson (Falkirk East) (SNP): Good morning, everyone, and thank you for attending.

We have already alighted on a theme—from the inside looking out, particularly with reference to Grangemouth town. The people who live there often refer to the economy as a “DIDO economy”—drive in, drive out. That is the feeling.

Stuart, you have already touched on some of the active consideration that you gave to your bid, and I want to put some meat on the bones of that. When do you think that Grangemouth, as a community, will start to see some of the activity that has meaning to people there? I suppose that that also links in with what Liz was saying about frameworks for SMEs. A considerable amount of work is needed to change what is a good, thrusting sentiment about that involvement into actual meaningful engagement. I would appreciate some meat on the bones of that.

09:45

Stuart Wallace: I would say that there are almost three phases in terms of how that comes through. First, we were declared the successful bidder a few weeks back. We are now moving into the implementation phase. We will have meetings next week with the Scottish Government and the United Kingdom Government about how we move on to the next stage of the business planning process. We have already identified that one of the workstreams will be about communication and

engagement. A big part of that will be about engaging with local elected members and local community councils on what we envisage happening as a result of the green freeport being a success. That engagement process will start fairly soon.

Secondly, we need to work through the business cases and, over the next few years, secure the inward investment that we want to happen. For example, specifically in Grangemouth, we have identified that we want to develop the freight logistics hub, to see that transition away from fossil fuels and to create the opportunity for alternative fuels to be used. The biofuel centre and the development of hydrogen in the local area is an important aspect of how we see that being delivered.

The final part of that journey is that, if we are successful in delivering those aspirations for the green freeport, that will drive additional non-domestic rates income, which, under the policy, the local council—whether it is Falkirk Council, Fife Council or the City of Edinburgh Council—is allowed to retain. It will then be for the local authority and elected members to work with their communities and to ask how the additional income that is being generated from the freeport should be spent to deliver benefit for the local community.

We have openly talked with our partners about creating a sense of place in the areas that we are talking about. If that is to happen in Grangemouth, it will include Grangemouth town centre. We need to ask questions such as, “How should we work with the local residents? What are they looking for? How do they want to benefit from the economic activity that comes from the freeport?”. Those conversations will also need to take place in areas such as north Edinburgh and mid Fife. We have talked openly about 20-minute communities, for example. We are asking about how people will see that benefit coming through and making sure that the locals get that benefit and do not continue to have that drive-in, drive-out view of the local economic activity that takes place.

Michelle Thomson: You have given me a lot of information. I know that other members want to come in, and I sense that Liz and perhaps Hisashi want to come in as well.

Thinking about the very important chemical cluster and SMEs around Grangemouth, how do we make this real for them? Part of the problem is that, although they are there, it might be difficult for them to get oven-ready, if you like, in order to be able to go on to procurement frameworks. It is about that linkage of working at both ends of the conundrum. The witnesses may want to pick up on some of the earlier themes, but I am interested in exploring that. Perhaps Liz wants to go first.

Liz McAreavey: I agree that SMEs are really behind the curve on this. Less than 21 per cent, I think, have set themselves any targets for net zero. There are significant barriers to their understanding of what they need to do. About a year ago, we surveyed our SME members and corporate members. Everybody agreed with the net zero targets, but they pointed to the cost, lack of resource and lack of understanding. There is lots of information out there—you can google it to your heart’s content—but it is not specific to their business, so it is really hard for them to make sense of it all. Very often, that is led by the founder or the business owner, who is doing it off the side of their desk, and they do not have the resource, time and knowledge. I think that 60-odd per cent said that they could not and would not pay for the support that they need.

At the Edinburgh Chamber of Commerce, we were very lucky to receive shared prosperity funding. We put a proposal to the city council and got funding to run a two-year programme that takes SMEs on a five-point journey to net zero, looking at measuring, then developing strategies and delivering net zero. That, in turn, opens it up to supply chains, because businesses are thinking about their scope 3 emissions and how they start to address their supply chains, both upstream and downstream. It is about getting SMEs to really understand what they need to do. The programme is funded for two years, but it cannot stop there. There are only so many cohorts that we can take on.

As part of that, we are delivering outreach community sessions to get communities to own their net zero journey.

I agree with Stuart: this is about engagement, communications and sharing the knowledge, but it has to be done in partnership. Everybody has to get involved in this. I do not think that one section can solve this problem, but SMEs have a huge role to play, particularly in maximising the economic potential that the transition will deliver for Scotland.

Michelle Thomson: I want to ask about targeting young people. I appreciate that the Forth Ports bid is at its very early stages, but I am interested in knowing more about how you will be able to drive down—if, indeed, you intend to do that—to actively target young people in job creation, which is another issue that Grangemouth, as a centre, struggles with.

Stuart Wallace: At the core of the bid is the aspiration to create 20,000 jobs linked to the activity that we do at Grangemouth. Those 20,000 jobs are not just in Grangemouth specifically but in the whole supply chain. However, we recognise where we have areas of deprivation, high unemployment and high numbers of children who

are not in employment, education or training, and those are things that we have to address.

As part of the bid, we have identified that we want to work—and have already started to work closely—with Forth Valley College, Edinburgh College and Fife College, and we have been talking to Edinburgh and Strathclyde universities about the academic aspect. More important, however, is the emphasis on the people who are participating, for example, in the green freeport bid being seen to be engaging with young people through education. We are taking volunteers from our own business and putting them into schools to talk about science, technology, engineering and mathematics, the industries that we are involved with, and the fuel challenge, which is a local initiative that we have been involved with. That is done to energise and enthuse that younger generation in the just transition to net zero and to get them engaged in the local industry and make them excited about the opportunities that exist on their doorstep.

The bid made a commitment that, in conjunction with working with further and higher education and the schools, the economic activity should drive the possibility to create a £2 million-plus skills fund. We will be looking at how that skills fund could be used to, for example, create bursaries with which we could take applications from families or children who have not normally looked to go into further education or to gain further qualifications. We will also be looking at how that funding could be used to get people who have the skill set that local industry is looking for into positions in local industry.

Michelle Thomson: Do you all feel, at this point—it is, obviously, very early days—that you have the right people contributing? Should anybody else be contributing? Do you think, “We really need to bring in this organisation or group to make sure that all their views are reflected.”? Have you been able to cover everything?

Tell me whether my assumption is correct. One of the concerns around freeports that are expressed generally is that they displace economic activity. From my point of view, the fact that so much in the bid is centred around Grangemouth means that that will not be the case, because a lot of the economic activity is already there. The bid is simply galvanising that and can only add to it.

Stuart Wallace: I will pick up on the displacement question to start with, and then I will let colleagues come in.

At the core of the bid is a very strong governance arrangement that has to be there. From our experience of implementing the freeport in England under the policy so far, we know that

there are rules and expectations around who is eligible to receive the fiscal benefits that are part of the freeport policy. Those rules are very clear: they are about additionality. The policy is about new inward investment. It is about creating jobs, new industries and new skills, et cetera. The governing arrangements that will be put in place will be very strong in making sure that we do not have displacement.

