



OFFICIAL REPORT  
AITHISG OIFIGEIL

# Net Zero, Energy and Transport Committee

Tuesday 23 January 2024

Session 6



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**Tuesday 23 January 2024**

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**NET ZERO, ENERGY AND TRANSPORT COMMITTEE**

**3<sup>rd</sup> Meeting 2024, Session 6**

**CONVENER**

\*Edward Mountain (Highlands and Islands) (Con)

**DEPUTY CONVENER**

\*Ben Macpherson (Edinburgh Northern and Leith) (SNP)

**COMMITTEE MEMBERS**

\*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

\*Jackie Dunbar (Aberdeen Donside) (SNP)

\*Monica Lennon (Central Scotland) (Lab)

\*Douglas Lumsden (North East Scotland) (Con)

\*Mark Ruskell (Mid Scotland and Fife) (Green)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Colin Cook (Scottish Government)

Neil Gray (Cabinet Secretary for Wellbeing Economy, Fair Work and Energy)

Philip Raines (Scottish Government)

Shona Robison (Deputy First Minister and Cabinet Secretary for Finance)

Susie Townend (Scottish Government)

**CLERK TO THE COMMITTEE**

Peter McGrath

**LOCATION**

The Mary Fairfax Somerville Room (CR2)



## Scottish Parliament

### Net Zero, Energy and Transport Committee

Tuesday 23 January 2024

*[The Convener opened the meeting at 09:16]*

### Decision on Taking Business in Private

**The Convener (Edward Mountain):** Good morning, and welcome to the third meeting in 2024 of the Net Zero, Energy and Transport Committee.

The first item on the agenda is a decision on taking business in private. Does the committee agree to take in private item 3, which is consideration of the evidence that we will hear on the Scottish budget, and item 4, which is consideration of correspondence relating to the Circular Economy (Scotland) Bill?

**Members** *indicated agreement.*

## Budget Scrutiny 2024-25

09:16

**The Convener:** Item 2 is an evidence-taking session with the Scottish Government on its recently published budget for 2024-25. Over the next couple of weeks, we will hear from all three cabinet secretaries with responsibilities within our remit, as well as the Deputy First Minister in her capacity as Cabinet Secretary for Finance.

For this item, I am pleased to welcome Shona Robison, the Deputy First Minister, and Neil Gray, the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy. I also welcome from the Scottish Government Colin Cook, director of economic development; Philip Raines, deputy director for domestic climate change; Susie Townend, deputy director for energy and industry; and Alison Irvine. Thank you for joining us this morning.

Now, I believe—*[Interruption.]* Sorry—I have got my papers in the wrong order. That is not a good start to the morning. I am sure, cabinet secretaries, that you will not have done the same.

As you will be aware, we propose to run the session in two parts. In the first session, we will put questions to both cabinet secretaries on areas of joint interest, and we will have specific questions for the Deputy First Minister on measuring the impact of climate change on the budget. We will then suspend briefly before taking further evidence from Mr Gray on matters relating to his ministerial portfolio. I expect both sessions to last about an hour.

Before we move to questions, I invite both cabinet secretaries to make brief opening statements. Shona Robison, would you like to lead off?

**The Deputy First Minister and Cabinet Secretary for Finance (Shona Robison):** Thank you very much, convener.

The challenges facing Scotland's public finances will be well known to the committee. The pressures on the 2024-25 budget cannot be overstated and, as I have said before, represent in my view the greatest challenge to any Scottish Government since devolution. We are continuing to manage a wide range of pressures due to volatility from global factors such as the Ukraine resettlement, the impact of inflation, the cost of living crisis and, of course, the on-going legacy of Covid-19.

The United Kingdom Government's autumn statement delivered the worst-case scenario for Scotland with a fiscal settlement that challenges the viability of public services across the whole of

the UK. Our block grant funding for the budget, which is derived from the UK Government's spending decisions, has fallen by 1.2 per cent in real terms since 2022-23, and our capital spending power is due to contract by almost 10 per cent in real terms over five years.

As I set out in December, we cannot mitigate every cut that the UK Government makes, and we are at the upper limit of the mitigation that can be provided within our devolved settlement and competence. The UK Government has chosen to prioritise tax cuts over investment in public services, but we have made different choices.

At the heart of our budget is our social contract with the people of Scotland, whereby those who earn more are asked to contribute a little more, everyone can access universal services and entitlements, and those who need an extra helping hand will receive targeted additional support. We have chosen to act to do everything in our power to protect public services, including through a £6.3 billion investment in social security and more than £19.5 billion for health and social care, alongside record funding for local authorities and front-line police and fire services. Importantly for this committee, in 2024-25, we are committing £4.7 billion in capital and resource for activities that will have a positive impact on the delivery of our climate change goals. I look forward to the committee's questions.

**The Cabinet Secretary for Wellbeing Economy, Fair Work and Energy (Neil Gray):**

Good morning, colleagues. As you will be aware, the Scottish Government is committed to a just transition by 2045. We are undertaking the necessary steps to reach that goal within the context of the recent budget, which, as the Deputy First Minister has said, is challenging in many respects. However, there are also many opportunities before us that we are looking to secure.

The projected economic benefits from Scotland's offshore wind are substantial. The First Minister's investor panel highlighted the sector as the single most important opportunity for attracting capital to Scotland and raising Scotland's wider investment profile. It is possible that we could achieve the supply chain development statement's forecast of £25 billion of investment across the Scottish supply chain through ScotWind projects alone. Our strategic investment in offshore wind will stimulate and support private investment in the infrastructure and manufacturing facilities that are critical to sectoral and wider economic growth. It will also support market certainty and help to create a highly productive and competitive economy, which will provide thousands of new jobs, embedding innovation and boosting skills.

Carbon capture and storage will play a critical role in supporting a just transition to net zero. Given our unrivalled access to vast storage potential in the North Sea and opportunities for us to repurpose existing oil and gas infrastructure and related skills and expertise, we have an economic opportunity to be at the centre of a European hub for carbon capture and storage technology.

Our "Hydrogen Action Plan" sets out our commitment to support Scotland to become a leading hydrogen nation. We continue to engage actively with the sector and supply chain companies, and we will work closely with the UK Government on the necessary policy and regulations. We will also continue to support hydrogen innovation through our hydrogen innovation scheme and the work on establishing the case for pipeline transportation of hydrogen from Scotland to Europe.

We have been consistently clear that securing a long-term, sustainable future for the Grangemouth industrial cluster is also of critical importance. We have committed to publishing a draft of the Grangemouth just transition plan this spring and have been working with the industry, the community and the public sector on that.

The energy transition fund supports the north-east of Scotland's just transition away from reliance on oil and gas to renewables, and it supports four main projects: the energy transition zone, the Aberdeen hydrogen hub, net zero technology, the transition programme and the global underwater hub. The budget means that we will continue to support those projects.

Like the Deputy First Minister, I welcome the opportunity to meet the committee to discuss my area of responsibility within the budget before us in more detail.

**The Convener:** Thank you, cabinet secretaries.

I owe Alison Irvine an apology. I am sorry that I did not say that she is chief executive of Transport Scotland—probably because I already knew that. However, in case other people do not know, Alison Irvine is here to represent Transport Scotland today.

We will move on to the first set of questions, which come from Monica Lennon.

**Monica Lennon (Central Scotland) (Lab):** Good morning to the cabinet secretaries and to all others on the panel. Thank you for your opening statements. You have set out the challenges and pressures, both in a global context and on more domestic issues. Deputy First Minister, how confident and certain are you that the spending decisions in the 2024-25 budget set a course for meeting the interim 2030 emissions reduction targets for Scotland?

**Shona Robison:** In 2024-25, we are committing £4.7 billion in capital and resource for activities that will have a positive impact on delivering our climate change goals.

As you know, we are enhancing the way in which we categorise the Scottish budget spend. The budget's dedicated climate annex, annex J, outlines an enhanced taxonomy approach—basically, that is categorisation. It sets out changes to the methodology, expanding its use from just the capital spend that was previously analysed to include resource spend. I hope that that will provide greater transparency for the committee and others across the Parliament on the spend's alignment with the Scottish Government's climate objectives over its lifetime. It evaluates each spend line on its potential impact on either Scotland's emissions generation or its adaptation impact. That will help us to compare not just one budget to another but the trajectory towards the targets. The detail is in annex J, which sets out, across the Government in the various portfolio areas, the positive impact of the cumulative £4.7 billion that will help us on our trajectory.

We have work to do, as every Government has. The target is challenging, as you know, and we have to continue to consider not just the spend but the policies that the Government needs to take forward, some of which are extremely challenging. All of that will be important to make sure that we deliver what we need to deliver.

**Monica Lennon:** Are you saying that you feel confident about the 2030 interim targets and the 2045 emission reduction targets?

**Shona Robison:** We are as confident as we can be that we are able to show and demonstrate where the spend—in capital and resource—has a positive impact. However, we cannot rest on our laurels. It is a journey and it has to accelerate. That means that we have to be able to demonstrate not just the spend but the impact of that spend, and our ability to accelerate the changes that need to be made.

Those issues and challenges are not unique to Scotland. Every Government around the world is wrestling with the competing demands of the here and now and the investment that needs to be made—whether that is in changing our transport system or in heat in buildings—that competes with other priorities. Those are really difficult challenges, but that figure and the enhanced presentation of the budget should give the committee and the Parliament as a whole the ability to scrutinise the issue and the spending decisions that we make.

**Monica Lennon:** I will give just one example. The Government has important targets on native

woodland creation. However, it looks as though it is cutting £33.6 million to Scottish Forestry, in addition to a 41 per cent cut to funding for woodland creation schemes. When it comes to making the right impact, is that decision justified, or do you have any concerns?

**Shona Robison:** Across all portfolios, each cabinet secretary has led work to focus on what will make the biggest difference. We will also take into account the budget allocations and the reserves that organisations might have.

09:30

On nature, forestry and landscape restoration, we will invest more than £158 million to maximise the power of forests and land to help tackle climate change and protect nature. That funding will increase woodland creation and further protect and restore peatland. In relation to the biodiversity landscape and the investments that we have chosen, through the evidence base of the advice on what will make the biggest impact, we are also investing £500 million in our natural environment to drive landscape-scale change.

**The Convener:** Sorry, cabinet secretary—I understand what you are saying, but Monica Lennon asked a question on forestry planting. You cut that budget by 41 per cent and did not meet your planting target for last year. If you cut the budget by 41 per cent, are we really to believe that you will plant more trees this year?

**Shona Robison:** As I say, the Scottish Forestry budget takes into account some of the reserves that it has, and we have had that discussion with a number of organisations to make sure—

**The Convener:** Does Scottish Forestry have reserves to make up the 41 per cent cut that you have made in the budget for planting trees? I am struggling to see that, but tell me where I can find it and I will look for it.

