



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 13 December 2023

Session 6



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ECONOMY AND FAIR WORK COMMITTEE

32nd 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)

*Murdo Fraser (Mid Scotland and Fife) (Con)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Colin Smyth (South Scotland) (Lab)

*Kevin Stewart (Aberdeen Central) (SNP)

*Evelyn Tweed (Stirling) (SNP)

*Brian Whittle (South Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jackie Dunbar (Aberdeen Donside) (SNP)

Jackie Dunbar (Aberdeen Donside) (SNP)

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

Iain Hardie (Petroineos Manufacturing Scotland Ltd)

Stephen Kerr (Central Scotland) (Con)

Kenneth MacDermid (Scottish Government)

Colin Pritchard (Ineos Grangemouth)

Susie Townend (Scottish Government)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 13 December 2023

[The Convener opened the meeting at 09:15]

Decision on Taking Business in Private

The Convener (Claire Baker): Good morning, and welcome to the 32nd meeting in 2023 of the Economy and Fair Work Committee.

Murdo Fraser MSP is joining us remotely. We are also joined by Stephen Kerr MSP, and I also expect Jackie Dunbar MSP to come to this morning's meeting. Although they are not committee members, they are attending the evidence-taking session on Grangemouth, and I welcome them to the committee.

Our first item of business is to decide whether to take item 3 in private. Are members content to do so?

Members indicated agreement.

Petroineos Grangemouth

09:16

The Convener: Our next item of business is an evidence-taking session on Petroineos Grangemouth. On 22 November, it was reported that the oil refinery at Grangemouth would be transitioned to a fuels import terminal, possibly as early as spring 2025, with media reports suggesting a net loss of up to 400 jobs. That raises questions about the site's future as a key employer and driver of economic activity in the area and, indeed, about Scotland and the United Kingdom's energy and industrial strategy.

Earlier this year, the committee held an inquiry into a just transition for the Grangemouth area. We visited the Ineos site but, at that time, we were not made aware of the plans. This morning, we have an opportunity to discuss issues, including the impact on jobs, the support for workers and the impact on the Scottish cluster and Forth green freeport.

We will be taking evidence from two panels this morning. First, I welcome Iain Hardie, who is head of legal and external affairs at Petroineos Manufacturing Scotland Ltd, and Colin Pritchard, who is sustainability director at Ineos Grangemouth. Thank you for attending the committee this morning.

The committee was, in fact, in session when the announcement and news about changes to the refinery broke on 22 November. Committee members were all very concerned by the news, given that we had conducted our inquiry in the summer. When were the workers made aware of the plans, and what consultation, if any, has taken place with the workers at the site?

Iain Hardie (Petroineos Manufacturing Scotland Ltd): Good morning, madam convener.

The announcement was made on 21 November, as you have correctly identified, and the first people to hear of it were the workforce. As a shareholder group and as a management team, we were determined that they would hear from the refinery first. As a result, we began that morning a process of informing the workforce of 500 heads across three operating bases of the news that we were announcing, and putting in place the enabling works for the future transition to import operations.

The Convener: Was the announcement unplanned as far as the workers were concerned? Were they aware that it was likely to be coming along, or was it a surprise for them?

Iain Hardie: Were they aware of the specifics of the announcement on that day? No. However, as

a workforce, they are well aware of the macroeconomic environment within which the Grangemouth refinery operates. In fact, we, as a management team, keep them regularly updated on financial performance. As such, although nobody was prepared for that news on that specific day, it was well understood in the round that, as Grangemouth is an older and energy-inefficient asset, it would inevitably transition from a refinery business to an operating business at some point, as we move forward through the energy transition.

All that the announcement indicated was the start of the process—it definitely did not do anything in relation to refinery closure. We do not know when that will be, but we know that we have to put in place the necessary enabling works to allow us to move to an import terminal at a point in the future.

The Convener: The announcement said that the closure would be in spring 2025.

Iain Hardie: No, madam convener, the announcement did not say that the closure would be in 2025. The announcement said that the process of enabling works will take up to 18 months, and we currently anticipate that we will operate through to at least May 2025.

Beyond that, we do not know, because we do not know what the prevailing margin environment for the refinery business will be. We do know that we have to act now to put in place the physical infrastructure to allow us to transition, on the basis that we reasonably expect, over the medium to longer term, refinery margins to fall away and revert to loss making. Considering that the Grangemouth refinery business has, in the past decade-plus, incurred losses of more than \$1 billion, it is entirely reasonable and prudent for us to put in place those physical mitigations, so that we do not reverse back to that loss-making environment.