The bid is not about moving one business from one area to another just to give it some fiscal incentive. It is about new, additional positions and inward investment. We will make sure, through the governing arrangements, that displacement is not an issue or a matter that comes up as a result of the implementation of the Forth green freeport policy.

Michelle Thomson: Is everyone who needs to be involved involved at this point, given that it is early doors?

Liz McAreavey: It is early days. Business has shown a commitment to deliver a just economic transition. We work very closely with Forth Ports. We also work with Developing the Young Workforce Scotland, the Edinburgh Voluntary Organisations Council and lots of other bodies from the third sector. There are currently lots of conversations and lots of activity, and, as Stuart Wallace and I have said, the issue is about how we pull all of that together. There are so many different groups doing good things, but we need to combine them into a force in which we are all pulling in the same direction, and the challenge for us now is to map all the activities that are going on and pull together a strong partnership so that we can drive in the right direction.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning. I will continue the conversation that Michelle Thomson started. The Grangemouth future industry board says that its just transition plan

“will outline a shared view of what the industrial cluster would look like by 2045 ... this transition can maximise socioeconomic benefit for the surrounding area.”

Given the 2045 target, what would you like to see happening in the short, medium and long terms to ensure that SMEs are at the heart of the just transition?

Hisashi Kuboyama: It would be good for the Grangemouth future industry board to have some kind of SME-specific engagement plan, because, as is well known, SMEs are time poor. Even though they are aware of the importance of transition to net zero and want to do something, they often do not know where to start or who to speak to.

That is partly because of the confusing support landscape. I understand that Scottish Enterprise

has expertise on net zero, as does Zero Waste Scotland. We have seen the recent establishment of Business Energy Scotland, and the council has Business Gateway support on the ground. There are a lot of United Kingdom-wide organisations on the web. The Carbon Trust is there, and there is the website zerocarbonbusiness.uk. There is so much information out there, and it can be quite confusing, which contributes to the fact that a lot of small businesses are quite confused about the definition of net zero and where to start.

The starting point should be quite low and be about raising awareness of net zero, after which we should engage, but engagement has to be done on the ground, door to door. If we are serious about getting small businesses involved, we need a specific SME-focused engagement plan.

Gordon MacDonald: Liz, what is your view on that?

Liz McAreavey: We are at the start of the journey. I agree that we need short, medium and long-term plans in place in order to raise awareness and to support SMEs to understand what net zero means and what they need to do. At the moment, I do not think that real resource is being put into that.

Communication and engagement are difficult. As we said, lots of things are happening. In Edinburgh, we have built the net zero Edinburgh platform, but a lot of social media, a lot of engagement and a lot of communications are required to let businesses know where they can come to for help.

We are trying to set up a mentoring programme, because we are aware that corporates are doing a huge amount of work in that space. They have departments on sustainability and have bright graduates. How do we tap into that knowledge and share it free of charge? We are trying to get businesses and corporates, through their environmental, social and governance programmes, to start giving back.

It is early days, and we know that there is a lot of work to be done. As I said, we have started the five-point journey for SMEs, but there are a huge number that just do not know how to get started. We have to recognise that the issue will not be fixed overnight and that it is definitely a journey, but there are willing partners, and businesses are putting a lot of support and resource into it.

Gordon MacDonald: You touched earlier on the lack of financial support for SMEs to engage in the journey that we are on. What do you see as being the nature of that financial support?

10:00

Liz McAreavey: We have been fortunate in that we have been given shared prosperity funding. For the next two years we will be running, free of charge, programmes to support SMEs to get on the journey.

I am not suggesting that funds are given out to SMEs. We all know that there is no money available. It is about how we tap into the existing knowledge, leverage what we already have and ensure that the support is given. It has to be free of charge; SMEs cannot really afford to pay for the support that they need. It is about partnerships and about everybody taking part.

We need to look at the funding situation, however. It will cost billions to deliver net zero, just in terms of SMEs sorting out their energy efficiency, insulation and transport issues, so we need to look at what grant funding might be available.

Hisashi Kuboyama: I understand that Falkirk Council has set up specific grants to assist small businesses to achieve net zero. They are based on a 50:50 contribution: businesses need to contribute 50 per cent of the cost up to, I think, £10,000. If you look at the cost to small businesses of achieving net zero and getting the work done, you see that that only scratches the surface. If a small business that owns three or four commercial vans wants to replace the fleet with electric vans, the cost will be £100,000 or £150,000. If we really want to assist small businesses to work towards a just transition, we need to talk about financial resources, because they cannot achieve it financially by themselves.

Gordon MacDonald: Stuart, how can we ensure that opportunities from the transition are accessible for local businesses?

Stuart Wallace: A couple of areas are key to that, and one of them is the Grangemouth future industry board. We are all at the start of the journey. The Falkirk growth deal is in place, and we have the green freeport and the GFIB initiative. How do we pull all that together and make sure that we have the right strategy for the area?

We have to start to get GFIB and local businesses talking a bit more about what the transition means for delivery. We need to be clear in our view of what the transition is. What technologies are we looking to enhance, develop and implement to replace what we have at the petrochemicals complex? What are we looking for in different transport modes, for example, in the freight hub that we have in the Falkirk and Grangemouth area?

We then need to ask what that means for supply chains. For example, in the green freeport bid, in

each of the three tax sites, we specifically earmarked areas of land for SMEs. We want to look at young new upcoming businesses and entrepreneurs, give them the chance to come into facilities that are suitable and adequate for them to develop their businesses, get them entitled to the fiscal benefits that are there and attract that entrepreneurial new business spirit, as we see technologies transition over the next few years.

We need to start with a big-picture piece on where we are going with the petrochemicals complex and the transport hub that we have and how we distil that into what it means for supply chains and skills. Then, with the incentive packages such as the growth deal and the freeport, we need to be communicating, marketing, looking at the right inward investment opportunities and tying in with organisations such as Scottish Enterprise and Scottish Development International to make sure that the Grangemouth area is attractive for businesses.

Gordon MacDonald: Would the land that you are talking about, which has been put aside, allow existing businesses to grow, or is it about encouraging innovation?

Stuart Wallace: It is for both. There may be existing businesses in the area that want to grow and bring additionality but may not be in the right facilities and are looking for a 10,000 square feet or 20,000 square feet facility rather than a 10 acre site or a 100,000 square feet shed. We have looked across each tax site in the bid and asked where we can earmark bits of land for smaller developments that are more suitable for those areas.

We know, through the growth deal in Falkirk and the green freeport bid, that there is the concept of an innovation hub inside the Grangemouth tax site. We have identified brownfield sites in areas of the Forth Ports land that are no longer used for port activity where we could develop smaller industrial unit facilities to attract inward investment.

It is about local businesses being able to grow. There is an example here in Edinburgh of a business that is actively involved in renewables and is very constrained. It cannot manufacture any more than it is at the moment, because it is in an industrial unit that does not allow it to upsize. We have had discussions with it as part of the bid in which we have asked it whether it could enhance or grow into a different type of facility in, for example, the port of Leith. Conversations have already started about existing businesses growing by adding more people or output, as well as inward investment opportunities.

