



OFFICIAL REPORT  
AITHISG OIFIGEIL

# Economy and Fair Work Committee

Wednesday 26 April 2023

Session 6



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**Wednesday 26 April 2023**

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**ECONOMY AND FAIR WORK COMMITTEE**

**12<sup>th</sup> Meeting 2023, Session 6**

**CONVENER**

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

**DEPUTY CONVENER**

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

**COMMITTEE MEMBERS**

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

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Chris Bryceland (Scottish Government)  
Catriona Laing (Scottish Government)  
John Mason (Glasgow Shettleston) (SNP) (Committee Substitute)  
Màiri McAllan (Cabinet Secretary for Net Zero and Just Transition)  
Andy McCall (Scottish Government)  
Liam Middleton (Scottish Government)

**CLERK TO THE COMMITTEE**

Anne Peat

**LOCATION**

The James Clerk Maxwell Room (CR4)



**Scottish Parliament**  
**Economy and Fair Work**  
**Committee**

*Wednesday 26 April 2023*

*[The Convener opened the meeting at 09:30]*

**Decision on Taking Business in**  
**Private**

**The Convener (Claire Baker):** Good morning and welcome to the 12th meeting of the Economy and Fair Work Committee in 2023. I have received apologies from Michelle Thomson; John Mason is attending in her place.

Our first item of business is a decision to consider the evidence received during the just transition inquiry, and correspondence from the Public Audit Committee, in private at our next meeting. Do members agree?

**Members indicated agreement.**

**Just Transition**  
**(Grangemouth Area)**

09:31

**The Convener:** Our next item of business is the seventh evidence session in our inquiry into a just transition for the Grangemouth area. I welcome Màiri McAllan, Cabinet Secretary for Net Zero and Just Transition. She is joined by Chris Bryceland, the energy and infrastructure team leader, who is joining us remotely; Catriona Laing, deputy director for the climate change division; Andy McCall, the team leader for the industrial just transition planning team; and Liam Middleton, the head of critical energy infrastructure and commercial projects, all of whom are from the Scottish Government.

As always, it would be helpful if members and witnesses could keep their questions and answers as concise as possible.

I invite the cabinet secretary to make a short opening statement.

**The Cabinet Secretary for Net Zero and Just Transition (Màiri McAllan):** Thank you very much, convener. I am pleased to be here for the first time in front of the committee, in my new role as Cabinet Secretary for Net Zero and Just Transition.

The Government is committed to realising what we see as an exceptional opportunity to deliver a growing green economy. We set that out as one of the primary missions in our prospectus that was published last week. In my section of that prospectus, I set out my commitment to reducing our carbon emissions with the urgency that the climate emergency demands of us, but also to doing so fairly and in a way that takes people, workers and communities with us.

We welcome the inquiry and its specific focus on Grangemouth and the just transition planning that is going on there. The Grangemouth cluster is of significant industrial importance to Scotland and we see it as integral to our future net zero economy and society.

Scotland's industrial emissions of CO<sub>2</sub> fell by more than 10 million tonnes between the 1990 baseline and 2020. However, the industrial sector today accounts for more than 20 per cent of Scotland's total greenhouse gas emissions. That is why, in our programme for government, we announced that work is under way on a dedicated and focused Grangemouth just transition plan.

The plan will be place-based, regional and nuanced. It will be different to the other plans that we are setting out and will chart a vision for the

cluster to 2045. I was pleased to be able to visit Grangemouth recently. We may get on to discussing that, because I know that the committee also visited there. We are right at the beginning of the process. The work that you have been doing will be helpful in informing much of what we continue to do as we develop the plan.

I will leave it there and we can move to questions.

**The Convener:** Cabinet secretary, could you expand a little more on the timescale for the just transition plan for the Grangemouth area? You have recognised the work that the committee is doing and that it will inform the Government's work. Can you give an indication of when the draft plan will be ready?

**Màiri McAllan:** Yes. As I said, we are at the beginning of the process. I should also say that the officials with me today are part of the Grangemouth future industry board. As the senior officials on that board, they will be the leading force behind it. I also put on record that the chair of the board could not be with us today, as we were not able to accommodate his personal commitments.

There are phases to all this work. In the first phase, which runs from the first into the second half of 2023, there will be two main pieces of work: first, a baseline study to map the current economic situation at Grangemouth, which will look at gross value added, emissions, employment and identify touch points with the community; and secondly, the vision for 2045. One aspect of the plan is that when we have completed the baseline study and the work on the vision, we should be able to get a memorandum of understanding with stakeholders for agreement with our vision.

That is phase 1. In phase 2, which will run from the second half of this year into the beginning of 2024, we will set out the actions for delivering on the vision developed in 2023, with the aim of publishing in spring 2024.

**The Convener:** Thank you—that was helpful.

You mentioned the leadership board. Other members will have questions about that, but it is our understanding that it does not include any business representatives and is quite public sector focused. I will, however, leave that for other members.

I will ask about the just transition commission, from which we heard last week. Recently, it has commented mainly on the draft energy plan; it has exchanged correspondence with the Scottish Government, and it has expressed a degree of frustration about its involvement in processes that have gone before. Given that, as I understand it, a memorandum of understanding has now been

agreed between the commission and the Scottish Government, how do you see its involvement in the draft Grangemouth plan as it develops? Do you want to say a bit about the memorandum of understanding and how you are recognising the commission's role?

**Màiri McAllan:** As you will appreciate, I came into post only two or three weeks ago, but in March 2023, prior to my coming in, a memorandum of understanding was agreed between the Scottish Government and the just transition commission. It speaks to an agreed work plan; it ensures that the commission can see drafts at an earlier stage—earlier, I would admit, than it felt it had done to date; and it involves the appointment of a series of commissioners who can give specialist advice on different sectors. I welcome the MOU.

As with much that we are doing to respond to the climate and nature emergencies, the pace and scale are challenging, and it is right that we seek to improve our relations with a body as important as the just transition commission. Ultimately, its role is to support and scrutinise the creation and monitoring of our just transition plans, and I absolutely welcome its input in that respect. In fact, one of the first meetings that I had on being appointed was with Jim Skea, and we will speak again very soon.

Ultimately, the Scottish ministers are the decision makers, but my intention, backed up by the MOU, is for the just transition commission to have a very full role in the development and monitoring of what we do.

**The Convener:** I think that the committee will welcome that, given the commission's quite detailed, 84-point response to the draft energy plan. If that engagement happens at an earlier stage, it might increase the meaningfulness of the draft strategies as they are developed.

I wonder whether you can reflect of the experience of Longannet. One of the reasons why our emissions have reduced is the closure of the energy plant in Kincardine, following which the just transition committee commented that, although there had been success in reallocating jobs, there was no evidence of any benefits coming to the local community. It also said that the local community had not been consulted. Are there any lessons that the Government can learn from what was seen as an opportunity for a just transition at Longannet that did not appear to be realised? I suppose that Grangemouth will be the next big place to go through a transition similar to what Kincardine went through, so have any lessons been taken from that experience?

**Màiri McAllan:** Absolutely. There are many lessons to be drawn from that. The focus on

Grangemouth is absolutely right, because its contribution to our economy and to everyday life in Scotland sits so closely beside its emissions reduction and what it is doing there. If I have a vision for what we are seeking to do, it is about the trio of the economy, jobs and emissions. My vision is that we retain and grow economic value and jobs, and drive down emissions.

On learning from previous experiences, you talked about the community and workers; early and meaningful engagement with communities, workers and their trade unions has been so important. Liam Middleton might want to say more about that, but there has already been engagement. To date, we have worked with Unite the Union and I met union reps when I visited Grangemouth. Obviously, we are looking for ways of working with the Scottish Trades Union Congress just transition officers that we are funding. Another important initiative for this specific area is that we have decided to fund a Grangemouth community engagement officer to be a liaison between the Grangemouth community, what is happening in the cluster and what we are doing with the plan to make sure that the voices of people who live in the area, many of whom are employed at the site, are heard really loudly.

Liam, I do not know whether you have anything to add to that, particularly relating to the experience at Longannet.

**Liam Middleton (Scottish Government):** I just reiterate that, albeit that it is at quite an early stage, the work for a Grangemouth just transition plan is very much under way. My colleague Andy leads the team that started the engagement, and we have met with all the eight larger businesses in the cluster to try and get their participation and involvement, and to secure their buy-in to the plan. As the cabinet secretary said, we are focused on community engagement.

