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Scottish Parliament
Net Zero, Energy and Transport Committee

20 February 2024

Dear Edward,

At the Committee's budget scrutiny meeting on 23 January 2024, the former Cabinet Secretary for Wellbeing Economy, Fair Work and Energy committed to follow up in writing on a number of energy related matters. I am responding as Cabinet Secretary for Wellbeing Economy, Net Zero and Energy, and I am happy to provide answers to the Committee's questions below.

Scotwind

ScotWind reflects our significant market ambition for Scotland's offshore wind sector. This pioneering programme will deliver over £750m in revenues to the public purse in initial option fees, with the potential to generate several billion pounds more in rental revenues once projects become operational. Through the Supply Chain Development Statement process in the ScotWind leasing round, developers have committed to invest an average projection of £1.5 bn in Scotland per project across the 20 ScotWind projects.

At the heart of ScotWind's success to date has been our proactive engagement with developers, ensuring that the process is streamlined and efficient whilst creating an environment which is conducive to innovation and investment.

Large and complex projects such as ScotWind take a number of years to come to fruition. The leasing fees reflect the challenging conditions for many projects in Scotland – in particular the depth of water that requires the deployment of more advanced, and more expensive, floating wind turbines.

Therefore, we would expect to see these projects being built from the late 2020s onwards. The option period, which began in 2022, when all agreements were signed, lasts for 10 years.

The leasing round has been designed to prioritise the quality and deliverability of bids, ensuring that the projects chosen are not only financially viable but also contribute to the long-term transformation of the Scottish economy.

In addition to the £755 million from option fees, Crown Estate Scotland (CES) anticipate lease income of £4 million per gigawatt per year. If the entire 27.6 gigawatts of capacity covered by

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ScotWind agreements are developed, it would generate an annual income of £110 million. These funds will be directed to the Scottish Government for public spending purposes.

Offshore Wind Supply Chain Investment

At the Committee's meeting, Mr Gray emphasised our commitment to invest £67 million in the coming financial year to kick-start our investment into Scotland's offshore wind supply chain. This investment, both commercial and grant based, aims to encourage private investment in the infrastructure and manufacturing facilities critical to our offshore wind sector. It also underlines our absolute determination to truly maximise the economic opportunities and benefits from our offshore wind potential.

To determine the specific ratios needed for investment we have to take into account the unique requirements arising from the diverse range of opportunities available to us. Therefore, we will evaluate each opportunity individually, following a strategic framework that aligns public sector investment with offshore renewable development.

This approach not only ensures investments are merit-based but fosters market certainty, helping to create a highly productive, competitive economy, providing thousands of new jobs, embedding innovation and boosting skills.

Energy Consents Unit

Under current arrangements, planning authorities are assigned a contribution, amounting to 50% of the fee paid to Scottish Ministers for applications made under the Electricity Act 1989, so that they can undertake work to consider the application as a statutory consultee. The current payments to planning authorities are voluntary, ex-gratia payments.

In response to recommendations made by the Citizen Participation and Public Petitions Committee in March 2023, the Scottish Government will explore the benefits and disadvantages of altering the current thresholds which dictate whether or not a determination by Scottish Ministers is required. Such changes could allow planning authorities to receive additional fees.

We will seek views on the resourcing implications arising from any change to the threshold, including the difference in workload arising were planning authorities to determine more such applications, rather than acting as a statutory consultee under the Electricity Act 1989.

Onshore Wind

Project pipeline

The merits of each onshore wind application are considered on a case-by-case basis, and a careful balance must be struck between the potential impacts of the proposed development and the associated environmental, economic, renewable energy and climate change benefits. Therefore, there is no guarantee that projects currently in the planning system will be consented. There is also no guarantee that projects that have received consent will be constructed. This is not unusual in such major projects.

Onshore wind pipeline figures have increased from 11.7 GW as of the end of December 2022 to 13.3 GW as of the end of September 2023. These are for projects under construction, awaiting construction and in planning. These numbers are subject to final planning and consent being given. The September 2023 figures are the latest available.

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Sector Deal Commitment

In September 2023 the Scottish Government, Scottish Renewables and the onshore wind sector launched the Scottish Onshore Wind Sector Deal. The deal is a shared commitment between government and industry to deliver upon government ambitions while growing a key sector in a way that aligns with the principles of a just transition to net zero. A series of actions are set out within the deal that Government and the sector will carry out to realise our ambition.