Colin Beattie (Midlothian North and Musselburgh) (SNP): There are a couple of areas

that I would like to explore. Over a number of years, I have heard so many projections of the number of jobs that might be created as a result of renewables, a just transition and so forth. Forth Ports has stated that the economic modelling projects up to 20,000 new jobs for the area, but what are the assumptions around that? Is that a gross or a net figure? It is anticipated that there will be a reduction in jobs, most likely in the fossil fuel sector, in favour of renewables. Is that a net figure? I guess that you are the man to ask, Stuart.

Stuart Wallace: When we are going through a bid process for a policy such as the green freeport, we follow the Government-recognised modelling techniques. In effect, we started with a master plan for the 550 hectares of land that are in the green freeport across all three tax sites. We looked at how we would develop the sites. There is economic data that shows that, over time, as the sites are developed, the sectors and industries will tend to generate that number of jobs. Logistics, petrochemicals, renewables manufacturing and advanced manufacturing such as shipbuilding across all the locations are fed into the model.

The 20,000 jobs that are specific to the Grangemouth tax site are about the wider impact of the activity that takes place there. If that activity is happening in the area of the Grangemouth tax site, the knock-on effect of all of that should be those 20,000 jobs. At Forth Ports, we know that usually, for every job in the port, another eight jobs are created in the wider supply chain. Ineos talks about there being 2,000 direct employees on site, but if you look at the wider supply chains, you will see that there are probably 17,000 to 20,000 associated jobs. All those jobs are knock-on results of inward investment.

The number of jobs that is quoted is a gross number, but the aspiration of the policy is that it is additional; it is about attracting new inward investment and, therefore, new jobs. We hope and aspire to deliver that benefit over the longer duration of the freeport policy, seeing those as the top jobs that are provided and not having that loss in other areas.

Colin Beattie: A couple of points come out of that. You said that it is a gross figure. Do you have any projections for, on the other side of the coin, jobs that will no longer be required, which will go away?

Stuart Wallace: We do not have that modelling, but I know from the conversations that we have had with the partners in the bid that that is not the aspiration. The aspiration is to achieve a just transition. Jobs in certain sectors may well decline, but how do we introduce the new technologies, new fuels and energy sources of the future that will prevent that from happening? The Scottish Government's document—the plan—and even the

hydrogen strategy are about how many new jobs will be created in those evolving industries. There will be a transition but, overall, the modelling at the moment says that we are aiming for those to be additional new jobs.

Colin Beattie: Will you clarify something that you said in your opening statement? Am I correct to say that those jobs are not simply about renewables and the change to new technologies but are also about expansions and changes in existing sectors?

Stuart Wallace: Yes.

Colin Beattie: So we do not actually have a figure for the new jobs that will, we hope, be created as a direct result of the transition to net zero.

Stuart Wallace: No. Let me be clear: the bid document that was submitted, through the modelling that was done on the land mass that we have and the sectors that we focused on, has indicated that 20,000 new jobs should be created linked to the activity that happens in Grangemouth. Those should be new jobs that are created as a result of the green freeport coming through.

There will be elements of growth of existing businesses. The work on logistics and freight has already happened, but we want to see those areas grow. Grangemouth is already Scotland's freight hub, and the port of Grangemouth is already Scotland's largest container terminal. We want to see that volume grow, and we have been working on that in conjunction with the Scottish Government. For example, through the stuff that has been led by Ivan McKee, we have been looking at freight flows and freight leakage out of Scotland and how we can get some of that freight going back in and out of our ports using our rail connectivity.

Some of the 20,000 jobs will come from existing industry that will grow and develop, and part will come from the new industries that will be created or the new technologies that will be introduced as part of the just transition.

Colin Beattie: Okay. Liz, do you have a comment on this?

Liz McAreavey: Skills Development Scotland has produced a green skills report that suggests that about 9.9 per cent of the existing 2.5 million jobs that we have in Scotland will be due to increased demand because of the green economy. We are looking at 4.3 per cent for emerging jobs, so it is an interesting landscape. It is really hard to be definitive about what it is going to be, but we are certain that there will be new technology and innovation, and also jobs around waste management, engineering, professional

occupations and trades that all need to upskill to be part of the green economy.

There is a difference between green jobs and green economy jobs. At some point, every job will have to be a green job. It is really interesting that the SDS research shows that the higher skilled jobs are higher paid so, instead of an average salary of about £23,000, we are looking at one of £29,000 because of the enhanced skill that the new jobs will bring and that the new businesses and industries will create.

Colin Beattie: The creation of all those new jobs sounds good, but where are the people coming from?

Liz McAreavey: That is a great question. One of the biggest issues right now is labour shortage. Most of the businesses that we are dealing with are working at a level that is under capacity, which clearly has an impact on productivity. That is a huge challenge. You are absolutely right. How do we attract talent to Scotland and upskill? We also have to look at mature workers coming back into the workforce and at encouraging those who are far from the workforce to come into it. That is where we talk about community wealth building.

If we can have communities use local tradespeople and local businesses and they have access to the larger contracts, they can scale and grow and create jobs. We want to work with them to consider how we can offer flexible working so that people who have care responsibilities or are far from the workforce can be brought back in and be allowed, through flexible working and other resources, to start to work. There are a lot of things that we can do to increase the workforce.

Colin Beattie: There seems to be great optimism that we will be able to fill all the projected jobs from some place. At the moment, is that not a bit doubtful?

Liz McAreavey: I think that we have to be optimistic, but it will be a huge challenge. I do not underestimate the challenge. As I said, the biggest challenge for businesses at the moment, apart from inflation and the cost of doing business, is the labour shortage.

Colin Beattie: Hisashi, do you have a comment on this?

Hisashi Kuboyama: As Liz McAreavey mentioned, recruitment is a significant issue. We talk about businesses not being sure whether they can find suitable people to employ in the next few months. If we are talking about a five or 10-year plan, a lot of work needs to be done.

Where the people will come from is a really important question. For them to come, we need to make sure that there are good public transport links in place. Businesses often find it difficult to

employ people who do not have transport to get to work and back home if they do not own a car. Some serious work needs to be done on that. It is good to create jobs, but we need to look at where people will come from and ensure that the transport links are in place.

10:15

Colin Beattie: Michelle, you are an expert on employment. Where are they going to come from?

Michelle Primrose (Forth Ports Limited): That is a particularly challenging question given the resourcing challenges both in the UK and globally. We have found resourcing challenging over the past two years, but we are not underresourced at any of the ports in Scotland, including at Grangemouth. The majority of our employees have 15-plus years of service in Scotland. We are a sustainable employer once a person is in our employment. We offer good strong skills and growth in those areas. As Liz McAreavey mentioned, however, we also need to be able to attract employees to Scotland and into the new jobs, and to offer them training and skills. Collaboration and partnership are essential to our ability to do that. We will not be able to do it on our own.

Colin Beattie: Let me move on from that. Scottish Government strategies have highlighted the potential economic opportunities from carbon capture, utilisation and storage and from hydrogen. What are the key risks around those technologies? What enablers need to be put in place to ensure their success? Stuart, I ask you to comment first.