That goes back to the core of your question. Perhaps what did not happen at Longannet is what we are trying to do at Grangemouth. Just to give you a flavour of how we have started that, through our colleagues at the Scottish Environment Protection Agency who work with us on the Grangemouth future industry board, we facilitated a greener Grangemouth community event. Members from the community came along to put questions to our team so that we could explain what a just transition is, how it would impact them and, most importantly, how we could involve them in the process. We also took participation into another town hall community event when we met the Grangemouth including Skinflats community council.

As the cabinet secretary said, the bigger point is that we are taking dedicated action to fund a

specific role for someone in the community to engage with the just transition process. There can be issues with capacity and funding, and we are all busy individuals, but putting resource into the community to give someone the opportunity to engage meaningfully with this work is, I hope, a welcome step.

**The Convener:** Thank you. Other members will ask more questions about community involvement. Colin Beattie will ask the next questions; he will be followed by Colin Smyth.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** Cabinet secretary, witnesses have suggested that involving the investor community early in the development of plans would give an opportunity to get a better understanding of the finance that might be available and of how to ensure that policies and projects are aligned with the market's ability to deliver. How specifically will the Scottish Government use the just transition plan to highlight and package projects in a way that will ensure that they are attractive to private investors?

**Màiri McAllan:** That is a really good question. In the past little while, I have been reflecting on the need for investment not just in industrial decarbonisation but in all the actions that we have to take on climate change across the piece. The price tag is eye watering, and the public sector cannot afford to meet it alone.

The Government's role is about setting the correct regulatory framework, creating confidence in the market about our direction of travel and, as you say, facilitating investment from the private sector. It should be responsible investment, additional investment, and investment with integrity, but it should be investment nonetheless.

The creation of the Grangemouth future industry board is an example in and of itself of Government providing public sector clarity and direction of travel, and the just transition plan will be a very important addition to that. We will work with industry. As Liam Middleton has mentioned, we have already met the eight large businesses at the complex; we will engage with smaller and medium-sized enterprises in the area, too. That will create the confidence and the direction of travel to allow for investment.

09:45

Indeed—this is the final point that I will make—that is already happening. For example, Ineos's sustainability plan, which I was taken through when I met it, is linked with our 2045 target, which is very welcome, and it includes over £1 billion of investments at Grangemouth. We can see already that, where we are able to say, "This is where we and our economy are going. We must

decarbonise, but we will work with you on that”, that gives confidence to investors, including those of the size of Ineos, to make the investments that are needed.

**Colin Beattie:** You have correctly said that the cost that is going to have to be absorbed is eye watering. The public sector is not going to be able to meet that cost by itself, but can the private sector do so? We keep hearing about problems with people investing long-term capital, patient capital and all that sort of thing. The Scottish National Investment Bank was brought in partly to try to plug that gap, but we are talking about tens of billions of pounds here. Is there enough capital in Scotland or, indeed, the United Kingdom or elsewhere to do that? Given that everybody is going to be tapping into the capital available to develop their own climate change targets, has any assessment been done of what might be available over a period?

**Màiri McAllan:** Thank you for the question. I will take the last bit first; my colleagues might want to add to my response.

I would expect the questions that you have asked to inform some of the baseline economic analysis that we are doing as part of phase 1 of the just transition plan. What is the lay of the land?

On your wider question about the availability of capital and investment, I suppose that, globally speaking, we recently had the Intergovernmental Panel on Climate Change’s sixth assessment report and, among all its dire warnings of climate catastrophe that we are heading for, there was a sort of silver lining with its statement that there is sufficient finance globally to fund the transition. Again, that brings us back to our role, as the Government, of making it very clear that this is the way in which Scotland’s economy and society are going and that we are open to investment of the right kind.

I am conscious that you asked for short answers, convener, but I wonder whether Liam Middleton has anything to add about investment in Scotland. I know that he already works closely with some of the investment bodies.

**Liam Middleton:** I would not underestimate the significance of Ineos’s £1 billion investment. That is a major step in the moves that are being made in the immediate cluster, the wider central belt and, indeed, Scotland towards net zero, and I am sure that we will discuss that later.

If it is okay, convener, I will make two comments, the first of which is about the quantum of Scottish Government funds that are in place. I know that you have heard in various evidence sessions about our just transition and energy transition funds, our £100 million capital programme as part of the hydrogen action plan

and a specific £60 million fund that has been set aside to promote industrial decarbonisation. To go back to Mr Beattie’s question, I admit that they are not going to subsidise the whole transformation of Scotland’s industry—that will take huge capital sums—but I hope that the funds will show industry that the Government is willing to embark jointly on the endeavour, create the conditions, and perhaps be a co-investor. Indeed, we regularly talk about that to SNIB through the Grangemouth future industry board.

Finally, on the scale of major capital that we have to attract into Scotland, I think that some geopolitical events are going to be hugely significant in that respect. In the United States, for example, there is the Inflation Reduction Act of 2022, which is putting in almost £400 billion of subsidies to attract net zero investment and industries into that country, while the European Union, with its green industrial deal, is seeking to put in place a similar mechanism through the net zero industry act and, importantly, minerals regulation to meet the objectives of that legislation and attract the supply chain and businesses.

In the UK, we are in quite an acute phase with regard to what our response to all of this will be. I think that the Chancellor of the Exchequer has said that we will see something in his autumn statement, but the chief executive of the Climate Change Committee has said that the next few months will be really critical with regard to how we attract and lure that private investment into the UK. I think that there is plenty of capital out there, but we need to create the conditions and show that we can funnel it into the UK and, indeed, Scotland.

**Colin Beattie:** One of my concerns is that, if we manage to attract the volumes of capital that are needed, people will, obviously, want a return on their capital. That will be one of the most compelling reasons to invest. There is also great pressure on capital at the moment to be absorbed into and grow the economy. Is the market capable of handling both things at the moment?

**Liam Middleton:** I think that it can be. We have to recognise the wider economic circumstances and the inflationary pressures, including the need to respond to Covid. Many really significant businesses have been in survival mode for the past few years.

Our previous approach was to try to encourage decarbonisation. When we engaged with businesses, it almost felt as if there was a discretionary capital programme for them for something that was nice to do. We are trying to move the narrative into seeing that as an economic opportunity for businesses.



One of the main levers in industrial decarbonisation and reducing emissions is energy efficiency. We can work with businesses to show them that, if they invest in the right industrial processes that will improve the efficiency of their plant, that will have an impact and, we hope, improve their balance sheets. It is about trying to work with businesses to explain how net zero can be an investment proposition and an economic opportunity.

**Colin Beattie:** I will move on to community involvement in the Grangemouth area. Apparently, there have been lots of consultations with the local community in recent years. That is good, but the community does not seem to have seen any tangible outcomes that are linked to those consultations, which is not good. How will the Scottish Government ensure that the co-design process leads to stakeholders, including the local community, feeling that they are being listened to and that policy will address their concerns?

**Màiri McAllan:** That is a really good question. I go back to the point that, when we are trying to act with the pace and at the scale that the emergency demands from us, we must ensure that, in our efforts to respond, we do not forget about the really basic and important fundamentals of close and meaningful engagement. That means not just listening, but actually being able to demonstrate that what we heard was acted upon. Having come into this post, and with the Grangemouth just transition plan in front of us, I am absolutely determined that community involvement and engagement and a clear line of sight so that the community can see that its views have been reflected in the plan should be very much part of the plan.

I make no apology for returning to the point about us deciding to fund the employment of the community liaison person. That is someone from the area coming into the work to give an invaluable insight into what it means to live in the area, how people relate to the industrial complex, and what they want to see that do for them in future. That relates not only to the complex and its decarbonisation; it relates to what it feels like to live in the area or to travel around it. For example, there is an on-going issue with flooding in Grangemouth, which I know is a concern for many people.

I want to have as early and as broad a consultation as we possibly can, and it is my intention that we will be able to demonstrate exactly how views have been borne in mind and built into the plan.

**Colin Beattie:** If we already have a track record of what some people have described as “heavily consulting” the local community and we are going to have another consultation, surely we must

deliver something as a result of those consultations at some point, otherwise we will find disengagement from the local community.