The Convener: So you are saying that the timescale is not clear—that is, that the work is starting, but the timescale for the closure is not clear. That leaves the people working there in quite a suspended situation, because they do not know.

Iain Hardie: I would flip it around and say that we do know. What do we know? We know that the works will take at least 18 months. We wanted to make sure that the workforce was not surprised by suddenly seeing contractors on site at Finnart on the west coast and at Grangemouth on the east coast, looking at modifications that the workforce would clearly identify as terminal-enabling works. Therefore, we took the proactive decision to tell staff now.

Alternatively, we could have waited until the very end of the process, when a decision to cut over had been made, and just told them at that point, but that goes against everything that we as a management team and our shareholders wanted to do, which involves honesty, openness and transparency. That is what I think was inherent in our announcement.

The Convener: Why did the newspapers report the closure as spring 2025? Where did that come from if it was not part of the announcement?

Iain Hardie: You will be better versed than I am in trying to understand why journalists do certain things. Grangemouth is critical national infrastructure—it is big news in any context. As I have said, our focus was on telling staff first and, inevitably, the message got out. If you take the 18-month duration of the works from the November start date, you come to spring 2025.

Also, as we have discussed with colleagues across the Scottish and UK Governments, there is a programme of turnarounds and capital expenditure interventions that have to be made, with a big capex hurdle in and around May 2025. In order to get beyond May 2025, the refinery will have to spend a very significant amount of money—to the tune of £40 million—in order to have a licence to operate beyond then.

Those are two natural hurdles: the duration of the enabling works, and the turnaround that must be completed by May 2025 so that the business can progress for another four to five-year cycle.

The Convener: I do not know whether you can share this with us, but when was the decision made? The meeting with the workers took place on 21 November, but we had our just transition for the Grangemouth area inquiry in the summer. There could have been some recognition of the need for the plant to move towards net zero and that, as a result, plans such as these were being discussed, but not on a timescale that has been presented to us. The workers found out on 21 November, so when was the decision made?

Iain Hardie: The formal decision to commence with the announcement was made only a number of days prior to it. It had been discussed for a period of time, as I am sure you will be aware; our essential point was that the workers would hear from us first. The Scottish Government was briefed in advance and had been aware of the concept for a reasonable period, as had the UK Government. However—and we are unapologetic about this—we did not pre-brief the media or committee members extensively, because we were laser focused on the staff hearing the message from the refinery management team first. We owe that to them.

The Convener: I have one other question before I bring in Gordon MacDonald. What incentives does the green freeport offer as a result of closing down the refinery and moving to an import and export business? It looks as though the green freeport is costing rather than creating jobs, because we are looking at losing 400 jobs at Ineos. What factor does the green freeport play in the decision, given that it will be offering tax breaks?

Iain Hardie: Succinctly, the answer to your question is none. The green freeport offers no meaningful benefits for the refinery as an operating refinery.

The Convener: But it would offer benefits, would it not, if you closed down the refinery and moved to an importing business?

Iain Hardie: A potential benefit of the green freeport relates to the potential future development of a biorefinery on the site. That is where the package of measures on Scottish green freeports might be beneficial.

I will defer to Colin Pritchard and see whether he has anything else to say about green freeports, particularly from an Ineos perspective, that might be helpful.

Colin Pritchard (Ineos Grangemouth): Some of the areas that have been identified for the Forth green freeport are within the refinery fence line and are currently undeveloped. As Iain Hardie has said, there is the potential for incentives to promote biofuels and the future energy provision that we will have once we have gone through the energy transition.

The Convener: Okay. There might be further questions on green freeports later.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning. I want to continue the discussion on the background to the decision to move towards closure, whether it be in May 2025 or later. You talked about macroeconomic challenges. Are there economic challenges that are impacting only the Grangemouth refinery, or are the same issues impacting the other five refineries in the UK and, indeed, those across Europe?

Iain Hardie: It is both. I will take the Grangemouth-specific issues first. Grangemouth is one of Europe's oldest refineries. Its configuration makes it inherently inefficient, just by the nature of its construction back in the 1950s and 1960s, and that has resulted in Grangemouth bearing a higher unit cost of production than is borne by other refineries.