**Shona Robison:** We can certainly provide you with the information on the detailed discussions with that organisation about its targets. In difficult times, we have had to prioritise where resources will have the most impact, and part of that discussion involves looking at organisations' reserves. I am not saying that it is the whole picture or that it replaces every pound; all I am saying is that it is taken into account in relation to the funding that organisations have to deploy.

**The Convener:** Sorry, Monica, I interrupted you.

**Monica Lennon:** No—that was very helpful.

**The Convener:** I will hand straight back to you.

**Monica Lennon:** It is okay—I am sure that you will give me all the time back anyway, convener.

Others may want to ask about the use of reserves, because there is a concern out there that reserves are being raided. I know that we have Alison Irvine from Transport Scotland here, but we have had representations from Strathclyde Partnership for Transport about the expectations on its reserves. I believe that it has set out in writing to the committee that the reserves that it holds are already allocated for infrastructure upgrading and other safety-critical projects, and others may want to come on to that.

I have a few questions to ask. We would welcome detail on Scottish Forestry's reserves at a time when it is approving a record number of schemes for woodland creation, but it looks like there is a big budget cut, which is obviously a bit jarring.

I want to go back to confidence levels. How confident are you that the Scottish Government will be able to grow investment in low-carbon infrastructure to the £5 billion to £6 billion annually that the UK Climate Change Committee suggests will be required by the end of this decade? I will come to you first, Deputy First Minister.

**Shona Robison:** I will bring in Philip Raines to address the key issue of planting.

**Philip Raines (Scottish Government):** As much as anything, I draw attention to the fact that cabinet secretaries are coming before committees in the round, and I know that Mairi Gougeon spoke about the issue to the Rural Affairs and Islands Committee last week.

This is a tough budget settlement, so we will have to make difficult decisions in-year and in one particular year, but it is key, particularly when you are looking at climate change and are thinking about targets on woodland and other things, to think about the wider period. Woodland has done very well. We have invested a lot, historically, in woodland creation. This year is perhaps a tougher settlement than others because decisions had to be taken about where priorities needed to be, but we are very much focused on what is necessary in order to meet the interim target for 2030 and the wider target for 2045.

**Shona Robison:** In summary, there might not be an even or straight road of investment each year for organisations, with investment continuing to grow; the position will fluctuate. The availability of capital funding will be constrained, so we need to think carefully about how we might be able to lever in external funding to support some of our objectives, given that we will have less capital funding available.

However, the ambition remains, and we will ensure that we are able to show, as we have done in annex J, how our investment for 2024-25 will be focused. That has to be set in the context of future

years, with investment going to ensure that we are on track to meet the targets that you alluded to.

**Monica Lennon:** I want to ask about ScotWind, which Mr Gray touched on briefly in his opening remarks. Previously, the Scottish Government pledged to use all the money raised through the ScotWind auctions to tackle the twin climate and biodiversity crises. In September 2022, £56 million was utilised as part of the emergency budget review. Is it still your intention to reinstate that money? If so, when?

**Shona Robison:** I am sorry—did you say £54 million?

**Monica Lennon:** I think that it was £56 million, as part of the emergency budget review in 2022.

**Shona Robison:** For?

**Monica Lennon:** I am talking about the money that came in through the options for the ScotWind leasing.

**Shona Robison:** We are using the money that is generated from ScotWind to support the budget. Where we end up on the path to balance for 2023-24 will determine how much of the ScotWind moneys that are generated are able to be deployed in 2024-25. The ScotWind resource has proven to be a really important resource in supporting the budget. At the moment, I am not able to tell you how much of that will be able to be utilised for 2024-25, because that will be largely dependent on how much we need to draw down in 2023-24 for our path to balance. Once I know that, after we have had the supplementary estimates and the spring budget, I will be able to inform the committee how much will be available for drawdown in 2024-25, if that would be helpful.

**Monica Lennon:** I want to better understand some of the figures. Perhaps Mr Gray can help. What has the £56 million been used for so far? That was allocated back in 2022, so what has happened to the £56 million?

**Shona Robison:** Any money that is drawn down from ScotWind is used to support the budget, so, in essence, it is used to support public services. The drawdown in 2023-24 will do the same, and the drawdown in 2024-25, which was originally estimated to be about £350 million, will support the budget and public services.

The issue that I am raising about 2023-24 is that, because of our challenges with our path to balance due to budget constraints and all the pressures on the 2023-24 budget, we will potentially have to draw down some of the ScotWind money for this financial year. That is the position with ScotWind for this year and next year. I assume that the drawdown for 2022-23 would have been for the same purpose, but we can



come back to the committee to clarify that if that would help.

**Monica Lennon:** Yes, I think that we would like to track that. Aside from the £56 million from 2022, there was media coverage just before Christmas about, I think, £750 million in total having come in from the leases. We know that, in the current financial year, £310 million of that has been allocated.

What has that been spent on, or what will it be used for?

**Shona Robison:** From ScotWind?

**Monica Lennon:** Yes.

**Shona Robison:** ScotWind moneys have been used to support the budget. In terms of the path to balance for 2023-24, we have to ensure that we can balance our budget, which we are legally required to do at the year end. Although I set out some of the in-year savings, because of the volatility of the budget and the fact that pay deals are beyond what was budgeted for, there is still a way to go in terms of the path to balance for 2023-24.

I want to minimise any drawdown of ScotWind, because the more we draw down in 2023-24, the less is available for 2024-25. I had set out in the medium-term financial strategy last May that we had anticipated having £350 million available to us in 2024-25 to support the budget. Any money that I need to use in 2023-24 to support achieving a balanced budget is money that is not available for 2024-25. You can see why we want to ensure that we minimise any usage—that £350 million, or whatever we end up being able to draw down for 2024-25, is an essential part of the budget to support public services.

**Monica Lennon:** Okay. However, it looks like a lot of the ScotWind auction money has been drawn down already. Some people have raised concerns that Scotland's sea bed was sold off too cheaply in the first place; they now feel that we are getting the worst of both worlds because the investment that was supposed to go into tackling the climate and nature emergency looks like it has just been absorbed into general spending. Can you guarantee that moneys that are raised by ScotWind's future auctions will be used for the intended purpose—that of the original pledge that was made to tackle the twin climate and biodiversity crises?

**Shona Robison:** I set out at the beginning of this evidence session that we are investing £4.7 billion of capital and resource in positive action in the 2024-25 budget to meet our climate change goals. One could argue that, if whatever amount of the up to £350 million of ScotWind moneys is part of supporting the budget, it is also part of

supporting that £4.7 billion of the budget that is tackling climate change.

My dilemma is that in an ideal world—with funding not being so constrained—we would indeed want to create a different fund, almost a sovereign wealth fund or something that would be specifically geared to future action on climate, but, given budget constraints, I would face questions across Parliament were I sitting with £350 million that was either unallocated or being kept for tough times. These times are the toughest, and I am having to use that money to support the budget. Because it is not aligned to a particular part of the budget, the point that I am making about the £4.7 billion is that it supports the budget as much as investment in the national health service or Social Security Scotland. It supports the budget in general and, without it, we would frankly have to make even more difficult decisions than we have to make at present.

**Monica Lennon:** Again, thanks for reminding us about the context in which we discuss these matters; we know that there are many challenges. You have talked about the methodology and the importance of transparency in budgeting—being able to look line by line and see the impact. The Government's original commitment was to use the ScotWind money to tackle the climate and nature emergency, not to deal with the NHS or public services more generally. Given that my original question was about your level of confidence to meet interim 2030 and 2045 emission reduction targets, are we to take away that you, today, cannot guarantee that that ScotWind money will be used for tackling the climate and nature emergency only?

**Shona Robison:** The £4.7 billion that is in the budget—

**Monica Lennon:** Sorry, how does that £4.7 billion relate to the ScotWind money?

09:45

**Shona Robison:** The ScotWind money relates to the whole budget. Even if you had the £350 million in its entirety from ScotWind for 2024-25, the £4.7 billion of capital and resource that will have a positive impact on climate change goals goes well beyond the ScotWind money that is being invested in the budget. We are going way beyond what the ScotWind money would allow us to invest in climate change objectives. We are putting a lot of Scottish Government capital and resource into tackling climate change—well beyond the £350 million.

If you are asking whether, when we set out the budget, we allocate that £350 million only as part of the £4.7 billion, the answer is no—it is allocated to the budget per se in terms of presentation. I do

not have it as an element that makes up the £4.7 billion, but you could argue that it is part of the overall resource that allows us to put the £4.7 billion into our climate change action.

**Monica Lennon:** Convener, I know that there are a lot of questions. We have not heard from Mr Gray, but I am happy to hand back to you and maybe come back in later, if that is okay.

**The Convener:** Absolutely. There are some supplementary questions on this. Douglas Lumsden, I was not sure whether you were trying to catch my eye. Bob Doris has definitely caught it, so he will be after you, unless I have misread you.

**Douglas Lumsden (North East Scotland) (Con):** I do have a question, convener. Deputy First Minister, you spoke about leveraging in external funds, and the Scottish National Investment Bank has a big role to play in that. We can see from the budget that the money that SNIB will have to invest has been reduced by 24.6 per cent in 2024-25. How does the funding to SNIB work? Is it demand led? Is SNIB expected not to need more cash to invest, or is the money that it has constrained by the budget process?

Convener, I am going to get all my questions in at once, you will be happy to know.

**The Convener:** That question is not on ScotWind.

**Douglas Lumsden:** No, it is supplementary to question 2.

Over the three years that SNIB has been in operation, it has been given £638 million of taxpayers' cash. What assurances are there that the bank is spending our taxpayers' money correctly? I ask because there is meant to be in place an advisory board that oversees the conduct and performance of the bank, but that board has still not been established. What assurances can you give on that?

**The Convener:** Deputy First Minister, you should definitely answer those questions on SNIB, but I know that other members have questions on ScotWind, so it is not over yet on that issue.

**Shona Robison:** Okay—no worries. SNIB's investment decisions are for SNIB, and we expect it to use its expertise around the table, which is considerable, in making the investments that will align with our priorities, particularly regarding net zero investments.

On funding, SNIB has traditionally relied on financial transactions, because it can make good use of them. FTs are a bit limited in where they can be deployed. Traditionally, FTs have been deployed for affordable housing, and SNIB has been the recipient of them. Unfortunately, the number of FTs that we have had from the UK

Government has declined significantly. For 2024-25, I think that they are in the region of £160 million. Therefore, we have taken the decision to put all the FTs to SNIB for its investment programme. We expect SNIB to use that investment in a way that aligns with our priorities.

If you are asking me whether we would have wanted to give more money to SNIB, my answer is, in an ideal world, yes. However, given its reliance on FTs, we are not able to do that because we have fewer FTs to distribute. I will ask Neil Gray to comment on the advisory board.