**Màiri McAllan:** Yes—absolutely. I do not blame any community for having consultation fatigue, but that does not mean that we should not do it. We have to do it. As you say, we have to be able to demonstrate fairly early on tangible ways in which views have been listened to and reflected upon.

I go back to my initial point about phasing. It is not going to take long. We are talking about publishing a plan in spring next year. By the middle of this year, we will be able to set out the economic baseline work that we have done, and we will have set out the vision for 2045, taking into account what we have heard from the consultations that we have undertaken. By the time we get to spring next year, there will be a tangible plan for the community, for workers and for industry, and for us and the public sector bodies that are involved in the future industry board to reflect on.

**Colin Beattie:** I welcome that and look forward to seeing it.

**Colin Smyth (South Scotland) (Lab):** Good morning, cabinet secretary. The Grangemouth plan will be the first regional just transition plan. How will it differ from the sectoral plans that have been published, and how, specifically, will you measure success?

We know that any energy transition is likely to reduce emissions. However, there has been criticism in the past that, although the growth of onshore wind, for example, has contributed to a reduction in emissions, it has not delivered the economic boost for which there was real potential.

How do we make sure that, with the plan for Grangemouth, we do not repeat the mistakes of the past? How will you measure that? Will there be specific measurements in the plan to enable us to assess whether it is a genuine just transition plan?

**Màiri McAllan:** On the first point, the Grangemouth plan is, by its nature, different from other plans in that it relates closely to one area, one complex and one group of people who live and work there. It is different from the other plans for energy and transport, as they apply to the whole country—it is place based, and the just transition commission has welcomed that.

There are interconnections with other plans, so they will certainly relate to one another. Our economy is interconnected, so we cannot have an energy plan that is not mindful of Grangemouth, and we cannot have a Grangemouth plan that is not mindful of transport, given that 80 per cent of the central belt’s fuel and 100 per cent of our aviation fuel comes from Grangemouth. There are

differences and there are interconnections, and we will work through all of them.

I am working closely on monitoring now that I have moved into this portfolio, because the question of building a just transition is one thing, but the question of how we know whether we have succeeded is another. I am working on the theory of that.

Practically, our plan—Andy McCall might want to say more about this, because he and I were discussing it yesterday—is that we need to do some work on baselining the economic and social position at Grangemouth, and we will develop the vision for 2045. Once those aspects are in place, we will be able to set out key performance indicators against which monitoring can be undertaken.

Monitoring will be part of the process, but we are at a very early stage in the development of that. The two key pieces of work that we are undertaking in phase 1 will inform how we monitor progress.

**Colin Smyth:** Those targets, and the route map to monitor them, will be contained in the plan for Grangemouth when you publish it. Is that right?

**Màiri McAllan:** I will hand over to Andy McCall on the point about when and what we will publish.

**Andy McCall (Scottish Government):** The cabinet secretary is absolutely right. When we talk about our baseline and our vision, the beauty is that we are able to benchmark the two. That will, we hope, throw up a series of indicators that will allow us to see change over the 20 years or so between the baseline now and the vision for the future.

**Colin Smyth:** In the past, the Government promised 120,000 new jobs by 2020, but the Fraser of Allander Institute recently did a piece of work that concluded that 27,000 jobs had been created. One of the institute's criticisms was that it had to work out what a renewables job was, because it could not measure it. Are you confident that you will be measuring what you want to have in that plan, or will you have to start to measure new things, too?

**Andy McCall:** It is probably a mixture of both. I do not want to pre-empt the work, but our conversations to build that vision will take into consideration what the industry and the community want to see, and what the Government wants to see, so some of the things that we need to start measuring will come out of that workshop approach to developing that vision. There are also other things that we can measure just now, such as green jobs.

10:00

**Màiri McAllan:** That is absolutely right. I add that we cannot pretend that we know and can track with absolute certainty everything that will happen from now until 2045. Therefore, as with much of the climate change work and much of the portfolio, we have to be willing to adapt, to treat plans as iterative and to learn as we do, because that is the challenge of making policy over 20 or 25 years.

Mr Smyth asked whether we will monitor what is in the plan now and whether that will change. Yes, we intend to monitor, and Andy McCall set out how we will do that. However, we also have to realise that we must have scope for adaptation over the next 20 or 25 years, up to 2045.

**Colin Smyth:** One of the reasons why I asked the question is that it is fair to say that there was a lot of criticism of the lack of detail in the wider just transition plan for energy that was published recently, not least from your just transition commission, which was not consulted on that development. It said:

“we are ... deeply concerned about the lack of evidence of adequate policy actions to deliver a just transition for the Energy sector, particularly given the urgent need to shift gear in the rest of the 2020s.”

Friends of the Earth pretty much said that it was more of the same when we know that more of the same will not deliver our net zero targets.

Do you recognise the criticism that the draft just transition plan lacked the detail that we need to deliver the just transition that we all want?

**Màiri McAllan:** I am happy to answer that question, although it somewhat strays out of the remit of this evidence session. I appreciate that, although I am not the energy secretary, I have responsibility across Government for the just transition.

We mentioned that there are about 43 or 44 recommendations in the commission's response to the plan. We are currently considering them, and I will respond to each of them jointly with Neil Gray, the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy. I acknowledge the themes about monitoring and evaluation, engagement and skills. The Scottish Government will actively consider how we can adapt in response to them.

**Fiona Hyslop (Linlithgow) (SNP):** Good morning. Thank you for joining us. Who is responsible for the just transition plan for energy and who is responsible for the one for agriculture? Is it the respective cabinet secretaries with oversight of those portfolios? How will that work?

**Màiri McAllan:** That is a really good question. It is exactly as you described. Core responsibility for the development of the policy sits with the cabinet

secretary with the portfolio responsibility, so Mairi Gougeon will lead on agriculture and land and Neil Gray will lead on energy. However, in the same way as I have a responsibility to ensure that all my colleagues rise to meet the Government's climate change targets, I have a responsibility to ensure that the just transition work is being done across Government. It used to be that the holder of the finance portfolio was empowered to go across Government and see what everyone was doing in their portfolios. The net zero and just transition portfolio is like that, too.

**Fiona Hyslop:** The independent just transition commission has suggested that effective communication requires the plans to be co-designed, which has to be a two-way process. It is important to demonstrate that stakeholder feedback can lead to policy changes, so will the Scottish Government seek to do that through the co-design process for the just transition plans? For Grangemouth, who would you define as the stakeholders?

**Màiri McAllan:** I will come back to that point—I am writing it down so that I do not forget.

I am committed to co-design. As I said, the energy strategy was developed before my time in the portfolio, but we have a new memorandum of understanding in place between us and the just transition commission, which everyone has welcomed. It speaks to the need for close engagement and early sight of drafts. That is how I expect the plans to be developed.

It is of benefit to us to engage closely with the just transition commission, which has been set up because it brings knowledge across civic society that will make the plans better and more sustainable in the end. Therefore, early sight of drafts and close engagement are important. Your question is in a similar vein to Mr Beattie's question about communities. It is important that we are able to demonstrate how we have listened and where changes have been made.

**Fiona Hyslop:** What about the stakeholders?

**Màiri McAllan:** First, we have the public sector stakeholders who are important to Grangemouth. Many of them are already on the Grangemouth future industry board. Other stakeholders are from the industry, and we might come on to talk about the extent to which they ought to be involved in the future industry board. We then have the workers, their trade unions and the communities around the area. Together with the just transition commission and the Scottish Parliament, I see them as being the key stakeholders.

**Fiona Hyslop:** Who is the cabinet secretary with responsibility for the just transition plan for Grangemouth?

**Màiri McAllan:** It is me.

**Fiona Hyslop:** We welcome the fact that we are taking a place-based approach to Grangemouth. Others might want to touch on the prospects for the transition of the site itself and whether the industrial processes can move into the hydrogen sector and the Acorn project, for example. However, all things being well—with the industrial site being able to transition—it could effectively do that in parallel with, or in a separate universe from, the community itself.

Focusing on the community of Grangemouth, we know from previous consultations that one of its key concerns is transport. If everything is successful, we will be expanding the number of jobs at Grangemouth, but that will bring in more cars because public transport in the area is not what it should be. There is no rail link, although there was one in the past. There is quite a serious point to consider about what success looks like and how transport will be critical.