Stuart Wallace: I am not a chemical engineer, so I am probably not the best person to answer specific questions on the risk of particular products. However, in the Grangemouth area, there are decades of experience, knowledge and understanding of the petrochemicals process and how we manufacture products such as hydrogen, so we are not starting from scratch in that regard. A huge amount of work has already been done on carbon capture, utilisation and storage—it is about not just capturing and storing carbon but, ultimately, how we can use the carbon that is captured.

From a policy point of view, the moving of the Acorn project, in conjunction with the UK Government, off the reserve list and into the agreed funding position would be a huge step towards meeting Scotland's target to achieve net zero by 2045. Ineos, which is our neighbour at Grangemouth and is a huge customer of the Forth Ports group, is committing vast sums to the development of hydrogen and carbon capture technology. It has already made the commitment,

for example, to a baseload of 1 million tonnes a year to the Acorn project in terms of capturing and then feeding that carbon up the gas pipeline to St Fergus.

Ineos has also been proactive in looking at the wider central belt and considering how it can be a facilitator, with other businesses in and around central Scotland, to enable that carbon capture. It is looking at the benefits of the petrochemicals complex and all the infrastructure and knowledge that exists there, and it is considering how it can work with partners, be they energy-from-waste plants or cement production facilities, to see how we can gather all of that together and, at pace, collect the vast amounts of CO₂ that are emitted in the central belt and transmit them up to the storage capability in the north-east.

That should be done in conjunction with a positive and inclusive view of things such as planning and consenting. We need to get better at streamlining that. We need to have a team Scotland view with certainty on planning and consenting so that, in a controlled way, we can get to a position where there is certainty about developing the technology and bringing it to reality.

Those are the key aspects for me. The risks are around timelines, scales and issues with consenting and approval. From my understanding, I do not see a risk in a lack of technical knowledge or understanding to bring the technology to reality, because we have those things in abundance at the moment with the industries that we have. We just need to have the mechanism by which that can be converted and brought to reality.

Colin Beattie: What about enablers? What would help to push those things forward?

Stuart Wallace: As I said, one thing would be for project Acorn to come forward as approved and the carbon capture and storage capability to move to the next phase of delivery, given that the technical work has already been done.

When it comes to implementing new production facilities and the transition to biofuels, sustainable aviation fuel and hydrogen production, certainty on the consenting and approval process would be a huge enabler. Industry needs to work in collaboration with Government and other authorities in asking how we will get to that end result.

Colin Beattie: Liz—

The Convener: I apologise, but I would like to make some progress and let other members in. If there is time at the end, we can come back to this line of questioning.

Colin Beattie: Okay.

Maggie Chapman (North East Scotland) (Green): Good morning to all of you who have joined us this morning; thank you for being here.

Following on from Colin Beattie's questions, I might have different views of some of the new technologies that you have just talked about, Stuart, and the risks associated with them, particularly in relation to the potential displacement of activity and resource for technologies that we know are carbon neutral now. You talked about the different facets of the petrochemical industries. There is a continued drag on carbon emissions because of a continued reliance of CCUS and hydrogen on that petrochemical extraction.

One question that I am interested in is the need for test sites—demonstration sites—which is talked about in the just transition commission report. What is your view of the risks of what we currently have at Grangemouth and the risks of the different technologies that we have either not been proving or not been trying to prove the concept of over the past 20 years? What new and genuinely carbon-neutral technologies have potential at Grangemouth?

Stuart Wallace: I am not sure that I am the best person to answer that question; it is more for the existing petrochemicals cluster to answer. We, as Forth Ports, and any other businesses in the local area work to strict health and safety rules and protocols on the way that processes work and, overall, on wider safety management. I certainly do not see that changing—in our business or in anybody else's business—as we move from one technology to the other. That is a change management process, so I would not see it as any riskier than what we do today.

The Firth of Forth green freeport bid is wider than the position of Grangemouth and the petrochemicals complex. Although we are talking about Grangemouth, a big part of it is about, for example, the creation of Scotland's largest offshore wind marshalling and consolidation yard at the port of Leith. That is about taking assets that have been used in the oil and gas sector for the past 50 years and converting them and asking, "How do we make sure that we have the right supply chain to deliver offshore wind at pace in Scotland?"

The important bit of the bid and the importance of the land that we have at Leith is in our aspiration and determination to introduce manufacturing as well. That involves a different skill set. Whether it is about metal fabrication, mechanical and electrical technology, blade construction or towers—whatever the local supply chain element ends up being—a strong thread all the way through the bid is about that aspiration at Leith now and going forward, as we see the genuinely carbon-neutral use of renewable

sources such as wind, tidal or wave and ask, "How do we use the green freeport bid to really push some of that technology forward?" We are already working with some of the developers on, for example, how we move to larger-scale floating offshore wind. We have a strong aspiration for the Forth to be at the core of that, using the assets that we have at Leith and Burntisland, for example, and looking at how we can use the estuary in a different way.

I cannot answer the first part of your question, because I am not on that side of industry. However, as part of the bid, there is certainly a strong aspiration to focus on the genuinely renewable sectors that are not linked to petrochemicals: offshore wind, tidal and wave. The ports have a strong history of handling components for onshore wind. I know that, in the Scottish Government plan for a just transition, there are aspirations to further grow onshore wind electricity generation. That will all factor in to the capability that we have on the Forth to help enable it.

Maggie Chapman: Okay. Thank you. I accept what you say about the first part of my question. Can I explore the demonstrator capabilities for the supply chain a bit more? What else are you looking for? That is similar to the enabler question but specifically for the supply chain.

Stuart Wallace: There are two parts to the bid that we have in Scotland, and we also had elements of that in the bid that we pulled together down south. The first part is about innovation; one of the core elements of the freeport policy is about developing innovation. We will look to use the fiscal benefits that are there to provide a kick start, from a cash-flow management point of view, to allow innovation to take place.

That comes back to whether it is large-scale inward investment in, for example, one of the petrochemical sites or whether it is small scale, such as the small and medium enterprise type of business arrangement that is there. The other aspect that came forward as part of the wider UK, and now Scottish Government, policy on the freeport is what is called the freeport regulation engagement network—FREN. We have an absolute need to make sure that we get together the regulatory bodies—such as the Scottish Environment Protection Agency, NatureScot, the Health and Safety Executive and local authorities—to make sure, in a controlled and collaborative way, that the regulatory framework works in favour of some of the demonstrator projects.

If we want to move forward with innovation and new technology, that comes back to consenting and licensing. Let us use the FREN as a mechanism to do that, whereby, collectively, we

get the right result and allow those demonstration projects to kick off.

Maggie Chapman: Thank you, Stuart. That is interesting.

Liz, you spoke about the just economic transition, and you were clear that that is how you would phrase it. We have heard already this morning about the importance of having a shared understanding of what that means. I am curious as to why you use the term “just economic transition” rather than “just transition”. Why is that how you frame it?

Liz McAreavey: This provides a huge opportunity for economic growth. If everyone can benefit from that, we will have wealthier communities and more successful businesses. To me, it is about creating the right environment in which businesses can thrive and grow the economy, because we all then benefit, as we create jobs and wealth for Scotland. As Gordon MacDonald said, I see it as a socioeconomic mixture. The two are symbiotic. You cannot have one without the other. If we want a just and strong society and strong communities, we have to have a strong economy. We should not shy away from the fact that we need to grow. To do that, we need businesses that are profitable and successful, and if they are, we all benefit. Key to that, however, is making sure that everyone benefits. How do we share that and ensure that everyone is engaged in the process?