**Neil Gray:** The advisory board is still being worked on, and there will be an update in due course.

**Douglas Lumsden:** Sorry, but what do you mean by "due course"? The bank has been established for well over two years. The establishment of the advisory group was part of the Scottish National Investment Bank Act 2020. I have asked questions about that and got nothing. In the budget process, every pound is a prisoner. We all agree on that. Surely the advisory group should be in place, to monitor the bank's performance.

**Neil Gray:** There is a strong relationship between me, other ministers and the officials who work with SNIB to analyse its work. It reports regularly on its investments and their performance. However, the advisory board is a commitment that we hold, and we will stick to it. As I said, the update will come in due course.

**Douglas Lumsden:** Is it needed, given that you think that the governance is good, and if so why?

**Neil Gray:** SNIB is in a period of transition from its establishment only a short period ago to becoming, we hope, self-sustaining. During that period, there are points that we need to establish, including on the advisory board.

We have a strong relationship. I met SNIB's chair and chief executive last week or the week before. We discussed the strategic priority that is ScotWind and we looked at how we could maximise that opportunity. We already have a strong working relationship but, as the bank develops and grows, we need to ensure that the oversight continues to grow alongside that. That is where the advisory board comes in, and we are working on establishing that.

**The Convener:** Bob Doris, you want to ask questions on ScotWind, do you not?

**Bob Doris (Glasgow Maryhill and Springburn) (SNP):** Yes, absolutely.

Deputy First Minister, you talked about the path to balancing the budget when it comes to drawing down ScotWind moneys. As I listened to that, the

expression “just transition” was floating about in my head. By that I mean, I wonder what people who live in poverty, but for whom direct action is being taken by the Scottish Government to mitigate and assuage some of that poverty in the teeth of UK austerity, would say about the use of the money that is being drawn down.

I declare an interest, convener, in that I am the deputy convener of the Social Justice and Social Security Committee. There was a 13.1 per cent increase in that budget. Deputy First Minister, do you think that we could talk to the communities that I represent about a just transition and a climate emergency, and look them in the eye, if we did not draw down some of that money to plug the UK budget settlement gaps in order to help those living in poverty, whom we all represent? Surely, there has to be a balance. That, too, is part of a just transition.

**Shona Robison:** That is very much the case. In every budget, there is always a tension between investing in the here and now, for example through mitigating the cost of living crisis and supporting household budgets and some of the most vulnerable—the £6.3 billion investment in social security speaks to that—and investing for the future. There is always a balance to be struck.

Clearly, some of our budget is for the here and now—the everyday, and keeping people’s heads above water. If we did not do that, we would be asked why. We are balancing that with some of the investments that are very much about the future and the climate change targets—putting in place the building blocks. The budget attempts to do that. We have the £6.3 billion investment in social security, but we also have £4.7 billion of capital and resource investment that is directly attributable to having a positive impact on the climate change goals. Some of that looks to the future and some will be for the just transition. Around the Cabinet table, we often have to wrestle with those competing demands.

**Bob Doris:** Convener, I was making the wider point that the communities that we represent who are living in poverty have to make the lifestyle changes that are required to tackle the climate emergency. If we do not support them at this time, the buy-in from those communities will be much more limited than it otherwise would be. It is also the right thing to do.

ScotWind, of course, primarily is for that step change that we have to make to tackle the climate emergency. We know that these are one-off moneys that are being spent, but the hope is that as some of the offshore wind capacity becomes operational, the Scottish Government will then be able to activate a fees regime.

What is the latest thinking in the Scottish Government about when we could activate some of that additional cash income for the Scottish Government? When might fields be operational? What does the modelling work show about the kind of income that we might start to receive from fees? It could be five years away or it could be seven years away, but future Scottish Governments will have to think medium-to-long term about what structural changes we have to make.

**Shona Robison:** I will hand over to Neil Gray on that question. There are quite a lot of complexities in looking to the future beyond ScotWind, but I will let Neil answer on that.

On your fundamental point about tackling fuel poverty and making sure that the measures that are taken to tackle climate change are not exacerbating inequalities, I am very mindful of the discussions with the housing sector about moving to net zero. Heating systems have to be done in a way—this is a red line for us, as a Government—that does not push more people into fuel poverty because the systems are more expensive to run. We have to make sure, in every step that we take, that we are mindful of those who could benefit most if we get it right, but who could also be at risk if we do not get it right. Heating systems are one example.

**Neil Gray:** I will be brief, convener.

Mr Doris is correct that the opportunity for more income, as ScotWind becomes operational, is substantial not just in terms of direct income to the Scottish Government but, as I referred to in my introduction, in terms of the huge economic multiplier that comes from supply chain development.

To support ScotWind becoming operational as quickly as possible, we are prioritising it in the budget and through the First Minister’s commitment to investing £500 million over the next five years in development of the supply chain. That helps to build confidence for developers to go through with developing their sites, thereby maximising the opportunity that Mr Doris has pointed to. We hope that we can do that, both from an energy deployment perspective and an economic perspective, through ScotWind.

**Bob Doris:** I know that Governments hate timescales on such things, cabinet secretary, but I would not be doing my scrutiny job properly if I did not ask this. Are we talking about five years, seven years or 10 years? Given the uncertainty, what is the best guesstimate on when fields could become operational?

**Neil Gray:** Obviously, fields will move at different paces and will come into the process at different points. There are a number of projects in

the leasing round. They have to go through the process of having their grid positions allocated and they must go through the consenting regime. It is therefore difficult to pinpoint an exact timescale, particularly given that each one will move at a different pace, not least because some will be floating and some will be fixed sea-bottom developments.

However, we are certainly hoping that projects will happen as quickly as possible. We are allocating funding for supply chain development so that we can see things moving. We see some of it happening: the progress that has been made with Sumitomo Electric Industries is a public example, but there are many other examples. There are discussions that are commercially confidential at this stage, but we hope that we will also be able to bring forward other projects in this year.

**Bob Doris:** I appreciate that. I am delighted that I do not have to deal with those complexities. Perhaps getting a flexible timescale to the committee at some point in the future would be helpful to allow us to better understand what is happening.

**Neil Gray:** I am happy to provide that to the committee in answer to Mr Doris's questions.

**The Convener:** Just before I ask some questions on ScotWind, I remind the committee that, on woodland planting grants, Philip Raines said that the Government had done well in the past, but it has never reached its planting target. However, I want to make sure that the committee is aware that I am a partner in a small farming partnership in Moray and can categorically say that in the past 10 years—possibly even longer—I have not applied for a woodland planting grant and do not intend to apply for one in the next 10 years. I am growing cattle, not trees. I just want to make that clear.

To go back to ScotWind, if we may, I note that all option agreements are time spanned, so if an option is to be taken up, when does that have to be done by?

10:00

**Neil Gray:** That will vary. I am happy to set out some of the timescales in more detail for the committee, in response to questions from Mr Doris, so that the committee can have confidence on the matter.

**The Convener:** So, you would have a list of when the options would expire, but you would also know how much each option will be worth. An option is perhaps a percentage of the full value of the contract to the person who is taking the option, so what is the total value of all the options? For the £750 million that has been generated, what is

the total value to the Government, in income, if all the options are developed?

**Neil Gray:** Again, I am happy to provide that in writing to the convener after the meeting.

**The Convener:** That is pretty fundamental if we are to understand about ScotWind. The £750 million is just a down payment for where it is going.

**Neil Gray:** Yes—that is correct.

**The Convener:** We need to know that. I accept the point that the Deputy First Minister made about using the money across the budget.

I am not sure which cabinet secretary should answer this question—I always get confused. Is the £750 million option payment that was paid to the Crown Estate capital or revenue?

**Shona Robison:** The payment will be revenue, because the drawdown that we are using is resource drawdown. I will get back to you if there is a capital element, but the money that is available to the budget, which I was describing earlier, is resource.

**The Convener:** I am sure that you checked that. If there was a capital element, it would all have to remain within the Crown Estate, according to the law that is laid down.

**Shona Robison:** Yes.

**The Convener:** You must therefore be looking at that partly as revenue.

**Shona Robison:** Yes.

**The Convener:** As part of the agreement that was made with the Crown Estate, 9 per cent of all revenue income can be maintained within the Crown Estate budget. Are you taking all of the £750 million, or are you going to give some to the Crown Estate to keep within the budget, to deploy as it sees fit?

**Shona Robison:** That will be a matter for discussion with Crown Estate Scotland regarding its requirements. Incidentally, I should put it on the record that it does a very good job and has turned things around. The Scottish Government has had a role, too. It has done pretty poorly from the Crown estate in the past, but the work that has been undertaken by Crown Estate Scotland and its use of its assets have led us to quite a transformation, which has been extremely helpful—not least in relation to the budget support that is now provided. That has been a journey from a very different position.

**The Convener:** That is probably because Crown Estate never had £750 million of income in one year; its income has mainly been developed from agricultural leases and some property leases.

Some of those are in Moray, where I live, and we are very grateful that Crown Estate is there, providing tenancies to people.

**Shona Robison:** As a basic answer to your question I will say that those are matters for negotiations, but it is important to me that Crown Estate Scotland can continue to do the good job that it is doing.

**The Convener:** We will move on to the next questions, but, for clarity, what I have understood from that is that you will say when the option payments are going to come, what percentage of the £750 million overall money has been received and how much of the overall money will be on an annual basis. You will also clarify whether any of the money that has been generated by Crown Estate Scotland will stay within Crown Estate Scotland, or will be given to or taken entirely by the Scottish Government.

**Shona Robison:** Yes: we will come back to you with as much of the detail of that as—

**The Convener:** I am sure that the clerks will have made a note and will write to you.

The next questions will come from Mark Ruskell.

**Mark Ruskell (Mid Scotland and Fife) (Green):** I would like to rattle through some questions about the joint budget review with you and your team, Deputy First Minister. I will start by asking for clarity on whether you or the Cabinet Secretary for Transport, Net Zero and Just Transition is ultimately responsible for that? We have had correspondence from you and Màiri McAllan.

**Shona Robison:** I will kick off. As I have touched on, the joint budget review was to take forward three strands of work. The first strand was to have a dedicated climate narrative in the budget document—which we have done. The second strand was to enhance the categorisation that we talked about earlier, which we have also done, although it is a work in progress.

The third strand was to develop and implement a Scottish Government-wide net zero assessment. That could be described as an iterative process, with the intention being to roll it out across the wider Scottish Government from late 2024. Following roll-out, there will be a review to ensure that it is fit for purpose.

That is about selecting a broad range of policies from across the Scottish Government to pilot the methodology and go further than we have so far. The benefit of that will be that we will be able to look at policies as they develop and check whether they are impacting positively and in the way that they need to, so that we meet our climate change goals. Once completed, the three strands will have taken us to a better place.