Housing will also be critical. We have been told that, if local businesses that are not on the industrial site but are in Grangemouth are to benefit and grow, they will need more footfall, which means making sure that people live in the area. There is also the challenge of having the quality of housing to attract people and make them want to live there and spend what, we hope, will be their good wages.

To what extent will the just transition plan address those issues? They are quite independent of the transition of the industrial site, but we already know that they are challenges from the many consultations about Grangemouth that have been carried out.

**Màiri McAllan:** It is right to say that the experience of the community can be independent of what happens at the cluster or deeply connected to it. Both have to be borne in mind.

We are at the beginning of the process, and I have talked about the desire for, and my intention that there will be, close engagement with the community. I expect that the issues relating to transport in and around the area and to the quality of housing and living experience in and around Grangemouth—how it is now and what it might be like as we move to the decarbonised cluster of the future—will come to the fore. Our community engagement officer will be able to feed in those views as they arise in the community. I do not want to pre-empt things by saying that those are the subjects that will come up, but I think that we are right that they will.

On transport, I know that there was an appraisal for a new station at Grangemouth as part of the second strategic transport projects review, but it was not recommended because of the current

movements of people in and around the area, with people coming into the area from Edinburgh, Glasgow, Stirling and elsewhere. However, that is not the only transport issue. We need to think about how well communities are served by bus and by other means, and I expect that all that will form part of the feedback that we get from the community and will inform our thinking as we develop the plan.

**Fiona Hyslop:** This inquiry is part of the preparation, and we want to input into your plan. We do not expect you to be definitive about what will or will not be in it, but we are discussing what we have heard. Colin Smyth talked about the need for a route map and about how there perhaps should be tangible points along the way to 2045 and the realisation of the final vision.

One of the transport issues that we have heard about is congestion around the site because of the many vehicles that transport the high levels of fuel that are, as you have said, key to the central belt of Scotland. However, there seems to be a lack of ownership, with no one responsible for resolving that issue, and it would be an easy win.

Another win would be to look at the north-south connections from the M8 to Grangemouth. If we are talking about STPR2, I note that the Avon gorge road was the only non-trunk road to be mentioned, and it would stop big lorries, tankers and so on having to do 40-mile round trips. It is probably the only green road in Scotland.

If we are thinking about meaningful wins along the way, whether they relate to transport, housing, flooding measures or whatever, those are the things that we have heard about. I am not saying that they have to be the priorities—although I would argue that they should be, given my constituency interest in the Avon gorge road, in particular—but when you produce your plans, will you look at things that make wider sense and that result in tangible wins not just for the industrial site but for the community around it? Do you expect to consider such issues over the next few months?

**Màiri McAllan:** Absolutely. My colleagues can come in if they wish to add anything about the planning for this, but all that I can say is that I expect such issues to be born out of the discussions that we have with communities and that, when that happens, I expect to be able to demonstrate how they have been taken into account in the plan.

Indeed, through the Grangemouth future industry board—which, again, represents a novel approach with regard to the public sector coming together over something of such importance as Grangemouth—there has already been close working with Falkirk Council on, for example, road issues such as congestion and the movement of

heavy goods. Work is on-going. I am very open to hearing the communities' priorities, and I want to demonstrate how those views are being taken into account.

I absolutely take the point that people should be able to expect staging posts and tangible outcomes at various points along the way.

**Catriona Laing (Scottish Government):** Perhaps I can come in with one or two extra points to build on what the cabinet secretary has said.

Ms Hyslop is completely right to bring in those wider considerations. Indeed, one of the driving factors behind having a Grangemouth site-specific plan alongside the sectoral plans was to ensure that there was mutual learning between them. The co-ordination on the sectoral side is teaching us the kinds of things that we need to prioritise to decarbonise sectors, while the Grangemouth work will bring all that into stark relief for us. The sectoral plans will benefit from the Grangemouth plan, and vice versa, as we go along.

I want to touch on your previous point about co-design and learning the lessons from the energy strategy and just transition plan. Building on what the cabinet secretary has said, I think that we have learned from the feedback of the just transition commission, particularly on co-design, and we will approach the new sectoral plans in a rather different way by bringing out discussion papers before we bring out draft transition plans. The discussion papers will be much shorter and much more accessible to a wider range of people and will contain some analysis and guidance on what we are trying to achieve, without trying to predetermine the outcomes too much. Such an approach will make the co-design process more meaningful.

We have had very early engagement with the just transition commission on the discussion papers, and we have been able to take into account its feedback on their structure and what they should highlight. That, in turn, has prompted us to think about the analysis that will need to underpin each of the transition plans when they are published. Professor Skea has acknowledged that we have started along the right road towards making those improvements, and clearly we will want to build on that relationship as we go along.

**Fiona Hyslop:** Thank you.

**The Convener:** Before I bring in Maggie Chapman, I think that the cabinet secretary might be interested to know that we held an inquiry into town centres and retail last year. As some of its findings are relevant to Grangemouth, she and the team might want to have a look at our report.

**Maggie Chapman (North East Scotland) (Green):** Good morning, and thank you for joining us.

I was going to bring up our place-based town centre inquiry, because I think that there is something about seeing a place as a whole and as more than just somewhere where all the various sectors come together. Therefore, I do not underestimate the challenge that Catriona Laing has just talked about with regard to bringing the sectoral plans into sharp relief.

10:15

I want to follow up on some of the points that Fiona Hyslop made about community engagement and co-design work. I appreciate what has been said on co-design and engagement with the just transition commission, but communities and workers should be included in that co-design process in a meaningful way that does not just channel those views through the just transition commission, where people might think that they would get a little lost. I urge the Scottish Government to think about co-leadership and co-ownership of different elements of the plans and of our delivery and implementation approaches.

That is particularly important for the long term, cabinet secretary. You said very clearly that you are not thinking in short-term chunks of time. If the community and the workers own the process, they will be invested in it and will make it work for 2045. Rather than just involving them in the process, we should give them ownership of that process. That represents a different approach. It is scary, because the Government does not do that often or regularly, but it is really important that that happens.

From that, we will get questions about not only transport and housing, which Fiona Hyslop has highlighted, but the other infrastructure needs of the local area, such as the flood prevention plan and other environmental infrastructure needs. How will the plan be able to take account of those issues that do not relate directly to the energy issues or the chemical industries of Grangemouth, but which relate to the community more broadly?

**Màiri McAllan:** I agree that Grangemouth—the cluster, the people who live there and the public sector bodies—is much greater than the sum of its parts, although I broke it down in that way in order to demonstrate the way in which we are engaging.

I take on board the point about co-ownership and co-leadership. Those are important because change can be frightening, and the more the people who are involved in or impacted by that change are empowered to lead it, design it and be responsible for its working, the more sustainable and successful it will be. To me, that is a core

concept that applies equally to the just transition and to a lot of the work that we seek to do across Government in order to rise to the challenge of the climate emergency. We can all think of a few examples that are pertinent to that just now.

I have talked before about the fact that I need to have the feedback from all the interested parties, be that on transport, housing, flooding or employment, including the industry's views, before I can say with the surety that I would want to give the committee exactly how that will be taken forward into the plan.

I come back to the phase 1 work that is very much under way, which is about working towards the vision for 2045 on the basis of close consideration of the economic and social issues. At the moment, it is difficult for me to say exactly what the issues will be and how they will be built in.

**Maggie Chapman:** I appreciate that, and I appreciate that this is the start of the process for the plan.

Linked to that, I want to get a sense of how you see some of the connections with the bits of life that are beyond the industrial sectors of the cluster—for example, schooling and transport. You mentioned people coming in from Stirling, Edinburgh, Glasgow and all around. In the just transition plan for Grangemouth, we need to crack the problem of what grew out of the energy sector in the north-east, with which I am much more familiar. There, we got a two-tier economy, whereby those who were involved directly in the energy sector did extremely well, while the rest of the community—people in Torry, for instance, to the south of Aberdeen—were pretty much left behind.

In this inquiry, we have already heard a bit about people's experiences in that regard. People who have nothing to do with the energy cluster, but who live in and around Grangemouth, cannot be left behind. I am curious about how you see engagement with communities, and with workers in other sectors that have nothing to do with the energy cluster, working through the plan.