Maggie Chapman: I am curious, because my understanding—many people’s understanding—of the phrase “just transition” recognises the vital importance of social infrastructure such as healthcare, social care and culture. I understand what you have said about the economy underpinning that, but those things underpin the people who drive the economy. We are almost trying to go deeper. I am curious to understand what you think your members’ roles are in ensuring that we do not just focus on the economic aspects but look at, as the Just Transition Commission urges us, the social infrastructure that underpins society, which is much bigger than just the economy.

Liz McAreavey: Absolutely. Businesses are very cognisant of the fact that they are place based and very much part of the communities in which they operate. We sit on the fair work group, the living wage group and the climate group. We are not just about driving economic growth. We also engage across the whole spectrum of business with purpose and the fair work agenda. We recognise that it is our role not only to support businesses to be successful and thrive but to create the right environment in which they can operate properly and with purpose. It is not just about businesses being profitable, although there

is nothing wrong with making a profit; it has to be about business with purpose and the fair work agenda. We are working hard with businesses to make sure that we all follow that and create strong societies as well as a strong business environment.

Maggie Chapman: Okay, thanks. I know that the convener wants to make progress so I will stop there.

10:30

Colin Smyth (South Scotland) (Lab): Good morning. I want to follow up on Colin Beattie and Maggie Chapman’s points. One of the biggest criticisms of the current transition to renewables is that although it may have reduced emissions, it has not delivered economic benefits to Scottish businesses, particularly regarding onshore wind. How do we avoid making the same mistakes when it comes to offshore wind?

Stuart Wallace, what level of investment in port infrastructure in Scotland is needed to ensure that Scottish firms benefit from the opportunities—particularly from, for example, the leasing of the ScotWind projects? Where will the investment come from?

Stuart Wallace: That investment is happening now. We have already invested in excess of £40 million in the port of Dundee. That was signed off and delivered a number of years back, on the basis of knowing that this market was coming and wanting to make sure that we could deliver marshalling and consolidation capability in Scotland. That drives local content—for example, with onshore logistics contracts that are needed for moving components around.

There are also marine aspects with offshore wind. For example, we own a towage business that will also pick up benefit as a result of the vessels going in and out. The second phase of that for us is a £50 million investment in Leith, in what will be Scotland’s largest offshore wind marshalling and consolidation yard. That will be four times larger than what we have in Dundee or anywhere else in Scotland. As I said earlier, that will include land that is earmarked for manufacturing and SME capability.

There are different aspects of aspiration around ports. Up in Cromarty, they have invested heavily on further developing their capability at the port of Cromarty Firth and the port of Nigg. We have seen both those organisations develop, and the other successful green freeport bid was in Inverness and Cromarty Firth. We know that developers are looking across the east coast of Scotland because that is where the development is happening. They are looking at places such as Montrose and Eyemouth, which are getting successful outcomes

through operational and maintenance bases for these facilities.

The port sector absolutely recognises the need to invest in infrastructure to create land and facilities for this market. As a sector, we are stepping up to that plate. We are already making the private sector investment to deliver that and to make sure that we get as much local content as we can. That is being done in conjunction with the ScotWind round of bidding that has opened and some of the requirements in that for local content. Therefore, that ecosystem around offshore wind is starting to develop and grow as a result of the investments that the port sector is making.

Colin Smyth: What will ensure that we get the absolute maximum benefits from that? You mentioned earlier the consenting process, and obviously that steady stream of work is increasingly important. However, what other roles do Government and the policy makers need to play to ensure that that investment continues? Will it all come from the private sector? Is there a need for Government investment? What else do we need to do to maximise the potential of ScotWind for Scottish ports?

Stuart Wallace: On your point about the consenting process, when you go through the bidding process of the developers—for example, the ScotWind clearing process and the coming rounds of that—it is about how we get certainty in that consenting process as quickly as possible can to make sure that there is a constant pipeline of activity. That will give certainty to investors in manufacturing capability that there will be a long-term pipeline of activity.

Our business does not see the need for Government intervention. We have long-term shareholders, predominantly pension funds, that are looking for long-term value creation to pay people's pensions over many years. We are in this for the long term and recognise that the sector probably has the best part of 25 or 30-plus years of industry ahead of it. For me, the Government needs to give certainty on the consenting and planning aspect, because that will give certainty to the industry that it will be delivered in the short, medium and long term and give confidence to the supply chain to come through.

Colin Smyth: You mentioned the Scottish cluster, specifically the Acorn project and the fact that it has been awarded track-2 status. How important is that project to a just transition for the Grangemouth area? What are your expectations of receiving the ultimate go-ahead from Government? Are there any barriers, or is it a case of waiting for that go-ahead?

Stuart Wallace: I am not completely close to the ins and outs of the project, but from talking to

some of the people who are involved in Acorn, I know that in the Ineos complex, for example, they have already seen emissions go from 5 million tonnes a year to 3 million tonnes a year. They have made the commitment that, should Acorn go forward, they will underpin the tonnage that will feed into that system by another million tonnes of CO₂ captured per annum; they will go from 3 million to 2 million tonnes on site. That is a fundamental commitment by Ineos to underpin that volume activity to go through that.

As I said, I know that those conversations are taking place with other industrial emitters in the central belt, bearing in mind that 40 per cent of Scotland's industrial emissions come from the central belt. How do we use the infrastructure that we already have to make sure that we can capture that and transmit it?

I see Acorn as a fundamental step in Scotland's journey to net zero. That is a huge amount of carbon to capture, transmit and then store. It is important that it gets approved and signed off. However, there are other aspects to that. Conversations are already taking place with Scottish Gas Networks, for example, on how we make sure that we reconfigure existing infrastructure properly. If you look at the just transition plan or the hydrogen plan, you will see that we have aspirations in Scotland to be an exporter of hydrogen or an importer of CO₂. That is where there is a role for the port sector, for example, be it the trust model or the private model, to recognise that it has the ability to develop and grow. You need to either repurpose existing infrastructure that has been used for oil and gas or a different sector or to create new infrastructure to handle the ships that will bring in the carbon that has been captured elsewhere or, we hope, to export the green hydrogen at the end of the day. Once we have implemented all the renewable energy generation, it is hoped that we will be able to use that for the production of green hydrogen and become a net exporter of hydrogen out of Scotland.

The Convener: We took evidence from the Just Transition Commission, as well as the Climate Change Committee. Issues have been raised around private finance. The committee is interested in looking at how you de-risk the process. Stuart, I do not know whether you can comment on this. A key challenge is linking the considerable quantity of private finance that is available with the need to get the flow through to power all the proposals that are on the table and see what we need to do to reach net zero. The committee has an interest in the Scottish National Investment Bank as one of the players in that. Can you give an overview of whether more needs to be done to support private finance coming into Scotland?