**Mark Ruskell:** Okay, but on the specifics—because we are wondering who is ultimately responsible for the work in Government—is it a budget issue, and therefore your responsibility, or is it Màiri McAllan's responsibility? We have had correspondence from both of you.

**Shona Robison:** We both signed the letter. I guess that the portfolio lead is Màiri McAllan, but my overarching role across Government is to drill down and make more impactful analysis work better. Philip Raines wants to come in.

**Philip Raines:** I will make the point that responsibility should be shared between the Deputy First Minister and the cabinet secretary. The Deputy First Minister has responsibility for the fundamental way of looking at the budget and for putting in place processes across Government, and the cabinet secretary has responsibility for ensuring that information informs the budget choices, given that she is portfolio lead. It is a fully shared responsibility.

**Mark Ruskell:** That is fine; that is joined-up Government.

In those three areas of work, the first strand was the narrative, which has been useful. The second strand was taxonomy and classification, and that has been expanded so that it is now not only about capital but is about revenue, as well. Is that it, for the second strand, or will there be a review of it and further expansion of the work? Will there be transparency about that?

**Shona Robison:** There will be work in progress to ensure—as we go forward and are able to compare budget to budget, for example—that we are able to provide more monitoring of whether we are making the improvements that we need to make. The new methodology evaluates each spending line on its potential impact, either on emissions or adaptation.

The capital and financial transactions funding position for 2024-25 is £6.4 billion, and it apportions around 42 per cent of spend to positive activities in absolute terms; that means around £2.7 billion for positive spend for climate. There is a lot that would be described as being in the neutral space. The resource budget is £36 billion for 2024-25.

Clearly, most of that spend is on front-line services including the NHS, social security, local government and so on. Seventy-five per cent of the total resource budget is categorised as neutral spend, so it is not having a negative impact on climate, but neither is it having a positive impact. It is important to make that point when we bring in the resource budget. The bulk of it is going on staffing, which will not have a positive or a negative impact. The resource side of things will have a minimal carbon impact.

As this is the first year, there is potential for improvements to be made to the evidence base that is used to assess impact. We see this as the start of a process, not the end of the journey. Perhaps after the experience of this budget, the committee might be happy to revisit it to see where we might make further improvements.

**Mark Ruskell:** Okay.

At the beginning, you mentioned annex J, which is a pretty useful spreadsheet where we can find the policies that will make a big climate impact and those that might make a negative climate impact. Monica Lennon talked about woodlands and woodland grants, which are listed there.

In the interests of transparency, could a further level of information be provided? We have broad categories of things that are positive for the climate and that have a high impact on it, but if we were to drill down and say, for example, that we need to prioritise woodland grants or something else, how could we look at that and say that we need to do it because we know that it will result in a big impact, and how can we see the figures behind that? Is there a level of further information that would be useful when it comes to budget negotiations or other scrutiny?

**Shona Robison:** There will be such information in the evidence base on what makes the biggest impact. That is where we get into quite difficult decision making, because if there is an array of things that make an impact to some extent, but there is only a certain amount of money to deploy, we then have to make judgments about where the biggest impact will be at this moment in time. That does not mean that we will not revisit it. Philip Raines's point was that the budget trajectory is not a straight line. There will be peaks and troughs, but the destination is the planting of more trees and meeting the targets. In years when there are big real challenges, we sometimes have to prioritise other areas.

**Philip Raines:** You will see that the various strands build on one another. Strand 3 is about testing out the deeper dive, getting into the guts of new policy and understanding its implications. Once we start testing the methodology, get something that works, then start rolling it out across the Government in the way that the Deputy First Minister has outlined, it will inform the assessments over time. Timescales obviously depend on assessment and piloting, but the intention is that the information will inform budget decisions within Government and budget scrutiny by the committee and Parliament more generally.

**Mark Ruskell:** That is really what my last question was about—that third strand of work and mainstreaming the net zero test across the whole of Government, making it integral to the budget

process. I am a little bit concerned by the response that we had from Màiri McAllan, which seemed to suggest that the net zero test would not be intrinsic to the annual budget setting process. I am getting a slightly more nuanced position on that from you, Deputy First Minister. It is being piloted and extended across Government, but ultimately it needs to be there, even though it is not the only consideration when it comes to the budget.

**Shona Robison:** I guess that I could not say, hand on heart, that it will all be fully functioning across every line and policy decision by the time of the next budget. It probably will not be, because it is complex, but we are on a journey that is about all the stages, including the policy development stage as well as the negotiations to agree policy and the amount of money that we are going to spend on it. When we are looking at policy, we need to embed analysis of the impact on net zero from the start and be able to set it out.

**The Convener:** I have some questions that I want to direct to you, Deputy First Minister, because I will get a chance to talk to Mr Gray about the follow-ons in the next session. I want to ask you about the reprofiling—I love that word—of the small vessel replacement programme. “Reprofiling” means cutting, so what effect will that reprofiling have on the viability of Ferguson Marine shipyard? What is your assessment?

10:15

**Shona Robison:** We talked about that a few months ago when we were looking at the outcomes of the small vessel replacement programme at phase 1, when the outline business case was presented at the end of 2023. Subject to approvals and procurement, that could see the delivery of the seven new small vessels between 2026 and 2028.

The reprofiling was due to the stage that the discussions had got to, in terms of the detail. The funding follows where the contracts and the negotiations are at, and the reprofiling was due to the stages at which the funding would be deployed not being reached.

You will know this, Convener. When you set out your funding profile, it is based on what you think that the timeframe will be. Inevitably, things change, and that is what happened. Transport Scotland gave assurances that that would have no impact on the end point, but it was about the profiling of the resources that were going to be needed at which stages. That allowed us to make those in-year savings.

That does not mean that the pot is going to be any smaller by the end of the process—far from it—but the timeframe of when and what is spent

has shifted because of where the contract negotiations were. That is what I set out a few weeks ago.

**The Convener:** So, if the Caledonian Maritime Assets Ltd—CMAL—budget has gone down by 31 per cent, or has been “reprofiled”, which is a £30 million loss to its budget, that will have no impact on when the small vessels come into service. It will still happen in the same year. If work does not start this year, it will still happen within the timeframe that you have.

**Shona Robison:** Well, what I have set out—

**The Convener:** Sorry, Deputy First Minister, but I struggle with that.

**Shona Robison:** What I have set out is subject to approvals and procurement. There is a process that requires procurement to happen, and there are ifs and buts around that, but all being well, subject to approvals in procurement, we can see the delivery of the seven new small vessels between 2026 and 2028.

That is the plan. If there are any changes to that, we would, of course, bring that to the attention of the Parliament, but that is the intention. We will be able to provide updates as soon as possible after we have those key planks of the process in place. We will be happy to keep the Parliament updated.

**The Convener:** What do you perceive is the risk to Ferguson Marine shipyard as a result of losing, potentially, £30 million in this year to build those vessels? Is it, or is it not, a risk?

**Shona Robison:** Neil Gray may want to—

**The Convener:** I will get a chance at Mr Gray afterwards, Deputy First Minister. You will have made the decision, as finance secretary, so I am looking to you for the answer, if I may.

**Shona Robison:** The profiling of the funds that are required by Ferguson Marine is part of the negotiation with Ferguson Marine in terms of what is required when. There has been a lot of attention given to the funding profile of what has been required and what has been spent—probably more attention than many areas of Scottish Government investment have received.

I am sure that Neil Gray will be able to give more detail on that. When we negotiate with any organisation that is receiving public money, there is a negotiation about what is required for that particular year to deliver what the organisation says that it is going to deliver.

The history there is quite challenging, and no one is going to say otherwise, but we are attempting to make sure that we align the required resources with what is realistically going to be

delivered in that financial year. That is the best answer that I can give.

**The Convener:** Mr Gray will, no doubt, answer that in the second evidence session, when we get to it.

I have a final question for you. As part of reprofiling the small ferries project, CMAL’s voted loans budget will be cut by 31 per cent or £30 million. What effect will that have on the harbour works that need to be undertaken to ensure that the very ferries that we have talked about being so delayed are actually capable of coming into service? I think that there were problems with the pier at Ardrossan just this weekend.

**Shona Robison:** You are right to point to port infrastructure being really important, and we remain absolutely committed to the funding of not just the new vessels, but the port infrastructure to support the ferry services. That is why the infrastructure investment plan set out funding of £580 million and why we have provided more than £100 million in further funding to allow, for example, the purchase of new vessels for Little Minch.

There are two parts to the infrastructure investment plan going forward. First, there will be an update at the end of this month on the projects that are already in train and where they are with regard to any delays.

Secondly, we will produce the next phase of the infrastructure investment plan later this year. We would have liked to align that with the budget but, as you will appreciate, there are quite a lot of uncertainties, given the capital outlook, in where the spring budget will leave us with capital funding. However, we will set out the next iteration of the infrastructure investment plan.

There is no doubt that capital budgets going down will have an impact across the board, but where we are investing in new vessels, we clearly need to make sure that the port infrastructure is there, so that the new vessels have the required infrastructure. That is an important priority.

You mentioned one or two issues in relation to port infrastructure; there are a number of them. As we get the detail on any changes or amendments to the infrastructure investment plan, we will be happy to provide you with that. The next iteration of the infrastructure investment plan will be published later this year.

**The Convener:** I think that that will all be decided at a CMAL board meeting at the end of this week, unless I have the dates wildly wrong. Maybe islanders can look forward to drawing down some of the ScotWind money to help make sure that their ports are up to speed. Anyway, that is all in the future.

Thank you very much, Deputy First Minister. We will briefly suspend the meeting to allow you to move on to your next committee meeting.

10:23

*Meeting suspended.*

10:30

*On resuming—*

**The Convener:** Welcome back. Mr Gray has remained at the table, alongside Colin Cook, director of economic development, and Susie Townend, deputy director for energy industries, both from the Scottish Government. We will move straight to questions. You are not getting to make another opening statement, Mr Gray—much as you might like to.

**Neil Gray:** I think that I said it all earlier. *[Laughter.]*

**Ben Macpherson (Edinburgh Northern and Leith) (SNP):** Good morning to you and your officials, cabinet secretary. Thank you for being with us.

I want to focus again on the current position on wind power, particularly offshore, as well as other marine-based energy forms. Given your commitment to halve the consenting time for renewables projects, what are your plans for improving the resource that local authorities will need to reduce the time for assessing planning applications for new energy projects? I mean those that will be dealt with by local authorities; in due course, I will have questions about those for other licensing bodies.