**Màiri McAllan:** One of the most important things that we will do to bring all that together will be setting the vision for 2045. It will say to the people who are employed, those who are working or who have investments, with regard to the energy security needs of the country, what the Grangemouth area and the cluster will look like when we hope to reach net zero by 2045. That is not, and could never be, simply about emissions reduction to the exclusion of everything else—it must address what it is like to work and live there, and what needs Grangemouth continues to serve for Scotland.

I come back to the tripartite nature of the issues for Grangemouth: there is its economic importance; its importance to people, such as those who work there or who live in and around it; and its impact on the environment. Those are the three key strands that the vision must cover, and they will be developed hand in hand with people who are affected by it.

At this early stage, that is all that I can say, unless officials would like to add anything. It is about those three key points and developing a vision for how we get there in collaboration with the people who are affected.

**Maggie Chapman:** I know that other members want to come in with more worker-focused questions.

**Jamie Halcro Johnston (Highlands and Islands) (Con):** Good morning, cabinet secretary. I want to ask about SMEs. We know that they face particular costs and challenges, as well as barriers to just transition, such as those relating to resources, training and the like. We know that 21 per cent do not have a plan for the future, and I imagine that awareness of just transition among the SME sector is probably quite limited. How can the Scottish Government support increased awareness and support SMEs in that respect?

Secondly, how can that be done in a way that strengthens the Scottish supply chain? That issue has come up a number of times in a number of different areas regarding just transition and other aspects.

**Màiri McAllan:** That is an important question, and I sympathise completely with it.

Again, it comes back to the fact that we are seeking change quickly. Organisations of a certain size are able to absorb that and keep up to date with it, whereas others of a different size are not as well placed to focus on the issues outside their own bottom line and keeping in business. Liam Middleton mentioned a lot of the pressures that are bearing down on the cost of doing business just now, and we absolutely recognise that.

There is a need for us to be clear, however, that the big emitters in the cluster are the ones that require our focus, first and foremost. They are the big industry businesses and the big emitters, and we should not underestimate their task of having to drive down emissions in the way that is required of them. That is not to say, however, that SMEs will not play an important part in the process, because they will do.

You touched on that when you said that the supply chain is a key element. There are two touch points that are important for SMEs in the plan. First, as we decarbonise the big industry, the supply chains that are connected with those

industries will be vital to small and medium-sized enterprises, and we must engage with them on that.

The other point is that smaller businesses that are proximate to the cluster are stakeholders in the development of the vision, and they should also be part of the planning.

**Jamie Halcro Johnston:** I have had a number of meetings, not only on just transition but on other areas in which the Scottish Government is acting—for example, the deposit return scheme and short-term lets. Much of the time—perhaps not so much on short-term lets, but on DRS—there is support for the principle, but a concern that comes up time and again is about engagement. SMEs are engaged with either too late in the process or not at all.

How are you ensuring that SMEs are involved in the process right from the beginning, so that further down the line, when they, rather than the larger emitters, become more of a focus, it is done in the right way?

**Màiri McAllan:** We will engage with SMEs, but I come back to my initial point that we must be clear that we must start by engaging with the large emitters, because that is where the real challenge lies. However, I expect SMEs to be engaged with as part of the plan because of the supply chain work that we need to do and also because, if they are based in the area, they have a stake in it.

I add that I will be engaging with my colleague Richard Lochhead, who brought much of this work to where it is now and who is now the Minister for Small Business, Trade and Innovation, on what he expects and what he can do to support me in the development of our approach.

**Jamie Halcro Johnston:** Convener, do I have time for another brief question?

**The Convener:** You do.

**Jamie Halcro Johnston:** Pivoting slightly from my previous question, the Scottish National Investment Bank has said that less money will be available for some of the oil and gas companies. I appreciate that, to an extent, that might seem logical in the light of the move towards a just transition. However, those companies will still play a massive part in our economy. Do you have concerns about how the fact that less funding will be available might impact on their ability to play an active part in the transition? Oil and gas will remain a vital sector, as there will still be a major role for fossil fuels while we move forward.

**Màiri McAllan:** I am sorry—are you asking about the SNIB's role or that of the oil and gas industry?

**Jamie Halcro Johnston:** My question is about the impact of less funding being available to parts of the oil and gas sector for their role in the just transition.

**Màiri McAllan:** From what I can see, and from my experience of speaking to Ineos and other companies, funding is available. Oil and gas companies are increasingly referring to themselves as energy companies, because they are diversifying.

For our part, the Government can set the direction of travel and the regulatory environment, and give companies confidence. As Liam Middleton rightly pointed out, we can also provide a small amount of funding; it is not seed funding, but it can back up what companies are seeking to do.

**John Mason (Glasgow Shettleston) (SNP):** It is a pleasure to be at today's meeting. As the cabinet secretary will probably know, I am a substitute member of the committee, so I have not been involved in this inquiry as much as others have. However, I have heard a lot of interesting stuff today.

In relation to the workforce—both direct employees and also contractors and others who are a bit further away from the main players—I am picking up that there is concern in some circles. I take the point that you have met the unions and that an engagement officer is in place. However, in its evidence, GMB Scotland said:

"A 'just transition' is happening to workers, not with workers."

What is your reaction to that?

**Màiri McAllan:** First, the extent to which the workforce is made up of permanent and agency workers respectively is important. When I was in Grangemouth last week, we discussed the fact that there are an estimated 2,000 full-time equivalent jobs at the cluster, but that it can employ up to 2,000 more contractors, and up to 7,000 at peak times when there is maintenance work to be done. That complicates the picture and presents a challenge that we must rise to.

Earlier, I mentioned the baseline study that we are doing as part of phase 1, which will map the extent to which the workforce is made up of various elements and will clarify the figures that I have just mentioned. Alongside that, we will do another piece of work, which is currently with the future industry board. Liam Middleton might want to say more about that, but it consists of a skills audit. That involves us working with Skills Development Scotland, via the board, to examine existing skills and consider future needs as we make the decarbonisation journey. Those two pieces of work—looking at where we are now in

conjunction with the skills audit—will give us a really good picture to enable us to rise to that challenge. Of course, trade unions will be absolutely critical to that process. I do not want anyone to feel that the transition is being done to them; it must happen with them.

10:30

**Liam Middleton:** I have a couple of comments to supplement what the cabinet secretary has said. Mr Mason, you are absolutely right to cite the GMB evidence, but Unite's response to the committee's call for views was quite positive about its engagement with the Scottish Government and the UK Government on the just transition plan for Grangemouth. It actually said that that engagement could be a model for future exercises, which is quite positive.

On the theme of positivity, if you speak to the workforce of the immediate Grangemouth cluster—I know that the committee heard from those representatives earlier in the inquiry process—you will see how passionate they are about their role and capabilities as we move forward from fossil fuels and petrochemicals into lower carbon opportunities. We should not underestimate that.

Finally, through the Grangemouth future industry board, we have a dedicated skills workstream, which is led by experts at Skills Development Scotland and a social enterprise that has been spun out of the local area called Fuel Change. They have already commissioned Optimat, the sector experts, to prepare a skills analysis of the Grangemouth cluster, and it will try to get some detail on existing skills and capabilities. We know that there is world-class expertise there, but it is all quite notional and we would like to get some supporting evidence into our decision making and policy making. Once that report is back with us—we are expecting it around June—it might help the committee with its considerations.

**John Mason:** If workers—even those who are highly skilled—need reskilling to some extent, who will take that forward? Are we clear about that? Will it be them personally, their present employer or somebody else?

Another of the GMB's concerns goes a bit wider, but it is one that I share. Are we placing enough emphasis on practical skills and apprenticeships for those young people who are coming on to the job market, or are schools still putting too much emphasis on the academic side?

**Liam Middleton:** On the first part of your question about who is responsible for upskilling or reskilling, that will be a combination of the Government, SDS, our skills industry, and the

businesses themselves. Different degrees of upskilling are required. When one of the Ineos representatives presented to the committee, they showed real passion and confidence in making it clear that, if you can maintain those assets on the site today with the right training and instruction manuals, you can do it in the future. Ineos is therefore less concerned about the skills gap, and we are quite supportive of that. With the right support from us, SDS and the Government, it will be able to take that forward okay.

**John Mason:** What about the younger people coming through?

**Liam Middleton:** I will make two points on that and then Catriona Laing might want to come in.

The immediate cluster is already feeling relatively optimistic about this. There are about 40 apprenticeships at the Ineos site, and the applications for them have had high subscription rates. They are highly sought after.