Outwith the immediate refinery environment, the population that we serve is a commercial hinterland. It is a large geographic space, but the

population is relatively small. That has a bearing on the economics of Grangemouth compared with refineries in England, which have a greater population density around them.

The combination of all those factors, as well as the projection that margins will decline in the future, means that Grangemouth has historically been—and will be in the future—a material loss-making business. That is why we have to act now to put in place the infrastructure that ensures that we do not revert to that at a later date.

Gordon MacDonald: You talked about the substantial losses that were made in 2020 and 2021 due to the lockdowns. However, Rystad Energy highlighted that Russia's invasion of Ukraine

“catapulted refining from famine to feast in term of margins.”

Was it a mistake for Petroineos to cut the site's refining capacity by 30 per cent?

Iain Hardie: There are a couple of points to make in that respect. The Rystad Energy report is correct in so far as the Russia-Ukraine war has led to an artificial spike in refinery margins, due to the sanctions and the constraints on diesel coming into north-west Europe. However, that has not changed the fundamentals, which we have just discussed. There is an oversupply of refining capacity in north-west Europe, and I am sure that Rystad Energy will be able to report on exactly that and, indeed, does so.

We have discussed some of the specific factors that result in the Grangemouth refinery's financial performance being in the lower quartile. On the specific question of what we did in 2020, I think that you are referring to our decision to reduce our throughput from 210,000 barrels to 150,000 barrels per day. We did that in response to the prevailing conditions at the time; in other words, we reduced our throughput so that it better aligned with our inland demand. The delta that we brought off—that is, the capacity that we mothballed—was being exported, at a loss, to Amsterdam, Rotterdam and Antwerp. We were producing a product that we could not sell in our domestic hinterland, so we had to export it, at a loss, to Europe. Self-evidently, that made no economic sense, so, in that context, mothballing that portion of capacity was absolutely the right decision.

Gordon MacDonald: You mentioned that current demand is for 150,000 barrels per day. When you close the refinery in five years' time or whenever it happens to be, what will happen to that demand?

Iain Hardie: Demand forecasts are evolving. We have to acknowledge that we are in transition away from fossil fuels and that there is increasing

penetration by electric vehicles and hybrids. That is absolutely right—we are not arguing against that—but it reduces demand for the product that we produce.

There comes a point at which it simply becomes uneconomic for us to manufacture this product. The refinery has minimum rates at which it can operate and, once we go below them, we go from that to zero. We are doing what we can to ensure that we do not get to that point; we want to be able to safely transition away from manufacture at a point in the future while, at the same time, effectively bringing through the import logistics.

09:30

Gordon MacDonald: When you cut from 210,000 barrels to 150,000, you must have thought that that 150,000 barrel demand was sustainable, at least in the short term.

You operate another plant at Lavera in France. You have talked about the demand in Europe, and you have said that you are exporting at a loss. Will those European customers now be served from the French refinery that you own, which is another old BP refinery?

Iain Hardie: No. The economics, the configuration and the operating envelope of Lavera are entirely different from those of Grangemouth and the two need to be viewed separately. There is no connection to be made there. The inland demand of 150,000 barrels was designed to meet the domestic supply; what we are saying is that, over time, that domestic supply will fall away, due to penetration of EVs and hybrids.

Let us not forget that, post 2030, we expect demand for our product to fall quite sharply, because of the ban on new-build petrol and diesel combustion engines. I am stressing the point that what we are doing now is putting in place the enabling infrastructure so that we can continue to play the role of fuel supplier in Scotland, but not as a manufacturer at a point in time in the future.

Gordon MacDonald: My final question is in two parts. First, I was not able to find your financial accounts for the year to December 2022. They are not available from Companies House. What was your financial position at the end of December 2022?

Secondly, has a final decision been taken to close the refinery? What would it take to keep it open for a longer period of time? You talked earlier about the capex of £40 million. Are there any other factors that we need to take into account to keep it open?

Iain Hardie: With regard to the financial statements, I presume that you are referring to

Petroineos Manufacturing Scotland Ltd, which is the owner and operator of the refinery. We have had lots of questions from journalists, MPs and the like who have done exactly the same exercise as you have. What I would say is that you cannot just cherry pick one company in the legal structure—a series of interrelated companies form the Grangemouth refinery business. Because it is a tolling and manufacturing joint venture, only in its totality will you see the whole picture of the losses that are flowing.

PIMSL accounts will be published shortly and I presume that they are likely to show a modest loss, because it is a tolling venture. It is meant to be a no-profit, no-loss company, so that is not the thing to focus on.