Stuart Wallace: I know that there have been a lot of conversations with SNIB about its role in helping some of the investment go forward. I can speak only from our perspective. As I said, we have long-term shareholders, all of which are pension funds from around the world as well as from the UK. They are in our business for the long term. At the minute, we are going through the refinancing of some of our private placement loans that are underlying lending. The response to that has been exceptional, recognising that Scotland has a huge opportunity in the markets that are evolving in things such as the renewables sector and that that investment needs to be made but, over time, you will get a return from that investment. When we are out talking to lenders and potential investors, a strong and keen interest comes through.

On the question of net zero and just transition, we know from our shareholders and the funds that they hold that there is a strong interest now in where funds have been used for investment, and a stronger, greener agenda comes through from that. There is a positive story to talk to investors about around much of the just transition and looking at new sectors, such as offshore wind, the repowering of onshore wind and the infrastructure and things that are needed for that. For investors who have money to invest, the green agenda is much more important for them now. Therefore, in our business certainly, we have a strong opportunity to raise the funds that are needed for that future investment.

The Convener: Thank you. I recognise that you are here representing Forth Ports and not the broader situation.

Liz McAreavey, do you want to say something about the businesses that you represent and the flow of private finance into supporting the just transition? Are you finding that people are able to access finance? We have heard from witnesses this morning and in previous sessions that there is an appetite for investment, and recognition that investment and returns can be made. Do you find that the flow of money is positive?

Liz McAreavey: That is the conundrum. We know that there is plenty of money out there; we just have to make sure that we have investment propositions that attract it. Among investors and in the City of Edinburgh Council there is recognition that Edinburgh is one of the top five destinations for investment globally, so there is no shortage of money being attracted. However, at the moment it is difficult to establish how to get a return on investment. There is a lot more modelling to be done.

I had a meeting last week with Adrian Gillespie, the chief executive of Scottish Enterprise, who is keen to hold a European net zero investment

conference in Scotland. I was very involved in the low carbon investment conference 13 years ago; I worked with Adrian then. That was at the time of round 3 of the Crown Estate's offshore licensing, and we were asking how we would fund the massive offshore wind potential. That died a bit, but now it is picking up again.

We have the same issue now for net zero. We need to engage with potential funders on the models that we can drive. The Royal Bank of Scotland is doing a lot of work supporting SMEs and is providing funds for that, but return on the investment takes so long that it is difficult to make things work right now. There is work to be done, but momentum is building now on leveraging the infrastructure investment that is already happening to benefit smaller businesses.

Fiona Hyslop (Linlithgow) (SNP): Good morning, and thank you for joining us. You have talked about labour shortages, so I will leave that to one side. I want to focus on skills development, in particular. I will ask the business organisations first.

We need to time the development of skills in the supply chain to meet what we know future needs will be. How do we develop new skills now, even though they will not be deployed now but will need to be deployed in the future? The conundrum is that, if we do not do that now but wait five years, the skills that we will need will not be available, and the supply chain is such that other countries and manufacturers elsewhere will benefit from our domestic capability and potential.

I will come first to Hisashi Kuboyama, then to Liz McAreavey. What is your perspective on how we can bridge the skills gap and ensure that we are building our skills base? What does that mean for SMEs?

Hisashi Kuboyama: That is a difficult and interesting question. When they find it difficult to employ graduates from schools, colleges or universities because they do not have the right skills, the SME communities tend to start their own skills academies and to take training in-house in order to provide the necessary skills and training. They also employ people later, rather than employing them straight from college, university or school. Businesses that find it difficult to work with local colleges and schools to get young people coming through the education system with the necessary skills tend to take things in hand and to provide in-house training and skills. Because of the way the college and school system is set up at the moment, it is difficult for SMEs to find the right skill sets in those who graduate from the education system. Improved close collaboration between small businesses and colleges is needed if we really want to find a solution to the skills gap.

Fiona Hyslop: There will be a skills gap in five years, but graduates coming out now need jobs. They cannot hang around for five years.

Hisashi Kuboyama: Yes. Do you want to come in, Liz?

10:45

Liz McAreavey: I can give you a really good example of how that could work. The infrastructure investment programme board for Edinburgh is set up to deliver a green investment plan for the city. It includes Scottish Power, Scottish Gas, Scottish Water, the national health service and the universities. In developing a green investment plan, we are looking at the key infrastructure projects that will happen anyway, whether that is building of substations in response to increasing demand or building of a district heating system for the Royal infirmary of Edinburgh.

We will develop a plan so we will know the big projects that will happen over the next 10, 15 and 20 years. When you have that line of sight of those projects, you know the workforce that is needed to deliver them and you can see the skills that will be required of those workforces. We need to start making green investment plans across Scotland and not just in Edinburgh, although it is a good model. We need that line of sight; if we invest in skills too soon and the potential workforce cannot get the jobs, they will get jobs elsewhere, so upskilling and retraining will have been wasted. Timing is really important, as you said.

Skills Development Scotland is really interested in this, because it is not seeing it anywhere else. It will be very exciting to have that line of sight so that we can start planning when things will happen, what skills we will need and when we should engage with the colleges to make sure that we can provide the skills.

Fiona Hyslop: We have heard examples from Edinburgh and Leith, but we are focusing on Grangemouth. Is the model that you have just talked about in existence or in development in Grangemouth, or does that need to be pushed?

Michelle Primrose: The model definitely already exists. Forth Ports partners with Forth Valley College, for example, to ensure that we have a skills pipeline. We have an established apprentice programme, an adult apprentice programme and a really good graduate programme. We also look internally at upskilling and reskilling our own employees in emerging technologies—in particular, digitalisation and automation. That is in our existing plans, and we are already working with local partners on that.

For the future, as part of the Forth green freeport bid process, there is a £2.1 million

investment fund to enhance skills based on the principles of upskilling and reskilling in emerging technologies with partners in the Grangemouth area and beyond. Grangemouth will continue to benefit from that, as it does now. We also partner with local SMEs in the Grangemouth area to help them with skills that they need. We have, in the port of Grangemouth, a skills centre that delivers training externally to help SMEs with skill that they perhaps lack. We do that either in partnership with Forth Valley College or directly, to support the local community and develop SMEs.

Fiona Hyslop: You have all spoken about schools and colleges, which cover young people. However, obviously, there is an existing workforce in the area. You talked about your employees sometimes having 15-plus years of experience. What engagement have you had, or will you have, with the existing workforce to identify whether skills in it can be adapted or reskilling is required? Is the work with the trade unions a joint arrangement to develop the sight line for those employees as individuals?

Michelle Primrose: We have an effective employee voice in Forth Ports and our apprenticeships are not just focused only on young people; we do a lot of adult apprenticeships. In our port operations, as part of their development our employees go through a modern apprenticeship programme that updates their skills and increases their access to skills and development. We do not focus only on young people: we are able to develop our existing workforce, which is why we also do SME engagement. We are accredited and can provide our own apprenticeships. We also offer Construction Industry Training Board training on cranes and other equipment, which we can deliver internally. We include our existing workforce to make sure that they continually develop. We support SME workforces at all levels—not just in relation to young people.

Fiona Hyslop: We talked earlier about the corporates being able to help to develop the SME base in respect of business opportunities and training. Will that be a shared responsibility? Will corporates such as you and others that you work with do that?