Earlier I mentioned the organisation Fuel Change, which co-leads our skills workstream. That entity has been designed with the primary purpose of engaging young people with the transition, and it is working on how we bring them through education into training and the workforce. Its ethos is that it is the young people themselves who have the energy, skills and knowledge to drive change in the business community, and that is what they are trying to do.

Do any of my colleagues want to expand on the issue of young people?

**Catriona Laing:** Perhaps I can step back from Grangemouth to talk about the wider energy industry. As part of the energy strategy and just transition plan, we commissioned from EY an analysis of the oil and gas industry as it is, part of which was to do with the opportunity for jobs in the future. It concluded that, if we get this right and if we can maximise the opportunities of renewable energy, there is a possible opportunity to have quite a serious expansion of up to 77,000 jobs in the future.

That is an opportunity, but it is also a challenge, because it requires the skilled workforce that currently works in the energy industry to be able to reskill. It also means that we have to maximise the number of young people, some of whom will be in primary school at the moment, coming into the industry.

On your question about responsibilities, there will have to be a huge collaboration to get that right. Two weeks ago, I spoke to the chief executive of Scottish Power, who was talking about the strong workforce planning that he needs to do now to get the right skills through working

with colleges and apprenticeship schemes. The same will be true across the industry.

The other point to make is that there are workers in the oil and gas sector who want to reskill and go into renewable energy, but there are too many barriers in their way at the moment. One of Government's roles can be to work with bodies such as the Global Wind Organisation to try to reduce those barriers by thinking about how some skills can be seen as transferable from one industry to another. The fact is that artificial silos can be built up, and we are working with OPITO at the moment to try to break down some of those barriers, including through a skills passport. However, we are not yet doing enough—there is more that we have to do to build on that.

**John Mason:** I realise that it is an early stage in the process.

I want to touch on other parts of the public sector—for example, planning and consenting regimes, which will mainly be the responsibility of local authorities. Mr Middleton has already mentioned the US subsidies, which are competing with us. If another country gives planning permission more quickly than we are able to, the jobs might be attracted there. Are you able to reassure us that other parts of the public sector, such as Scottish Enterprise and local authorities, are really on board?

**Màiri McAllan:** Yes, I am happy to do so. It is an important question. When I visited the cluster last week, I also met Forth Ports, and issues such as planning, the speed of consent and comparisons with the company's experience elsewhere were raised with me.

A balance will always have to be struck between speed of consent and any risk of deregulation. We have to get that right. The change that we will see over the next 10 or 20 years puts pressure on us as Government to consider that and how quickly it can work.

On the point about the public sector, I come back to the Grangemouth future industry board and its novel approach to bringing the public sector bodies together. On it, we have the Scottish Government, Falkirk Council, Scottish Enterprise, Transport Scotland, SEPA, Skills Development Scotland and Forth Valley College. Now that we have done that, we will consider bringing industry in. We can already see how, with an issue such as planning, that group, which brings the Scottish Government and Falkirk Council round the table, will help us—and has already helped us—shortcut some of the issues that arise when we all have different responsibilities.

The second point on planning that I will briefly mention is the national planning framework 4. I think that the Grangemouth future industry board



worked on and was successful in achieving the recognition of Grangemouth as an industrial green transition zone, and with its being in NPF4—and with NPF4 being made part of the development plan—that should give the certainty and the speed of consent that industry not only wants but needs if we are to make the change that we need to over the next wee while.

**The Convener:** I have a couple of points for clarification. First, the committee has not heard from a representative of Ineos; we had a trade union representative from the plant, but Ineos itself has not given evidence to the committee.

Secondly, the committee was keen to hear from the Grangemouth future industry board, but our understanding is that it is not really a board but more of a forum. We were keen to engage with it on some of the issues that you have talked about, such as roads and planning, but it does not have representatives as such. In fact, we have struggled a wee bit to understand its purpose and how it relates to us as a parliamentary committee. The cabinet secretary seems to hold the responsibility for speaking on its behalf. Is that correct?

**Màiri McAllan:** No, I do not think that it is. First, the industry board has given evidence in writing to the committee. My colleague Andy Hogg, who is a deputy director in the Scottish Government, is one of the co-chairs; he really wanted to be here today, which is why we asked whether we could change the timing, but that was not possible. However, my colleague Liam Middleton is also part of the board, so he will probably be able to say more about its constitution and who its spokesperson is. I am more concerned with the work that it is doing rather than who the spokespeople are.

**The Convener:** Cabinet secretary, we are concerned about the work that the board is doing, too, but we could not get anyone to engage with us here on what that is. We did receive a paper briefing, but we were keen to take evidence in person, so the board's response has been a bit piecemeal. We appreciate that another official was due to come to this meeting, and we totally understand his reasons for not being here.

**Màiri McAllan:** He is a really key part of GFIB, which is why we were hoping that he could come.

**Liam Middleton:** I want to make a couple of comments that might clarify matters. The board itself is not a legal entity; it represents a combination of the Scottish Government and all our public sector partners. We can discuss how we are bringing business into that, but it is not unusual for the Government to form a board to solve problems or progress long-term planning, which is what the Grangemouth future industry board seeks to do.

As I head up the team that provides the secretariat to that board, I am more than happy to take questions on it today. That was also part of the reason for our seeking to put forward what we hoped was quite comprehensive written evidence on behalf of the board to assist the committee in its inquiry. The response to the call for views sets out the genesis of GFIB, why it was constituted, its priorities and its work plan. For 2023-24, the two main drivers of the work plan are, first, to find the right model to bring in industry representatives as active participants on the board, now that we have a much more streamlined and co-ordinated public sector, and, secondly, to drive the delivery of the just transition plan, as the cabinet secretary has set out.

There are strategic workstreams across the board, the work of which is driven by officials. For example, we have one that examines the just transition to net zero and which will deliver the just transition plan. There is the skills workstream that I mentioned earlier and which is led by experts at SDS and Fuel Change, and we also have an infrastructure workstream, which unites Falkirk Council and the Scottish Futures Trust as our infrastructure agency. We have a further workstream on project development that is being led by Scottish Enterprise and Scottish Development International, and we also have a regulatory hub that, along with colleagues from SEPA, aims to ensure regulatory compliance at the site and to promote innovation in regulatory practices.

Therefore, the board is essentially a forum that co-ordinates Government and wider public sector activity. It tries to unify all the senior decision makers and ensure that they move in one direction to plan for a net zero Grangemouth. Perhaps some of the confusion could have been born out of viewing the board as a legal entity that is constituted in its own right, when it is, in fact, a combination of public sector bodies that have been brought together to work as a forum to deliver a net zero Grangemouth.

**Màiri McAllan:** And it is a new forum, so it is probably not surprising that you are wondering what it is and how it works. It is quite a novel approach.

**The Convener:** Is the intention now to bring business on to that board?

**Liam Middleton:** Yes. I will make a couple of comments on that, if I may, convener. I would not want there to be a perception that the board has not engaged with businesses.

Just to give you a sense of the structure, I would first point out that all the eight major businesses in the cluster are account managed by Scottish Enterprise, and all the account managers feed

intelligence into the board. The original purpose was to co-ordinate and get our arms around all the public sector activity. A couple of weeks ago, the committee heard from Bankers for Net Zero, who said that getting that co-ordination through the public sector is absolutely critical. That is what the board tries to do.

With regard to business representation, we publish our minutes and the board has a web page. The minutes from December state that in the next phase the board will consider how it can best secure active industry participation. Last week, the cabinet secretary met Ineos and Forth Ports, which are two of the larger corporations at Grangemouth, and when we asked them how willing they would be to engage in the board directly, we received positive responses.

Now that we have the workstreams in place and we have the right resources and the people across the public sector, the next phase will be to bring business into the forum directly.

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** Good morning, cabinet secretary. I want to ask you about the Acorn project and the Scottish Cluster. The Scottish Government has previously highlighted that the Acorn project is a vital part of its strategy to reduce industrial emissions in Scotland. Will you update the committee on the importance of the project in supporting the transition to net zero? What discussions are taking place with the UK Government on moving the project forward?