**Neil Gray:** I appreciate Mr Macpherson's question. For clarity, our commitment to halving the consenting time is for onshore wind projects; it is part of the onshore wind sector deal. Although we cannot mandate developers in that area, we have an agreement from them to consult communities at an earlier stage in developments and to propose commitments on community benefit that are both generous and more strategic in the way that such benefit will be derived.

In return, we are considering how we might halve the consenting time for onshore wind projects. That is an important distinction because, from planning and consenting perspectives, wind energy development is clearly at a far more advanced stage. Developers, planning officials and representatives of the regulated bodies are far better versed in those processes than is the case for those for offshore wind or other marine energy projects.

I am also aware that, alongside access to grid, which is probably the greatest barrier to

investment that we face on offshore renewables, consenting and providing as much certainty as possible are among the industry's greatest asks. We are considering what we can do in that space to streamline the process, while balancing the need to take environmental considerations seriously.

I turn to what we are doing through the budget to ensure that planning authorities are able to deal with those processes. In her budget statement, the Deputy First Minister made reference to our looking to work with industry to improve the available support for planning authorities. We are giving early consideration to how we might move forward with planning processes in general—not just for renewables, but for all projects—and with supporting local authorities on those.

**Ben Macpherson:** It is important to acknowledge the expertise and high levels of skill that we have in Scotland, both in professional services and within local authorities, which have been developed over a long period of time.

**Neil Gray:** Absolutely.

**Ben Macpherson:** Those are real assets in Scotland's renewable development work.

Your answer mentioned offshore wind projects. The issue that I will raise is also relevant to port development. I saw the work that led to the port of Leith becoming a renewables hub, the project for which is now well under way and is being consented. During that process, though, there was concern about the time that it took Marine Scotland to deliver the necessary consenting validations. Has the Scottish Government considered how it will ensure that Marine Scotland's licensing operations team is effectively resourced in the period ahead, given that that will be essential for consenting to offshore wind projects? Rightly, we want to work thoroughly, robustly and appropriately with regard to environmental considerations. However, where projects are compliant, we want those licences to be issued as timeously as possible, whether they are for offshore wind or tidal energy projects.

I will write to you shortly about Nova Innovation in my constituency—I know that you have visited it. It is looking to deploy in Orkney, but it is still, along with partners, waiting for the necessary consenting.

How can we improve the situation to ensure that we maximise investors' determination to make projects happen and that the processes are undertaken thoroughly? I appreciate that we will need to grow the skills base in that area and that that takes a bit of time, but how can we make that happen?



**Neil Gray:** I acknowledge the first point that Mr Macpherson made, which is that we have a competitive advantage in skills across the system from our experience in energy, consenting, engineering and so on. That puts us in a very strong position.

Obviously, we are talking about new technology in some areas and going into areas of the environment that we have not considered before. Some of that will take time. However, I am keen to continue to work not just to fulfil my responsibilities, which include consenting to some of those projects, but to fulfil some of the responsibilities that my colleagues have for bodies such as Marine Scotland, NatureScot and others that Mr Macpherson referred to in order to ensure that they have the capacity, skills, experience and direction so that we balance the consenting requirements.

We sometimes have competing environmental considerations. We consider our climate change responsibilities, but we also ensure that we protect seabirds, for instance. There are competing demands in some areas. We take those seriously and look to provide as much certainty as possible for industry and to provide timeous responses, as Mr Macpherson put it.

I am well aware of Nova Innovation, which is a phenomenal success story and a really strong brand that is becoming internationally recognised. Obviously, it would not be appropriate for me to discuss individual applications but, in general terms, we would look to provide consenting in a timeous fashion and in a way that is demonstrably fair and compliant with the regime that we have set out.

**Ben Macpherson:** As we move further into the new year and towards the spring, the UK Government's sixth contracts for difference auction round is very important to the renewables industry in Scotland, and we need to ensure that we maximise that opportunity. That involves timeous consenting for projects that are relevant and looking to benefit from that. Contracts for difference allocation round 6—or AR6—could be not just a huge opportunity to drive forward renewable deployment but a huge opportunity to move beyond the mishap, to be frank, of AR5. I know that you are very engaged with that issue, but could you set out what the Scottish Government is doing to impress on the UK Government that it needs to set an ambitious budget for the auction and ensure that Scotland can maximise the opportunity by having as many projects eligible for the auction as possible?

**Neil Gray:** Mr Macpherson has hit on a critical area of decision making that will come down the tracks this year. I am very pleased that the strike price that the UK Government has set answers the

industry's concerns. AR5 was a missed opportunity, particularly for offshore wind. We, along with the industry, impressed on the UK Government the need to ensure that it got the strike price right. I think that we have agreement that the UK Government has taken that issue very seriously and has responded accordingly, which I am very pleased about. I put on record once again that the UK Government has taken that approach.

The next challenge, as Mr Macpherson has set out, is the overall quantum that will be available in AR6. If we are to make up for what happened in AR5, it will be important for the quantum to be sufficient to allow progress to be made, particularly for ScotWind but also for some of the other technologies that we saw in AR5 as a result of offshore wind not being there. Those include marine energy projects, such as the wave and tidal energy projects that we will see coming through for the first time.

There is another element. There will be a difficult balancing act, because we must ensure that we are balancing the different interests fairly. We must ensure that we get a good price, while also encouraging the economic opportunity that comes from developing the supply chain, which means that non-price factors are part of the consideration of AR6. I hope to see continued engagement by UK ministers both with me and Gillian Martin, the energy minister, and at official level. We have a massive opportunity. From the perspective of the investor panel, ScotWind is the top opportunity for inward economic investment and investment of capital, but there are also other areas of marine energy. We must grasp the opportunities that are there, to ensure demonstrable benefits for our people.

**Ben Macpherson:** I feel reassured by your answers, because 2024 will be a huge year of opportunity if AR6 is done right and the consenting processes can be improved somewhat. There is huge potential to build on.

Both a few moments ago and earlier in this meeting, you emphasised the huge opportunities for the supply chain across the country from the port of Leith to the north of Scotland. In order to bring the figure to life, can you give more detail about how the almost £70 million for offshore supply chain support will be spent? I know that that money is designed to leverage private investment, which is looking for opportunities to engage with our renewables sector. I appreciate that you will need to give a general figure, but what would you consider to be a good ratio of private to public investment?

**Neil Gray:** I appreciate that Mr Macpherson has a direct interest in the port of Leith. Other ports are available and there will be plenty of work to go around all of them.

**Ben Macpherson:** Of course.

**Neil Gray:** There are obviously huge opportunities for the port of Leith, given its location and capacity and the fact that it is a green freeport. It can take advantage of the opportunities that will come from developing the Scottish renewables supply chain.

I will pick up on a number of areas. Developing a Scotland-based supply chain for our renewables industry in general and for offshore wind in particular is one of our greatest economic opportunities, so I take that incredibly seriously. That is why the First Minister came forward with the £500 million commitment, which has been welcomed by industry as giving not only certainty but confidence to investors, who can see that we are taking the issue seriously.

I will be developing that with colleagues and bringing forward a green industrial strategy by this summer. That will take decisions and set out a pathway for how we develop the supply chain, what it looks like and which areas we will prioritise. If we are getting that right, we will not be pleasing everybody. We will have to prioritise where public funding goes and that will be considered partly through the green industrial strategy.

We also have the strategic investment model that Gillian Martin took forward last year, which has huge potential. It includes port and harbour infrastructure and other elements that will enable some supply chain opportunities to be realised. We are collaborating on that across Government, as Mr Macpherson would expect. We are also working with industry partners to ensure that we get that right and maximise the economic opportunities, as well as facilitating and enabling developers to come forward, particularly for ScotWind, at the earliest opportunity.

**Ben Macpherson:** On the question about the ratio, do you—

**Neil Gray:** I do not have a figure in my head. The likes of SNIB, Scottish Enterprise and other investors have to consider that, and some have stringent targets for it. I would be happy to give a more considered view in writing as part of the further information that I committed to send in the previous evidence session.

10:45

**Ben Macpherson:** Thank you, cabinet secretary. I think it is important for Parliament to keep in mind that this is a huge opportunity to unlock private investment with public investment. That is, of course, part of the Government's intention.

Before I allow colleagues to come in, I want to mention that some in the renewables sector have

emphasised to me—and, I am sure, to the cabinet secretary—the prominence of the considerations around the Berwick bank offshore wind project. Cabinet secretary, I appreciate that you will not be able to speak about a process that is under consideration by consenting bodies, but do you want to touch on that proposal, given its significance and scale?

**Neil Gray:** First, I re-emphasise the point that Mr Macpherson made about the importance of private capital in realising our renewables ambitions. Quite frankly, it will not be possible for us to achieve ScotWind or to develop a supply chain without private capital, which is why we are taking the recommendations of the investor panel so seriously. It is why we are coming forward with the green industrial strategy, because that will give potential investors clarity and focus on what our ambitions are. We have put up a big saltire internationally to say, “Come and invest here in Scotland—Scotland is open for business”. We need that private-public collaboration if we are to achieve what we want to achieve. We want to make sure that we are coming forward with investable propositions and that Scotland is a destination to do business in. That is why we are looking to bring about clarity as best we can with the documents that we will come forward with this year.

I cannot comment on a live application. It would be completely inappropriate for me to do so, as Mr Macpherson has alluded to, except to say that that process is on-going.

**The Convener:** I think you are being told that that was a nice try, Mr Macpherson. Bob Doris has some questions, then Mark Ruskell wants to follow up, and then there will be questions from Monica Lennon.

**Bob Doris:** Cabinet secretary, to rewind a little, part of Mr Macpherson's line of questioning was about speeding up the consent process and about local authorities going quicker in relation to that. I am conscious that, for larger projects, decisions are made at a national level, and the energy consents unit would deal with a lot of those. I see in my briefing paper that the fees regime should make the running of that unit cost neutral. How do we make sure that the process is also cost neutral for local authorities and that they are appropriately staffed with the correct expertise to speed the process up? I imagine that there are a lot of up-front costs in resourcing local authorities to do that. How does the budget secure the investment in local authorities that they will undoubtedly need?

**Neil Gray:** Mr Doris is absolutely right. That is precisely one of the reasons why I am so interested in what the Deputy First Minister has committed us to looking at in terms of support for

the planning functions that local authorities are responsible for. Some local authorities will have to deal with large, complex planning applications—in some cases in energy, and in some cases in the infrastructure space. I am looking at what might be possible in order to support planning authorities in that space.

There is no direct commitment as yet. What might be possible is part of a current discussion and consultation phase. However, I am very cognisant, as the Government is, of the need to ensure that we are providing as much certainty as possible to potential investors, whether in the energy space or otherwise. We also need to ensure that our planning processes are fit for that work and are able to deal with it—not just in terms of national planning framework 4, but also from a resource perspective. I hope that we will have more detail on that as those considerations continue.