Stuart Wallace: There are plans to have a skills group as one of the working groups—the sub-committees in the governance of the Forth green freeport. We plan to have trade union representation on that skills group. It will be a combination of education providers, private sector representatives and trade unions that will consider the need for wider skills development, as the benefits of the freeport come through. That work will feed through to the governance body to make sure that we deliver today and in the future.

Fiona Hyslop: I will ask something completely different, if that is okay. You talked about the importance of the Acorn project. Parliament's Net Zero, Energy and Transport Committee did an inquiry last year that was very supportive of that on a cross-party basis. The development of hydrogen will be interesting. We do not necessarily see it being within the heat network, and we know that the UK's decision on hydrogen is not due to be made until 2026. Do you see an opportunity for the area—people and housing in Grangemouth—to use hydrogen as a heat source as part of that community's just transition? What does the community get? Is that within scope?

Stuart Wallace: I do not have a detailed answer, other than to say that I certainly know that we have had conversations about that over many years. A number of years ago, I was involved in the potential development of a biomass power plant at Grangemouth. As part of that, we talked openly about heat networks and local heat distribution. I see no reason why that should not be part of the bigger concept of the just transition.

The draft energy strategy and just transition plan that have been published by the Scottish Government talk openly about how we see things including fuel and energy security, how we see fuel pricing being dealt with and how we deal with enabling communities across the whole of Scotland to switch away from reliance on fossil fuel developments. All that should be in the mix as emerging technologies come through and as we develop more onshore wind—repowering facilities or installing more facilities—and offshore wind is developed. An important part of the strategy is what it means for us in terms of the wider communities in which we are.

Fiona Hyslop: Thank you. That was a bit of a diversion, but I thought that I would ask about it.

Do any of you want to let us know anything else about skills, such as what you would ask for or what you need? This is your chance.

The Convener: I would like to ask another question about skills that probably follows on from that. Michelle Primrose set out Forth Ports's activities, its work with the college and the support that is there. Liz McAreavey, you set out the plans in Edinburgh, which take a strategic, longer-term view of planning. Do you feel that that is happening for your sector and the businesses that you represent? Do you feel that you have access to the skills, and are you confident that your businesses can get access to what is needed?

Is this broader than just the energy sector? That is key to the changes that need to happen in Grangemouth. We talked about the interpretation of a just transition, and I think that Maggie Chapman tried to pull out that it is about more than

just the energy sector. The Government is part of the wellbeing economy alliance as well. There are bigger issues about the whole region. The energy changes will have a bigger impact than just what happens with energy.

That is quite a broad question. I will come to you first, Liz, because you described a kind of strategic view in Edinburgh. Do you think that a strategic approach is being taken in Grangemouth, setting aside the work that Forth Ports is doing?

Liz McAreavey: I will go back to the first part of your question, about what could help. A number of years ago, there were individual learning accounts—ILAs—whereby individuals were given £500 or something like that that they could spend on their development and training. We ran a lot of training programmes for SMEs and, when that was taken away, we saw an absolute drop in the number of businesses that were investing in their people. If I were to make an ask—I know that there are no pots of money hidden away anywhere—it would be to think about reinstating some form of independent learning allowance, so that people can take ownership of their training.

The Convener: Hisashi, you said at the beginning that there is no small business representative on the Grangemouth future industry board. Many of your small businesses will be a part of the supply chain. Others are businesses that are based in Grangemouth but that will still be impacted. On the skills agenda, do you feel there is recognition of the role that your members play and of the support that they need?

Hisashi Kuboyama: We will have to see how the future industry board's engagement plan works. At the moment, small businesses are aware of the importance of reducing carbon emissions and doing what they can, but I do not think that there is a significant sense of ownership coming from them, if that makes sense. They are aware but do not have, for example, a concrete plan for achieving net zero by 2045, because they did not know from where to start or how far they should go. We would like to see an engagement exercise undertaken in order to understand the needs of those in the petrochemical sector and others, as you mentioned, because Grangemouth has hundreds of businesses from all sectors. We need to understand what they know at the moment and what they need in order to achieve net zero from the area's perspective. As I said earlier, it is important to see them as part of a solution rather than leave them behind as a problem.

Liz McAreavey: May I add one small point to that? We talk about this being a just transition. It is worth mentioning that something like only 25 per cent of these jobs are filled by women at the moment. That is something that we need to

address. We need to encourage more women into the sector, because they have a lot to contribute.

The Convener: Yes, we had the publication of the Ana Stewart report in recent days. The committee takes an interest in that area, so I thank you for that contribution.

Graham Simpson: This has been a fascinating discussion so far. The convener has helpfully mopped up some of my questions. I will just go back to the future industry board. It is a little bit concerning, Hisashi, that there is no SME involvement on that at the moment. Has there been any dialogue at all with SMEs?

Hisashi Kuboyama: No, but, as I mentioned, the board seems to have its wider engagement plan starting this year. If it approaches us, we are more than willing to work with it and help it to work with our members and the wider small business community.

Graham Simpson: Could you approach it?

Hisashi Kuboyama: I could, yes, probably through contacting the council.

Graham Simpson: It might be useful to do so. Perhaps the council is watching this session and will pick up on it. It might then reach out.

Hisashi Kuboyama: I am sure that the council does engage with the local SME community. It did some work through that channel, but it does not work with us at the moment.

Graham Simpson: Okay. I want to ask about engagement with colleges, because that has been mentioned a few times. Forth Valley College is the local one. The question may be for you, Michelle, because you seem to know all about that. When you speak to a college such as Forth Valley College, are you talking about jobs of the future? Is future planning involved, or are you just designing courses for things that you need now? Are you looking ahead?

Michelle Primrose: We are, absolutely, looking ahead. Regarding the good work that we have been doing with Forth Valley College, there is a lot of carbon literacy in there as well for schools, higher education and our workforce. Forth Valley College was instrumental in developing the fuel change challenge, and we use that in schools and higher education institutions. We also use it with our apprentices, both young and adult, in their learning and development. So, yes, we are definitely talking about that. We are also working with Forth Valley College and other partners, particularly the University of Stirling and Edinburgh College, depending on what the discipline is, and with Skills Development Scotland on meta skills of the future. That now forms very much part of our apprenticeship and existing employee training as well, to be honest.

11:00

Stuart Wallace: Having gone through the experience—I have bid down south and in Scotland—I was hugely encouraged by the collaboration across Fife College, Edinburgh College, Forth Valley College and the universities—be it the University of Strathclyde or the University of Edinburgh—and the conversations that we had as part of the bid process. We are now at the start of the business plan and its implementation, but there was a very strong desire across the FE and HE establishments to work collaboratively to deliver the skills of the future.

One of the learnings from down south that we will take to Scotland is the need to ask, “What are the industries of the future?” and to start to map out the qualifications that are required as a result of that. Is it a graduate programme or a modern apprenticeship-type programme? What level of qualifications, set by the Scottish Qualifications Authority, will be required? That will range quite widely across the different sectors that we are talking about. That mapping exercise will be done, and we will then work in collaboration with the HE and FE organisations to see how we will deliver that training for the future.