To help support the delivery of the 2030 ambition, and to address a specific commitment of the Sector Deal, Scottish Renewables commissioned consultants to build a database that facilitates a detailed analysis of the onshore wind pipeline in Scotland. The [report](#) presents the database and initial pipeline analysis, providing insights into the scenarios under which Scotland may achieve its ambition of 20 GW of onshore wind by 2030, examining the sensitivities to assumptions on key parameters such as the duration of the planning process, repowering, and project viability.

Decarbonisation of Industry

On 20 Dec 2023 the UK Government reconfirmed that the Acorn Transport and Storage project is 'best placed' to meet Track-2 objectives due to its maturity. Although long overdue, this confirmation was welcome. As part of the update the UK Government also announced that the Acorn Project will be asked in early 2024 to submit 'anchor phase' plans for assessment which will detail the initial associated emitter projects.

Additionally, Acorn will be asked to provide a provisional cluster expansion plan that will draw from the range of industrial emitters known as the Scottish Cluster. The decision on how many emitters are in scope will be taken by the UK Government and will be subject to technical, affordability and value for money assessments. The scale of the opportunity for carbon capture and storage in Scotland is significant and is referenced in the Scottish Net Zero Roadmap (March 23) which at Figure 1 lists the 28 sites that form the Scottish Cluster that collectively accounted for over 75% of Scotland's industrial CO2 in 2019 and which have proximity to/availability of pipeline infrastructure that is central to the Acorn project.

To provide clarity and certainty to support large scale decarbonisation of industry, the UK Government urgently need to confirm a final decision on Acorn and to outline the criteria, timeline for the funding for the expansion plan. To further drive the decarbonisation of our industrial sector, we are also continuing to strengthen the UK Emissions Trading Scheme (UK ETS), working with our counterparts in the UK, Northern Ireland and Welsh governments. As you know, the UK ETS is a form of carbon pricing that upholds the polluter pays principle. The scheme covers emissions not only from industry, but also from non-renewable power generation and short-haul aviation, with new sectors to be included in the coming years. We have taken a number of steps to develop the UK ETS, and are currently consulting on a number of further changes so the scheme supports a managed and Just Transition for industrial and other sectors of the economy.

Just Transition Funding

The change in budget allocation to the Just Transition Fund is due to a reduction in capital and financial transactions funding allocations from the UK Government, which the Fund relies on.

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The UK Autumn Statement was the worst-case scenario for Scotland. The Chancellor had £27bn of fiscal headroom for the Autumn Statement, but rather than provide the funding needed in services and infrastructure, he cut taxes. These decisions have meant that the Scottish Government's block grant has fallen in real terms by 1.2% since 2022-23 across resource and capital combined. Capital is due to contract by almost 10% in real terms over five years.

These decisions are not just an issue for the Scottish Budget. The UK Government's 'mini-budget' in Autumn 2022 turbocharged the cost of living crisis, inflicting misery on individuals, communities and businesses. People have seen their living standards fall as a direct consequence of UK Government mismanagement of the economy over the past 13 years.

The Scottish Government remains committed to the 10-year Just Transition Fund programme and existing projects will continue to be funded in 2024-25. We will undertake an evaluation of phase one in this financial year aiming to commence the next phase in the following financial year.

We remain committed to the multi-year programme of projects announced in Year 1 and will keep focused on maximising the impact of our £50 million investment in the region to deliver benefits for businesses and communities. The Scottish National Investment Bank continues to invest the additional £25 million allocated in 2023-24 in the North East on a commercial basis, in line with the Bank's Investment Strategy and its missions including to support a Just Transition to net zero. This has included recent investment in Aurora Energy Services.

In Year 3, we will continue to support a range of pioneering projects including:

- Research designed to enable the offshore production of green hydrogen.
- The construction of a Just Transition Hub with a focus on land use and agriculture at the James Hutton Institute in Aberdeen.
- Providing direct support to businesses and the energy supply chain through our Energy Transition Challenge Fund.
- Providing direct support to communities through our Participatory Budgeting Fund.

Hulls 801 and 802

The former Cabinet Secretary for Wellbeing Economy, Fair Work and Energy undertook to provide an updated figure for the budget to be allocated in 24/25, following the anticipated release of a reforecast cost to complete for both vessels, which was due at the end of January. As the board have not yet been able to provide these, I am unable at this point to answer the Committee. I undertake to provide an answer as soon as possible after the figures have been approved by the board.

I hope the Committee finds this information helpful.

MÀIRI MCALLAN

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