**Bob Doris:** I am glad that that work is on-going. I am minded to ask whether, if there is a principle that the running of the energy consents unit will ultimately be cost neutral, there is an anticipation that, whatever funding mechanism is worked out with local authorities to underpin their work in that area, including fees regimes, that work should also be cost neutral to local authorities.

**Neil Gray:** I believe that that is considered. I am not entirely familiar with how that is set up, but I will be happy—alongside colleagues—to come back to Mr Doris, to ensure that he has clarity on the question.

**Bob Doris:** I suspect that my councillor colleagues would welcome that.

**Neil Gray:** I bet.

**Bob Doris:** You had an exchange with Mr Macpherson about how other public bodies are financially supported. I think that NatureScot and Marine Scotland have been mentioned, and I am sure that other bodies are relevant. Our briefing pack talks about not being clear about how much funding could be realised for those organisations and about getting a better idea of the pipeline of projects. Do those organisations require funding for up-front costs in preparing for what we hope will be a full pipeline of projects?

That goes back to a question that I asked in the previous session. What is the latest update on what the pipeline of projects looks like?

**Neil Gray:** Some funding for the pipeline of projects has come through the strategic investment model and some of that will feed in to the work of the green industrial strategy. From an energy generation perspective, there is the opportunity for the transmission infrastructure network to expand significantly. That is not just an

economic opportunity but an energy necessity if we are to realise our climate ambitions through the opportunity of our renewable energy capability and the electrification of the country.

The resource for statutory bodies such as NatureScot and Marine Scotland is constantly under review and depends on their requirements. Discussions will be on-going with relevant ministers and cabinet secretaries about whether allocations are appropriate. We look ahead to pipelines of work to ensure that bodies have the capacity to respond in a timely fashion.

**Bob Doris:** We are doing budget scrutiny, and my briefing pack says that we need to wait for industry to bring forward a pipeline of projects and be clearer about that before we can identify additional resource for public bodies. Is that a budget reality because the pipeline of projects brings investment, which will help to fund those bodies, or is that a strategic thing?

**Neil Gray:** It is both—both will be under consideration. We will look at the bodies' current resource requirements and at the future, which involves getting clarity from industry about projects that will come through. I gave the example of transmission infrastructure, but there are other activities that relate to the energy supply chain and energy development where we are keen to get as clear a timeline as possible from industry for when it expects to come forward with proposals. Some of that will depend on factors that are outwith its control and our control. As I said, one of the greatest potential barriers to our renewable energy capability concerns access to the grid for energy development and offtake from the grid for particularly energy-intensive supply chain developments. Such considerations are key. I know that UK ministers and regulatory bodies are cognisant of that and understand the need to accelerate investment in the grid to ensure that we can respond to the opportunity that is before us.

**Mark Ruskell:** I have a follow-up question about the pipeline of onshore wind projects. It appeared to be quite clear in last year's draft energy strategy how we would meet the 2030 target for doubling onshore wind capacity—slightly more than half of what we need was in the planning system and slightly less than half of what we need had been consented. I am trying to understand what the big bulk of work for planners is that we do not understand at this point. If that holds true, pretty much everything that we already have in the system will meet the target.

I do not know the extent to which the onshore wind pipeline has developed in the past 12 months since the onshore wind sector deal and whether we are seeing far more applications or whether there has been a reduction. In the draft energy strategy, it seemed that there was certainty about

what was coming down the pipeline. I am interested in your perspective, or Susie Townend's perspective, on whether that has changed in the past 18 months. Clearly, the onshore wind sector deal has been fantastic for the industry and a major thing that the Government has pushed forward.

**Neil Gray:** I expect that Mr Ruskell is correct. I would need to go away and check for an update with regard to where we are now versus where the draft was in relation to the proportion of our 2030 target that is in train, in the planning process or in delivery. I am happy to look at whether there is an updated figure on the proportions.

Mr Ruskell's assessment of the importance of the onshore wind sector deal is also correct. Industry has welcomed it. It is important not only for industry and the development of onshore wind, but for communities, so that we see demonstrable benefit and that people have a voice on those projects.

In spite of the fact that we do not have the power to enforce it on developers, the onshore wind sector deal commits the industry to consulting with communities where there is going to be an application at a much earlier stage. That means that there can be potential mitigations or changes to the way that the layout of the application comes forward, so that it answers community need. Critically, it also commits the industry to the Scottish standard on community benefit, which is £5,000 per megawatt generated. Again, we cannot mandate that, but industry is committed to that and it is an important leading principle.

We will work with industry, through the Scottish offshore wind energy council and the various bodies, to ensure that community benefit is strategically deployed so that we see the maximum economic regeneration and development coming from that finance, in order that communities that have energy and infrastructure on their doorstep can see demonstrable impact from that.

I declare an interest on that front, as there are substantial wind energy projects in and surrounding the community in Airdrie and Shotts, which I represent. I can already see some of the flow of money coming through from that and the community having a real agency over how that is deployed, which is incredibly welcome and is what we need.

**Susie Townend (Scottish Government):** As well as providing community benefit, it is also a hugely important part of the just transition. What were previously oil and gas supply chain companies are becoming much wider energy supply chain companies. They need that flow of

projects in order to make that transition, so it is important in economic terms as well.

**Mark Ruskell:** If there is more information about how that pipeline is shaping up, it would be very useful to get that.

**The Convener:** Anything that can be shared with the committee in advance is always helpful. As a result of this session, it can be shared through the clerks.

Monica Lennon has some questions.

**Monica Lennon:** I will go back to Ben Macpherson's important question about resource for our planning authorities, given that it is imperative that we speed up consenting for new energy projects and that the planning profession is important for growing the wellbeing economy and achieving the just transition that we all want for workers and communities.

I declare an interest in that I am a former member of the Royal Town Planning Institute Scotland. I am worried by recent data from RTPI Scotland. What the cabinet secretary set out in relation to what the budget might be able to do to address the question that Mr Macpherson asked sounded quite optimistic. However, we know that we are losing staff and budget from planning authorities.

RTPI Scotland says that its latest analysis of data about planning resources in Scotland shows that the public sector workforce of planners is at its lowest level in five years. The most recent figures, for 2022-23, show that we have a headcount of 1,205 public sector planners in those planning authorities. In the budget that you are proposing now, will that figure increase? If it will, by how much?

11:00

**Neil Gray:** I recognise the role that Ms Lennon has played on this front and her interest in and understanding of the situation.

I am keen to impress upon the people who are making career choices the importance of the planning system in realising our economic goals. Huge projects and opportunities will be coming forward in which planners will play a central role in ensuring that our economic opportunities are realised and that, as Ms Lennon rightly points out, the wellbeing economy can be progressed. I would encourage people who are considering which career path to choose to look at planning as an area where they can make a real difference in shaping our society and ensuring that we deliver for communities.

There are two further points to make. First, planning authorities are funded through the

resource that is provided to local authorities in general, and it is for local authorities to determine their allocation to their own planning departments. Secondly, as I said in response to Ben Macpherson, we are looking at what more we might be able to do to provide support to planning authorities and to ensure that we can provide as much certainty as possible on the speed of some of the decisions that are being taken, so that we can provide certainty not just to potential investors but to communities where there are planning applications.

I cannot give an overall figure or say whether it will go up or down, because some of that will depend on local decision making, which is the way it should be. However, we are looking at what more we can do to support a faster process in planning. There are on-going discussions about the extent to which that would require resource and whether it would require other interventions to provide support to local planning authorities.

**Monica Lennon:** It would be worrying if we saw a further reduction in the planning headcount.

I note briefly that we welcome the fact that, previously at this committee, the Scottish Government committed to widening access to the planning profession through the introduction of a planning apprenticeship. We have seen that work in England.

The other thing that has been done in England is that, last year, a £5,000 bursary was brought in to encourage people to enter the planning profession through the master's degree route. We know that, in Scotland, it is getting harder to find an entry point into planning as an undergraduate. That bursary was part of the levelling-up scheme. You talked about putting a saltire in the ground. Is anything coming forward that will not just signal the sentiment that planning is a worthwhile profession but will provide incentives to ensure that we have a pipeline of planners to do the work that you are so committed to?

**Neil Gray:** I acknowledge Monica Lennon's initial point about any further reduction in the planning headcount being worrying. If we saw a reduction, it would be very challenging for us to realise what we want from an economic perspective, because of the difficulty of getting through the applications that we need to get through. That is why we are looking at what might be possible. The suggestions that Ms Lennon has made will be part of our consideration of whether there is anything more that we can do, beyond the appeal that I made in response to her first question about the central importance that planners play in giving voice to the great work that our planners do. We will consider whether other incentives and supports can be given to planning

authorities, to provide greater certainty about how quickly we can process some of the applications.

**Monica Lennon:** That is very helpful.

**The Convener:** Ben, you wanted to come in briefly.

**Ben Macpherson:** I apologise for going back to something that I raised earlier, cabinet secretary, but it was great to hear the commitment to on-going consideration of whether further resource is required to assist local authorities with their planning processes. Can you indicate whether that is also the case for the Scottish Government and its agencies, particularly Marine Scotland and NatureScot? For example, more resource may be required to speed up the process and provide a greater number of individuals with the necessary expertise. Is that on your mind?

**Neil Gray:** As I said, local authorities have agency and decision-making powers regarding the level of investment that they make in their planning departments. First and foremost, we are looking to ensure that the protection of planning budgets is encouraged, so that local authorities also reap the economic rewards that come from having a good planning system and taking advantage of the investment opportunities that come through it.

The Scottish Government's commitment of its own human and financial resources to our consenting regimes is under constant review. We have a direct commitment concerning the consent time for onshore wind as part of the onshore wind sector deal, and we will need to ensure that it is reflected in the resource—including human resource—that is committed, in order that it can be realised.

**Ben Macpherson:** From my experience, it seems that those agencies are under some pressure even now, so I am glad that that is part of your consideration.

**Neil Gray:** All public bodies are under significant pressure from a financial and human resource perspective. I do not think that any aspect of the public sector will be immune from that pressure, given the budget challenges arising not just this year but from a decade and a half of austerity. That has had a cumulative impact that will be felt by public bodies not just in Scotland but across the UK.

We are looking to do what we can, within the very challenging financial settlement that we have been given, to prioritise as best we can, in order to have maximum impact, but we will not be able to mitigate everything or meet every challenge that comes as a result of a decade and a half of austerity.

**Ben Macpherson:** I appreciate that the growth in offshore and marine renewables, in particular, is

moving at a pace that is perhaps out of kilter with the time that is required to build up the expertise, so there is a challenge there. I am glad that you are focused on making a difference in that regard.