**Màiri McAllan:** That is a really important question. You are quite right: the Scottish Government considers carbon capture and storage to be absolutely vital to our net zero plans. That is backed up by our statutory advisers on climate change, the Climate Change Committee, whose advice is that it is a necessity and not an option. Coupled with that is the fact that Scotland is exceptionally well placed to have carbon capture, utilisation and storage functioning across the country and, in particular, feeding into Acorn at St Fergus.

10:45

The UK Government's decision not to include Acorn in the track 1 process was inexplicable, and my view on that is shared by people across the political spectrum and, importantly, outside it. However, we welcome the UK Government's confirmation that Acorn will form part of track 2. We are now trying to establish exactly when that process will close so that we can understand and track how and when CCUS, which is such an important component of our net zero planning, can come on stream in Scotland. It is linked with

Grangemouth in many ways, because it is a core part of its sustainability plan, too.

**Gordon MacDonald:** In 2021, Net Zero Teesside was awarded track 1 status. It was named the UK's leading carbon capture scheme and awarded a slice of the UK Government's £1 billion of funding, despite the fact that the Department for Business and Trade had highlighted on its website that

"Scotland is helping lead the way on this work, benefiting from cutting-edge R&D activities, a talented workforce and a significant geographical advantage."

It also went on to say:

"The North Sea also has enough CO<sub>2</sub> storage capacity to support the UK's demands for hundreds of years."

Yesterday, Shell pulled out of the Teesside scheme, after National Grid pulled out on Sunday, and has said that it will now focus on the Acorn scheme in Scotland, where it will act as technical developer. Given that news, what further pressure can the Scottish Government put on the UK Government to reconsider funding for the Acorn project? When do you expect to hear any announcement about such funding?

**Màiri McAllan:** Again, I agree with much of what you have said, Mr MacDonald. The UK Government's comments that you have just read out make it clear that Acorn and Scotland are uniquely well placed to lead the way on CCUS on skills, capacity and existing infrastructure. That is why the decision on track 1 was inexplicable; I am using that word deliberately, because I do not understand—and I am not alone in not understanding—why that did not come to pass.

However, we must welcome progress as and when it arises, so the UK Government's indication that Acorn can be part of track 2 is good. I and my colleague Neil Gray are both seeking clarity on exactly when that process will close. We want it to close in short order so that we in Scotland can get on with what we ought to have been doing before now.

**Gordon MacDonald:** I have a final question. Earlier, it was mentioned that if we get this right, there is a possibility of creating 77,000 jobs. If the Acorn project and the Scottish Cluster do not get UK Government funding, how many of those jobs will be at risk?

**Màiri McAllan:** That is a really good question. I do not have the figure to hand, but I would be more than happy to go away, look at the EY analysis and perhaps come back to the committee on the matter. I wonder, though, whether Liam Middleton wants to add anything to that.

**Liam Middleton:** Yes. I have just a couple of points. The EY analysis looked at oil and gas energy generation and mapped it across to the

low-carbon sector, and it was the low-carbon energy generation that gave the figure of 77,000 jobs. It involved a combination of onshore and offshore wind, hydrogen and CCUS. We could get you a breakdown of how many jobs that would generate, Mr MacDonald.

The larger point that I want to reiterate is that we have a world-renowned petrochemical cluster at Grangemouth, with huge entities that have committed more than £1 billion to getting to net zero. That project is critical to realising that investment. If we could give Scotland's industry the opportunity to capture, transport and safely store its CO<sub>2</sub> we could have a real competitive advantage. As the cabinet secretary has said, we are doing all that we can to call on the UK Government to carry out the action that we require it to do, at pace, so that that investment can be executed.

**The Convener:** I have had a request from Chris Bryceland to contribute. Chris, would you like to come in?

**Chris Bryceland (Scottish Government):** Yes, thank you. I wanted to clarify some of the UK Government's timelines on the cluster sequencing process. The track 2 process is open and closes this week—the UK Government is inviting expressions of interest until the 28th of this month. The Acorn project does not have to submit an expression of interest, because the UK Government deems it to have already met the criteria.

From the Grangemouth perspective, it is critical that that project gets the go-ahead. When it is combined with hydrogen investment, its potential carbon reductions are about 1 million tonnes of CO<sub>2</sub> and the project forms a core part of Ineos's 2030 roadmap to net zero. The Scottish Government is pressing the UK Government a lot on that, and an active dialogue remains with its officials to secure that status.

**The Convener:** Thank you.

**Graham Simpson (Central Scotland) (Con):** I am delighted that we have heard from Chris Bryceland; I was feeling rather sorry for him. I have a follow-up question for him. Has the UK Government set a timescale for deciding on that project? I do not know the answer to that; perhaps you do.

**Chris Bryceland:** That is the million dollar question, Mr Simpson. The timetable has not been published yet, and certainty over timescale is what we are really pressing for. That is the critical bit of unlocking the significant private sector investment that would follow. Why are companies such as Ineos interested in that? It gives them certainty with regard to securing business model support through the industrial CCS business models, and it

would also open up the hydrogen business model support that will essentially provide subsidy to producing hydrogen at scale on site.

**Graham Simpson:** Thanks for that. I have a few questions that arise from the sessions that we have already had and that have not been asked already.

Going back to the plan that you hope to produce—obviously, you cannot tell us what will be in the plan; I understand that—I wonder about the level of detail that might be in it. Will you set out when you hope to do things by? Going back to Fiona Hyslop's question about transport, would it set out which roads you will fix, or will it just be aspirational?

**Màiri McAllan:** The straightforward answer is that I cannot answer that now with the surety that I would want to bring to committee because, as I said earlier, we are still developing it all. I will hazard a guess that we would not go—no, I will not, actually. I do not want to guess, because I do not want to create a hostage to fortune on any of that. This morning, I have laboured the point that what people tell us that they want to see will be important, so I do not want to pre-empt exactly how the plan will be formed.

**Graham Simpson:** You are quite right not to make it up as you go along.

I want to double-check on the make-up of the Grangemouth future industry board. Both Liam Middleton and you, cabinet secretary, alluded to getting the private sector more involved. Will you ask for people to join the board or, as Liam has said, to engage with the board?

**Liam Middleton:** It will be more the former, so it will be about joining the board in some capacity. We are doing a piece of work just now to work out the most appropriate model for doing that.

There are examples around Europe of clusters that start to form as a helix between industry, academia and Government in equal parts, and we are actively considering that. Business might want Government to sort out certain discussion points with the public sector first, in order to present a united front—I think that that is fair.

To the extent that businesses are willing to engage and be at the table in delivering a just transition plan that is credible for them, the cabinet secretary, her team and I want them to be a huge part of that conversation with us, with meaningful representation on the board.

**Graham Simpson:** That is good to hear.

Cabinet secretary, you have visited the site, as we have done. You mentioned aviation fuel, which is already produced there, but there is a big opportunity for Grangemouth and Scotland to

produce sustainable aviation fuel—SAF. Did you discuss that with Ineos when you visited? What do you think needs to happen for SAF to be produced at Grangemouth? That could be a massive opportunity for Scotland.

**Màiri McAllan:** I am happy to answer that in the context of the discussion that I had with Grangemouth about its sustainability plan. However, I must caveat that by saying that I am not the cabinet secretary for energy, which means that I am not involved on a day-to-day basis on, for example, the development of hydrogen policy, CCUS or sustainable aviation fuel. My role in Government will be to ensure that the energy secretary has those discussions and is supported to do so.

As far as I can tell, there are three ways in which industry can decarbonise and rise to the net zero challenge: by making its industrial processes more efficient; by switching to low-carbon fuels; and by capturing carbon, which we have discussed. When I met Ineos, it took me through its sustainability plan, which is linked to the Government's 2045 target, and we talked about the company's £350 million investment in more efficient energy plants at the centre of the complex, a £500 million upgrade to the Forties pipeline system, its plans for CCUS and its interest in sustainable fuels.

However, as far as my understanding of the production of SAF from an engineering or technical point of view is concerned, I will leave it there. Given Liam Middleton's role in critical infrastructure, he might have more to add to that.

**Liam Middleton:** I have one or two brief points to add. I am aware of Mr Simpson's involvement in the cross-party group on aviation and his interest in that subject. We see there being a huge market opportunity for Grangemouth in that area. The downstream oil and gas sector across Europe is starting to move in that direction. It is looking at low-carbon fuels, biofuels and sustainable aviation fuel in particular. We are speaking to the sector about the feasibility of deploying that in Scotland.