Graham Simpson: That is very encouraging, and it partly addresses the concerns that Colin Beattie expressed earlier about where we will find the workers. We can, in part, develop our own, and that is all that that is about.

Michelle, you mentioned earlier that you are working with SMEs on skills. How many companies are you working with? Is it possible for us, as a committee, to get a flavour of the type of businesses that you are working with?

Michelle Primrose: Absolutely. I can provide that information for you later. We have open days for the SMEs at the skills and business centre in Grangemouth, to engage with them and share information on what we can provide and help them with. We did that twice last year, and we intend to do it again this year, to build on that. Certainly, we can provide information on whom we have engaged with and which skills we are talking about.

Graham Simpson: That would be great.

I am going to dot about a bit, because I am the last one up. Stuart, I know that you cannot speak for Ineos—it is a shame that we have not spoken to Ineos representatives at this session, but we may get to meet them, as Ineos is clearly a key part of this—but you mentioned things like sustainable aviation fuel and biofuels, which are really important. If we can produce sustainable aviation fuel at Grangemouth, that could be really important to the Scottish economy.

Stuart Wallace: I am not from Ineos, but I can say that we talked openly in the bid process about how, for example, to get alignment with the Falkirk growth deal and the aspirations in the green freeport bid. We talked in the bid about how to use the skills, expertise and infrastructure that exist at that petrochemicals complex at the moment, and we got into the area of masterplanning. For example, going back to the comment about creating jobs, we earmarked an area of land from which Ineos had taken out redundant plant and equipment over a number of years and which was now a redundant brownfield site. We identified the potential there for biofuel technology.

I can talk about our business. Part of our journey to carbon neutral is about how we shift to the greater use of, for example, hydro-treated vegetable oil rather than full-blown diesel. If everybody does that, we all have to make sure that we have a sustainable and credible supply chain for an alternative fuel like HVO. That biofuels complex was there. The hydrogen hub concept was also there in terms of an area of land that would be used to do that as well as an area that was set aside for innovation.

I totally agree with you. Considering the skills, knowledge and expertise that exist in the sector in central Scotland and at Grangemouth at the moment, the petrochemicals complex and the green freeport bid have aspirations to use those in order to move to those alternative fuel sources. Grangemouth is Scotland's only refinery, and it supplies fuel and aviation fuel to all of Scotland as well as to areas of, for example, Ireland and the north of England. That is hugely important as we seek the very smart, innovative engineers who will come up with the fuels of the future. How do we use the skill sets and infrastructure that exist today to create that capability for tomorrow?

Graham Simpson: I completely agree. If we manage to produce more biofuels, that will help the freight sector and small businesses, which can run vehicles on them, for example. Everything helps.

I have been trying to get a picture, while listening to the session, of how things will look in the town of Grangemouth and in the port in five, 10 and 15 years. How will things improve? Let us look at the town of Grangemouth first. Fiona Hyslop's question led you, I think, to mention talk of a district heating scheme in Grangemouth. I think that that idea came from the council, but it never progressed. If we were able to find the investment—the money—to roll out that sort of scheme, that would be a huge bonus for a place like Grangemouth. Have there been further discussions about that?

Stuart Wallace: Not at that level of detail. With regard to the success of the Forth green freeport,

the UK and Scottish Governments have agreed that the additional non-domestic rates revenue that is generated will be retained 100 per cent locally. In the discussions that we had with the local authorities as part of the bid and subsequent to the bid, they said that they will want to engage fully with their members and ask, "How are we going to use the uplift in receipts from this to make a difference locally?" That could be, for example, through the concept of the 20-minute community or through developing Grangemouth and making it feel different from how it is at the moment.

As I reflect on my time in Forth Ports, the port of Grangemouth is a very different place from what it was five or 10 years ago. We continue to be Scotland's largest container terminal, but we have also developed half a million square feet of warehousing. We have Scotland's only maximum-length rail freight siding inside the port. The work that has been done on the M9 and on some of the signalling and roundabouts has improved the flow of traffic around the town. We have worked with the council and the community to make sure that traffic flows in the right way to make a difference to the town's residents. Those things are all important.

The aspiration for the green freeport is that we will see a just transition and the retention of economic benefit in the Grangemouth area. We can, I hope, aspire to and succeed in making sure that SMEs develop and grow, so that we retain much more economic activity in the town, and address some pretty dire deprivation and unemployment statistics by working with schools and local colleges to provide the information to a local community that needs to understand the opportunities that should exist on its doorstep to keep that economic activity there.

You get a feel for the town. Work has been done recently at Zetland park—there has been a lot of investment there—and there is open discussion about what will happen to the town centre. Looking back at things that have happened over the years, the Kelpies were created and the connection between Falkirk and Grangemouth became a bit stronger in the way that the Forth and Clyde canal has changed there. There is a different feel around that area from what there was 10 or 15 years ago. I would like to see that continue to happen and the town continue to benefit from the economic activity of the freeport.

Liz McAreavey: Going back to your point about how communities can potentially benefit from district heating systems and things like that, I am not an expert on it, but local heat and energy efficiency strategies are being developed by all local authorities. I think there is a six-point plan to get to such a strategy, which looks at energy efficiency in district heating systems and at

developments having to utilise the strategy. That will help the process as well.

Graham Simpson: It would help some of your members as well, because they could get work out of it, which would be a good thing.

Liz McAreavey: Yes.

Graham Simpson: My final point is about engagement with the community. We put out a call for views. We did not have a huge response, but the clear message from those in the local area who responded was that they were not hearing very much about what was planned for Grangemouth or, indeed, what is going on. It seems that there is a bit of a disconnect between Forth Ports and the people who live in the town. It is good that you contact local elected members and community councils, but you need to go beyond that.

Michelle Primrose: Actually, we are facilitating port tours at Grangemouth in the summer. We already have that planned. An anniversary is coming up in Grangemouth, and we are inviting the local community to go on port tours so that we can provide them with updates on what is happening in Grangemouth, particularly in Forth Ports, and to further raise awareness of the work that we have done and what is on their doorstep, as well as the prospects that that brings. We recognise that, and that is a key focus for us this year. Those dates are already planned—I can provide them.

Graham Simpson: Okay. How is that being advertised?

Michelle Primrose: We just signed it off last week, I promise you. We are working on it and will certainly get it out there. We will use our media channels and will connect with our partners to do that.

Stuart Wallace: We are engaging fully with the primary schools on the 150th anniversary of the town of Grangemouth, including where it came from and where it is now, and that will culminate in an event at the library to celebrate the town's 150 years. An ex-employee has written a poem about the town, and, on the back of that, we are offering tours around the port. Yes, the port used to be completely open and was the link between the old and new towns, but, unfortunately, on the back of 9/11 and some security arrangements that had to come in, that is not the case now. We will invite the public in to see what happens on the port estate.

Graham Simpson: Great. Thank you.

The Convener: Thank you. That brings us to the end of this evidence session. I thank the panel members for their contributions this morning. You have helped to set the scene for the inquiry that

we are about to undertake and have raised some key issues for us to explore with other witnesses in the coming weeks. We will now move into private session.

11:12

Meeting continued in private until 11:37.

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