**Neil Gray:** Mr Macpherson's assessment is correct.

**The Convener:** Douglas Lumsden wants to ask a question.

**Douglas Lumsden:** I will move on to hydrogen, cabinet secretary. There was £100 million pledged for the support of green hydrogen during the current session of Parliament, but it looks like only 7 per cent of that has been allocated so far. Can you set out how the rest of that money will be allocated?

**Neil Gray:** We have had to take incredibly difficult decisions because of the financial settlement that we have received. In particular, as the Deputy First Minister set out, we have seen a reduction in our capital budget from the UK Government, as well as a reduction in financial transactions and a real-terms cut of almost 10 per cent coming forward in future years. That has had a direct impact on what we are able to spend. It goes without saying that we cannot spend what is not there, and I have had to take a very difficult decision to prioritise our commitment to an offshore wind supply chain, which I believe will help to catalyse some of the projects that will lead to the continued development of hydrogen.

The hydrogen innovation scheme continues to operate and we are continuing the Scottish industrial energy transformation fund, which has the potential to look at the decarbonisation of heavy industry, including through the generation of hydrogen. There are huge opportunities still available. We are incredibly well placed to take advantage of green hydrogen in particular; there is a huge market for that. We know that there is significant interest from Germany in particular for a fixed link. Hydrogen will play a critical role and I want to see it developed as quickly as possible. However, where we are faced with a fall in budgets, we have to take difficult decisions, and I have had to prioritise the offshore wind supply chain.

**Douglas Lumsden:** Do you mean that the £93 million that is still due to be spent during this parliamentary session will not now be spent?

**Neil Gray:** No, I did not say that. There is still an opportunity during this parliamentary session for hydrogen investment and for the hydrogen fund to be there. For this particular budget, however, I have not been able to prioritise money against that budget line. That is because I have chosen to prioritise ensuring that we kick-start the £500 million offshore wind supply chain commitment that the First Minister made. I prioritised that partly

because I believe that it will help to catalyse hydrogen projects and also because there are other routes by which we can see continued hydrogen innovation happen; the hydrogen innovation scheme and the Scottish industrial energy transformation fund are two examples of that.

**Douglas Lumsden:** In late 2022, the Scottish Government website said that the next tranche of hydrogen investment would be in early 2023; I am not sure whether that happened. In September 2023—in a response to a written question—the Government said:

“The next tranche of the hydrogen investment programme, the up to £90m Green Hydrogen Fund, will launch later in 2023.”—[*Written Answers*, 29 September 2023; S6W-21610.]

I presume that that did not happen. You have said that you have had to reprioritise because you have had a difficult budget—which I understand—but does that mean that there will not be a next tranche during the upcoming budget term?

**Neil Gray:** That is correct.

**The Convener:** Okay, I have a few questions as a result of that answer. Last week, I went on an interesting visit, on behalf of the committee, to the hydrogen works building at Heriot-Watt University. Some of the things that you have said this morning echo exactly what those there said. They said that private investment is needed and that it appears that private investment is available. They also said that some of the problems with hydrogen in future are related to grid connection. My question to you, cabinet secretary, is about the option agreement that you have made with ScotWind. How much of the energy—the electricity that ScotWind generates offshore—have you stipulated should go into electrolyzers and not into the national grid, to allow hydrogen to be developed in Scotland?

**Neil Gray:** We are exploring that as an option for ScotWind developments. There is complexity there; I assume that you are aware that the technology in offshore electrolysis is nascent, which means that we would still be transferring electricity onshore for electrolyser capability to happen. However, work is under way by some of the developers in the industry to see whether offshore electrolysis is possible and whether its use can be pulled forward.

That would be of particular interest to me because of the interest in Germany in a fixed hydrogen pipeline between Scotland and the continent. I believe that that has huge potential to see hydrogen production and investment continue. It would also take the pressure off the need for onshore transmission infrastructure to get electricity into the grid.

That would be a win-win situation, but your assessment is correct that we will need significant private investment. Part of what we are trying to do with our finances and the finances that are available to us is to try to catalyse some of that development to de-risk some of the investments by using public finance as best as possible. That is why the green industrial strategy, which will be published before the summer, will be so important. It will point out the direction of travel for our supply chain finance, which will give certainty to the industry. I do not want to prejudge where the work on the green industrial strategy will come out, but I would be surprised if ScotWind were not right at the top of the priority list.

**The Convener:** There is an opportunity to put a stipulation in the option agreement, but that has not yet been exercised. The option agreement is for a project that is significantly far in the future to allow the energy to catch up, or to provide power for the offshore electrolysis of hydrogen.

I got a clear message on behalf of the committee that the Scottish Government can kick-start private investment by making sure that the incentive to do it is there. That can be done by ensuring that a percentage of the power goes to hydrogen and not purely to the national grid. Power does not have to go straight to the national grid from offshore. It can go onshore through different supply routes to electrolysis plants.

11:15

**Neil Gray:** Yes. There are also UK Government interactions here. I am keen to see more work done on the transportation, storage and regulation that is required for hydrogen to come forward, so that we can provide certainty to the industry about what the expectations will be, and to see whether the UK Government is as committed as we are to that fixed link, because that is what will make the difference. If investors and developers know that there is a market and a route to market, that makes a substantial difference to their investment decisions. A fixed link will be a transformational element.

There will be differences of opinion as to what the best use of hydrogen, particularly green hydrogen, will be. The opportunity that we have before us in terms of industrial decarbonisation, the decarbonisation of transport and the potential for the decarbonisation of energy—as well as the export potential—makes green hydrogen a big opportunity. It will largely be dependent on how we get on with the development of ScotWind.

**The Convener:** I will just make the observation that we should not worry too much about the fixed link from Germany. I think that people in the

Highlands would say that they prefer pipes over pylons, so there may be scope there.

**Neil Gray:** That is a fair point and I am cognisant of it. The issue is how we use hydrogen, where it can be deployed and what is possible from it. We should not underestimate the opportunity that would come from an export of some of that hydrogen, because it would also catalyse the wider hydrogen industry, which allows some of the other offtake to happen.

**The Convener:** Okay. I will not come back with a comment on that, but Mark Ruskell will.

**Mark Ruskell:** Yes, it has been an interesting discussion. To follow on from that, where is green hydrogen right now, within the context of this year's budget? Are the market opportunities near market, or are we still looking at far-market opportunities?

Looking at the hydrogen innovation scheme and what has been funded already, there are some really useful and interesting feasibility studies for quite small-scale application of green hydrogen. However, it feels as though a lot of that stuff is about demonstrating its value; it does not feel as though the full commercial opportunities are here—right here, right now. That may go back to your comment about offshore wind and the strategic focus. What is that focus for green hydrogen, perhaps in the longer term?

**Neil Gray:** I think that you are right that the investments that we have made so far are around demonstrators as well as around testers on the viability of some of those potential uses. I am thinking of the work that the European Marine Energy Centre in Orkney has done to demonstrate that green hydrogen can power the harbour infrastructure for the ferries while they are dockside there, or indeed the investments that have been made in the demonstrator in Fife of the potential for green hydrogen to be used for an alternative energy and heat supply.

There is massive potential in relation to green hydrogen, particularly for industrial decarbonisation; also, potentially, for export and transport decarbonisation. There is a difference of opinion across industry pretty widely as to whether green hydrogen, or hydrogen in general, will be best used by deploying it for alternative household energy consumption. However, it is important that we continue to invest in those demonstrators to show whether it is viable and to work with some of the organisations that have an interest, such as the gas grid and its regulators, to see how we can best deploy green hydrogen.

Some of that thinking will come through in the green industrial strategy, but the completed energy strategy and just transition plan will also feature some of that work.

**Mark Ruskell:** However, for this year's budget, the focus is offshore wind and building up the capacity in that supply chain, and that is where the jobs will come from.

**Neil Gray:** Yes, although in the hydrogen space I go back to the fact that the hydrogen innovation fund and the Scottish industrial energy transformation fund will also continue, so there are still routes for us to invest in hydrogen projects.

**The Convener:** Jackie Dunbar, you have waited very patiently for your questions.

**Neil Gray:** Sorry, convener—Susie wants to add a comment.

**The Convener:** We are pushed for time, so it must be very brief.

**Susie Townend:** Very briefly, there is an additional fund that continues to support hydrogen—the energy transition fund, which supports work on the Aberdeen Hydrogen Hub and also, through the Net Zero Technology Centre, the hydrogen backbone project.

**The Convener:** Okay—that is noted. We move to questions from Jackie Dunbar.

**Jackie Dunbar (Aberdeen Donside) (SNP):** Thank you, convener—I am nothing but patient.

**The Convener:** No comment. *[Laughter.]*

**Jackie Dunbar:** Good morning, cabinet secretary. I will ask you a couple of questions regarding carbon capture and storage, and it would be remiss of me as a north-easter if I did not take the opportunity to ask you about the Acorn project. Are you able to give the committee an update on the latest developments and on where we are with the Acorn project? I would be interested to hear your views on the impact on the project of the UK Government's delay in approving it in the first instance—if any.

**Neil Gray:** I thank Jackie Dunbar and recognise her considerable interest in the subject, as there will be across the committee and, more widely, across the Parliament.

I had a really productive meeting with the Scottish cluster at the end of last year and its planning and work on the development of carbon capture, use and storage continues. The encouragement—not just from the cluster but from the Scottish Government—is for the UK Government to move forward at a greater pace, so that we can realise the opportunity from both a net zero and an economic perspective. Our assessment is that, through the use of CCUS, our gross domestic product could increase by 1.3 to 2.3 per cent, which is a substantial amount. If the UK Government came forward in a much faster way on confirming track 2 status and the inclusion of industrial emitters, that would allow us to ensure

that we have those strategic discussions with the cluster about where we can provide support—I have spoken previously about our commitment there. It would also mean that we could ensure that we reach our net zero ambitions for 2045, because carbon capture will play an incredibly important role in that. There will be great competition around the world for this capital and, if we miss the opportunity, it will be to our detriment from not just a net zero, but an economic perspective.

**Jackie Dunbar:** The Scottish Government has pledged, I think, £80 million for CCS support in Scotland. Can you outline some of the conditions that need to be met before that pledged money is released, or has it already started being released?

**Neil Gray:** Ms Dunbar is correct—we have that long-standing commitment to continue to support carbon capture. The release is triggered by the decisions that are taken at a UK Government level, as I set out previously, around furtherance of the track 2 status and, in particular, whether industrial emitters will be included. We continue to engage with the UK Government on making progress and encourage it to do so in a timeous fashion, so that we can realise our commitment and our obligations to meet not just our net zero targets but the UK's net zero targets. The Scottish cluster also has a very important role in the UK meeting its net zero ambitions—it is not just about the central role that the cluster will play in Scotland's ambitions. Therefore, we need to see faster progress there, and I am sure that the committee will also be interested in exploring progress on that with UK ministers.