There are a couple of barriers that it is worth citing. It is necessary to get the right feedstocks for SAF, so we will need to engage with the sector as a whole and the supply chain on how we can realise the correct feedstocks for those processes. If we want to ask businesses to invest in that new technology and that new product pipeline, we must ensure that there is sufficient market demand for it. At the moment, Grangemouth provides all our aviation fuel in Scotland, but we will have to look at that as not all airports in Scotland place orders for sustainable aviation fuel.

There is also a piece of work to do around commercialisation. As Mr Simpson will be aware,

the price of SAF is some way off the current price of kerosene and jet fuel. Therefore, any market mechanisms that can be put in place, through working with the UK Government, to close that commercialisation gap would be welcome.

**Graham Simpson:** You are completely right, but the issue relates to a just transition.

**Màiri McAllan:** Of course.

**Graham Simpson:** I think that Màiri McAllan and Neil Gray must work together closely on the issue, and with the UK Government. Once we start to produce SAF in greater quantities, the price will come down and Scotland's airports will benefit, because airlines will go there as they have SAF available. That represents a huge opportunity.

By the way, the cross-party group on aviation sent its report on the subject to the Scottish and UK Governments. We are still waiting to hear back from both Governments. It would be useful to get a response.

I will move on to hydrogen, which has been mentioned. Cabinet secretary, you were quoted in one of the newspapers—*The Herald*, I think—as saying that you thought that hydrogen could be a major export for Scotland. What did you base that on?

11:00

**Màiri McAllan:** I based it on the work that was done to produce our final "Hydrogen Action Plan", which was published on 14 December 2022. That sets out the Government's strategic approach and the actions that we think are required to harness our capacity to produce hydrogen, to service our domestic needs but, equally, to be an export opportunity for Scotland to service the needs of countries across Europe that must decarbonise their industrial bases and, actually, whose industrial bases are far greater than ours.

As I say, we have the plan, which is backed up by £100 million-worth of investment, which Liam Middleton mentioned earlier. A chapter in the plan is dedicated to how we build the export market for hydrogen, which we know that Scotland can do. I would just add finally that, although we have done all that and we know that the potential is there, a great many of the powers, particularly over the regulatory framework, that are required to really launch Scotland's hydrogen potential rest at UK level. Therefore, that is another one of my top asks of UK Government.

**Graham Simpson:** Yes, that is correct. However, Jim Skea, who you mentioned earlier, said that he did not see the evidence to justify your belief—let us hope that you are right and that he is not—that we could be a major exporter of hydrogen. Furthermore, Friends of the Earth

Scotland has referred to the Scottish Government's "pie-in-the-sky predictions". Who is right?

**Màiri McAllan:** I will take those points separately. I understand that there are concerns among some stakeholders, including Friends of the Earth, about hydrogen—about green and blue hydrogen, the different ways that those are produced and whether those are appropriate in a climate emergency. The Scottish Government supports both blue and green hydrogen, incidentally.

With regard to Professor Skea's quotation, I think that I know what you are talking about, and I think that he was responding to the draft energy strategy and just transition plan. If Professor Skea was referring to the energy strategy not explaining exactly how we intend to launch the export market, I would just point him to the chapter dedicated to that in our hydrogen plan.

**Graham Simpson:** That is what he was referring to.

I have one more question. I have been reflecting on what you have been saying throughout the meeting. The UK Government has been mentioned quite a lot. It occurs to me that, when you are producing the plan for Grangemouth, the UK Government should perhaps be involved in some way. I do not know how you feel about that. The UK Government has come up in our discussion today, and it has clearly been investing in the area through various schemes, so it would seem appropriate for it to be involved at some point.

**Màiri McAllan:** Yes, that is absolutely appropriate. While we are in the UK and the UK Government has powers that are so directly in play, including over energy and macroeconomic policy, it has a really important role to play. Our climate targets are interlinked while we are in the UK.

I have not had one yet—I have been in post only a couple of weeks—but I have met zero interministerial Government meetings, and I would expect that to be a forum in which I would raise with my counterparts the issue of this just transition plan and others.

**The Convener:** There are some brief supplementary questions.

**Fiona Hyslop:** Clearly, the green hydrogen potential for Scotland is enormous, but we will need a bridge to get there, and the Acorn project is key in that. Last spring, the Net Zero, Energy and Transport Committee produced a cross-party report highlighting the importance of that. We must bear it in mind that we will not necessarily be able to see that shift to sustainable aviation fuel—or,

indeed, the big green hydrogen market that we anticipate that Scotland could realise—for some time. However, it will have an impact on the just transition, particularly for Grangemouth.

I assume that the just transition plan that you produce will not be set in stone, because the plan will be affected every time that there is a milestone or an intervention of what, we hope, will be positive decisions. When you publish it next year, will you make it clear how you will maintain it on an iterative basis, so that it is not only current but forward looking and visionary?

**Màiri McAllan:** Yes, absolutely. That is a really well-made point. I tried to make it earlier when I talked about policy making over the long term.

We need technological advances to assist us over the next 20 or 25 years, and we need the UK Government to make the interventions that it requires to make. The planning that we put in place has to be responsive to that, so I will ensure that, when we present the plan, we are clear about its iterative nature.

**The Convener:** I have a question that is linked to Ms Hyslop's question about the plan's flexibility or responsiveness. The plan will necessarily contain a number of risks, and assumptions will have to be made. You mentioned new technology. We are not at the commercial stage with that yet and it is not certain what will come to our rescue, as you put it.

Will there be plan Bs and contingency? Will there be a recognition that that is the situation? Although we can be aspirational and know what we think we need to deliver by 2045, it is not a certainty.

**Màiri McAllan:** Yes, absolutely. That applies in the development of the just transition plan, and the climate change plan, which we are also working on just now and that we hope to present a draft of this year.

We must be able to demonstrate that technological advances will come on stream. We try hard to present that in different ways. If we have certainty about the closure of track 2 and Acorn's role within it, for example, we will be able to say with a great deal more certainty the role that CCUS will play. If, for example, we are talking about some of the early-stage developments in agriculture for the capture of methane in cattle sheds, we have to indicate how early in its development that is and when we think it might come on stream.

We try to be realistic about the developments that are in play and the timescales at which they might start to reduce Scotland's emissions and contribute towards the emissions reduction targets.

**Colin Beattie:** I will come in on the back of some comments that Liam Middleton made. It might be a daft laddie question, but what does sustainable aviation fuel consist of?

**Liam Middleton:** There are different methodologies for making sustainable aviation fuel. You can get synthetic fuels, which are made through electrolysis, but they are some way off. In the medium term, we are looking more at bio-based content for sustainable aviation fuel. The industry sees that as a more realistic and progressive near-term step.

To go back to Mr Simpson's question, if you have an asset that provides the majority or all of Scotland's aviation fuel and we are starting to see a market-feasible pathway for producing a decarbonised product that benefits wider Scotland, which, with the right support and incentives, provides a commercial opportunity for that asset, it is right and promising that the whole sector and Government should start to examine it as a possibly viable option.

**Colin Beattie:** Given that we already have hydrogen-fuelled planes in the air, where does that fit in?

**Liam Middleton:** If you speak to airlines, you find that they view SAF as a more realistic near-term commercial proposition for them. We are speaking to the downstream sector more broadly about the use of hydrogen in transport. When you engage with them, you find that they look more at heavy goods vehicles in the first instance rather than at planes as a commercially viable market opportunity. In aviation, it is more about SAF than hydrogen at the moment.

I can see that Mr Simpson has his hand up, so I will give him the floor.

**The Convener:** I remind members that we are not the committee with responsibility for transport. However, I hand over to Graham Simpson for a short supplementary.

**Graham Simpson:** I feel like I have joined the panel to help Mr Beattie out. The simple answer to his question is that, at the moment, hydrogen cannot be used for larger planes whereas the airlines will tell you that SAF could be used. It is, basically, a like-for-like replacement. That is a simple answer. We are not quite there yet with hydrogen.

**The Convener:** Perhaps we can discuss that outwith the committee.

That brings us to the end of the evidence session. I thank the cabinet secretary and her officials for attending.

11:09

*Meeting continued in private until 11:30.*

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