**Jackie Dunbar:** We heard previously from the UK minister that the Scottish cluster was vital for the UK Government to meet its net zero targets.

**Neil Gray:** I concur.

**Jackie Dunbar:** Back to you, convener.

**The Convener:** Thank you very much, Jackie.

Douglas Lumsden has a question.

**Douglas Lumsden:** I will follow up something that Jackie Dunbar said. Is any of the £80 million that has been committed in the 2024-25 budget?

**Neil Gray:** No, there is no budget line for that. Mr Lumsden is correct. That commitment is not for a single year; it will be for negotiation, depending on the requirements of the cluster. That will be triggered when the UK Government takes its decisions around track 2.

**Douglas Lumsden:** Okay. I will move on.

The closure of the Grangemouth refinery was a big shock, but is it correct that that does not affect the Acorn project at all?



**Neil Gray:** Yes, that is correct. It has no bearing on the viability of the Acorn project. The refinery is just one part of the Grangemouth cluster; there are significant industrial emitters in the wider cluster at Grangemouth. Even if we move to it being an import terminal as opposed to a refinery, there will still be flaring that needs to be captured. Therefore, that closure has no bearing whatever on the viability of the cluster's application.

**Douglas Lumsden:** You mentioned other emitters. Has an analysis been done of how many large emitters Scotland has, in order to ensure that the Acorn project is still viable, or is that work still on-going?

**Neil Gray:** The Scottish cluster has that work in hand. We have also done our own work, and I can pass on further information around the industrial emitters that we are aware of and the work that needs to be done in order to see that decarbonisation happen. I am happy to provide that to the committee.

**Douglas Lumsden:** Thank you, cabinet secretary. Acorn is obviously going to be important to the north-east, but so is the just transition funding. I notice that, next year, that will reduce from £50 million to £12 million. Can you say a bit about the impact that that will have? Will that £12 million be for projects that have already been approved and that had multiyear funding or will it also be used for new projects that come forward?

**Neil Gray:** Forgive me, convener, but the just transition fund is outwith my area of responsibility. I am happy to ensure that the committee can be furnished with further information about any impact assessment that has been carried out and the further work that we are doing to ensure that we invest in the just transition.

**The Convener:** I will say, on behalf of the committee, that it is outwith your funding responsibility. However, you mentioned just transition in your opening speech, so there is obviously confusion on that point.

Douglas, do you have any other questions?

**Douglas Lumsden:** Yes. Working with the industry will be key. In a letter to the First Minister, the chief executive of Ithaca Energy said:

"Rosebank's £8 billion investment is ... welcome"

but that he is disappointed

"that no Scottish Minister gave any sign that the jobs likely to be supported in Scotland by this project were welcome."

He went on to say:

"Domestic oil and gas production has fallen by 70% from its peak pre-devolution. We have explained this many times to Ministers and officials, so it is disappointing to hear the language of 'unlimited extraction' still used by"

the First Minister

"and other senior Ministers."

He also said:

"Without support for oil and gas, our human capital and supply chain will be lost to the booming energy sector opportunities overseas thereby slowing down the energy transition."

Do you accept those comments that the narrative that the Scottish Government is using about oil and gas will slow down our energy transition?

**The Convener:** I am sorry; that is slightly outside the budget scrutiny, but I will allow you to come back on it briefly.

**Neil Gray:** I am happy to give a brief response to that. First of all, without referencing any particular project, the central importance that the traditional oil and gas companies will play in securing our energy transition is clear. I have already stated that we cannot make that just transition happen without private capital, and a large amount of that private capital will come from energy companies that have traditionally been involved in oil and gas. We are also going to need the skills and expertise of people who have been working in oil and gas—and that volume of people—in order to transition to renewable energy.

I absolutely welcome and value the work that those workers have contributed to date and I appreciate the on-going investment by traditional oil and gas companies in new energy technologies. I encourage them, as the First Minister and I did at an Offshore Energies UK round-table meeting last Monday, to move faster and to show where they are making those investments so that that is demonstrated.

There are various on-going projects by traditional energy companies, in oil and gas and in renewable energy, that demonstrate that the just transition is happening, and the movement of workers from the oil and gas industry into renewables demonstrates that, too. I am keen to see it happen quicker—as quickly as possible—and I will work with anybody who can help us realise that goal.

11:30

**The Convener:** Mr Lumsden, we have taken that as far as I am going to allow you to take it in this session.

I have a couple of questions. As no member has anything else to say, I will go straight to those.

Mr Gray, how much have you put aside for paying for hulls 801 and 802 next year?

**Neil Gray:** There is a specific line in the budget. I cannot remember the exact figure—

**Colin Cook (Scottish Government):** It is £42.5 million.

**Neil Gray:** So, £42.5 million has been set aside for this financial year.

**The Convener:** Is that all that will come out? Are you confident that at the meeting, which I think will take place at the end of this week, the Government will not be asked for more money?

**Neil Gray:** I certainly hope not. In my visit to the yard and my meetings with the chair and the chief executive, and indeed with the shop stewards and the senior staff, I have emphasised that there is a need for us to deliver those vessels as quickly as possible. I do not want to see any further delay, but it is also important to ensure financial probity and that we are bearing down on costs. I do not want to see a further cost overrun, but obviously I cannot guarantee that there will not be one—it depends on what comes through at the meeting at the end of this week.

I have stressed to the board and the chief executive the financial situation that the Government is in. As we have all heard about and have been poring over today, the availability of further resource is limited. They need to ensure that they are bearing down on costs. I have pushed as hard as I can, and so has the First Minister, on not coming forward with any further cost overruns.

**The Convener:** On the basis that that funding will be £42.5 million, what has the Government paid for hulls 801 and 802? What is the total cost?

**Neil Gray:** I would be happy to provide the full figure once the meeting has been had at the end of this week.

Obviously, the figure of £42.5 million that we are giving for the year takes account of the fact that 801 is at an advanced stage, so it is a reduction from what we invested last year. The updated cost-to-complete figure is £130 million for hull 801 and £110 million for hull 802.

**The Convener:** It would be very helpful for the committee to have those figures after the meeting so that we can understand them, including all the costs that were pumped into the yard to keep it open.

How much are you giving to the yard this budget year to allow it to compete for further contracts, or will it just get the £42.5 million and then you will cut it loose?

**Neil Gray:** That is a separate discussion that is under way. There was an application for capital investment to update the yard and enable it to be more competitive. We want to see greater productivity at the yard to allow it to compete on its own merits for further work. Various strands of

work are on-going to try to secure further work for it, and specific conversations are happening to update the business plan and the financial model around potential further capital investments, in order to ensure that they comply with subsidy control. Those discussions are on-going, and we are working directly with the yard on ensuring that it can be compliant.

**The Convener:** I think that the yard asked for £25 million and the business case was not justified, so you did not give it that—that was my understanding.

**Neil Gray:** It was around that figure, and the yard did not comply with what we would expect on a commercial market operator test. Therefore, the request fell at that first legal hurdle, which is that we have to have consideration for subsidy control.

**The Convener:** Is there any money in the budget for the yard, or is that just something that you are going to draw down from ScotWind?

**Neil Gray:** No. That will be a discussion to be had based on the finalised plan that comes forward from the yard. Once we have that plan, we will consider whether we can finance it and where that finance would come from.

**The Convener:** I am asking where that money is coming from.

**Neil Gray:** That is what I am saying—that will be a separate consideration. It is going to be a separate—

**The Convener:** So it is not in the budget.

**Neil Gray:** It is not set out in this budget, no. It is going to be a separate consideration that is based on whether we can finance it, on whether the subsidy control rules will allow us to and on what comes through, and then we will seek finance to allow that to happen.

**The Convener:** The reprofiling of the small vessels project that the Deputy First Minister talked about removed about £30 million from the budget. Might that money have gone to Ferguson Marine? It might have kept it afloat, but that is not going to happen, is it?

**Neil Gray:** I do not think that that is a correct assessment, no. The crucial factor in the small vessels programme is, again, that making a direct award is allowed only in very limited circumstances, and we also want to improve the productivity of the yard to allow it to compete for future work, such as a small vessels programme.

Those are on-going considerations. However, the critical factor therein is whether we can legally come forward to make a direct award, which is not something that I have a direct responsibility for, as you will appreciate.

**The Convener:** Therefore, you are saying that you cannot make a direct award—

**Neil Gray:** No—

**The Convener:** The £25 million that Ferguson Marine said that it needed at that stage to get the yard fit for the future means that it probably could not be guaranteed any work from the Government after that.

**Neil Gray:** No, no. I think that you are conflating two issues there, with respect—

**The Convener:** Am I?

**Neil Gray:** One issue is getting the yard fit to compete for future work and another is whether we can make a direct award. Those are separate considerations—

**The Convener:** I understand that.

**Neil Gray:** Yes. The first consideration of whether we can legally come forward with a direct award will be considered as part of the procurement process. On the second element of whether we can invest in making the yard more productive, those conversations are on-going with the yard, to ensure that its business plan passes the first hurdle of the legal test—the commercial operator test around whether we would pass subsidy control rules. Then, it is about whether it is the right investment to make and whether we would want to do that; if so, we would find the finance to come forward to do that.

I and the Government remain committed to Ferguson Marine and to delivering Glen Sannox and Glen Rosa in as speedy a time as possible, because we have island communities who are in desperate need of those vessels coming on stream.

We also remain committed to doing everything that we can to ensure the future of commercial shipbuilding on the Clyde, which Ferguson Marine will be central to.

**The Convener:** If Ferguson Marine asks for £40 million, would you consider that?

**Neil Gray:** We would consider that alongside the assessments that we have to make around whether it passes subsidy control and the commercial market operator test and whether we think that that would help it to be productive to win future work on its own merits.

**The Convener:** Okay, and it is not in the budget and you have no idea where it is coming from.

**Neil Gray:** I said that, if Ferguson Marine comes forward with a plan that we think passes those tests and allows us to invest, we would look to find that money to ensure that we can invest in the yard.

**The Convener:** But you have no idea where that money would come from.

**Neil Gray:** It would come from—

**The Convener:** Somebody else.

**Neil Gray:** It would come from the Scottish budget somewhere, but we are dealing with hypotheticals based on a business plan coming forward and assessing whether that passes the subsidy control test and whether we think that that is prudent expenditure. We have to make sure that we get over those hurdles; at this stage, those are hypotheticals.

**The Convener:** It seems that there are a lot of ifs. Thank you, anyway.

The committee will take further evidence on the budget next week, when we will hear from the Cabinet Secretary for Transport, Net Zero and Just Transition and the Cabinet Secretary for Rural Affairs, Land Reform and Islands on matters relevant to our remit.

That concludes the public part of our meeting and we will now move into private session.

11:38

*Meeting continued in private until 12:25.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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