Gordon MacDonald: If it is a no-loss company, how did you make substantial losses? I picked the losses up from the manufacturing company.

Iain Hardie: There are losses inherent in PIMSL, but you have to look at the broader group to see the totality of the Grangemouth refinery business. You have picked up on the manufacturing company, but there is also the company that supplies the crude, the companies that sell the products and the others that provide the infrastructure and utilities. You have to consolidate those on a management accounting basis.

Gordon MacDonald: What were the group profits?

Iain Hardie: I do not know. They will not be available.

Gordon MacDonald: Right.

Iain Hardie: Your second question was about the steps that could be taken to ensure that the refinery continues to operate. At this point, we are having discussions with the Scottish and the UK Governments on those sorts of questions, so to go into them at this stage would be inappropriate.

Gordon MacDonald: Okay. Thanks very much.

The Convener: I will bring in Evelyn Tweed, and then I will come back to the issue of green freeports with Colin Beattie.

Evelyn Tweed (Stirling) (SNP): Does the planned closure accelerate the anticipated reduction in emissions associated with operations at Grangemouth, or did you already anticipate that as part of your net zero strategy?

Iain Hardie: The emissions from PIMSL—specifically, the manufacturing entity—are associated with the manufacture of the refined product. Ultimately, as we transition from manufacturing to import, the emissions relative to PIMSL will, of course, reduce. However, it is fair to say—and I come back to Mr MacDonald's point—

that demand for road fuels and jet fuel will continue for a period of time to come. Therefore, the scope 3 emissions from the tailpipe will effectively still be in place for Scotland. As he is the sustainability director, I will defer to Colin Pritchard on the broader question of on-site emissions.

Colin Pritchard: Our initial plans for the roadmap as discussed with the committee when members visited Grangemouth were based on the refinery being at that site. However, for all the reasons of policy and economics that Iain Hardie has outlined, we always knew that ceasing refinery operations was a possibility. It is worth saying that all the plans that I discussed with the committee continue to be in place. Our projects—the delivery of net zero, the next step for fuel switching to the provision of hydrogen, and the tie-ins with the Acorn system via National Gas Transmission—continue as I previously outlined to the committee.

I am aware that, as the convener suggested when she introduced the item, there have been some comments about the impact on the Scottish cluster. I make it clear that we are continuing with our plans and there will be no impact on what we are doing. The outline and scope of work that I described to the committee earlier this year is, essentially, unchanged. We will continue with our plans to produce blue hydrogen and we will have a CO₂ export stream that will need to be stored. The scope of our tie-ins via the feeder number 10 pipeline and to the Acorn project is unchanged.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I want to go back over a little of the ground that you have already covered.

You have announced plans to replace the refinery with an import-export hub on the site. Can you provide more detail on the expected markets for those imports and exports and the type of work that will be carried out on the new site?

Iain Hardie: To be clear, we will be importing transport fuels—gasoline, diesel and jet fuel—from international markets through our two operating bases in Scotland. As it stands, the plan is to convert Finnart, which is a deep-water port on the west coast, to a bulk diesel import node, diesel being the largest grade that we sell in Scotland, and that will then be piped through a cross-country pipeline from Finnart to Grangemouth on the east coast. At Grangemouth, there is a tankage modification programme to accommodate bulk imports of kerosene and gasoline as well as diesel, if required. That split, with the bulk of the diesel that we import being brought in via the west coast, is designed to de-bottleneck access at the Grangemouth jetty. Fuel resilience and security are inherent in the plan.

We will continue to sell to the markets and the customers that we currently serve. In our discussions with our customers, they have been supportive of the measures that we are taking. The type of people and businesses to whom we sell our products buy from refineries as well as import terminals. There is a recognition in the market that, as we move through the energy transition, there will be a move in north-west Europe away from manufacturing towards importation.

Colin Beattie: Just to be clear, are you saying that there will be no export trade from that hub?

Iain Hardie: No. By definition, we will be importing products to serve our commercial markets in Scotland.

Colin Beattie: So it is entirely domestic.

Iain Hardie: That is right.

Colin Beattie: Will the market extend south of the border to England?

Iain Hardie: That is something that we will review at the time. We currently have an asset in Cumbria in north-west England that is rail fed from the refinery to Dalston. As we move through the process of reviewing our forward plan, we will continue to investigate the other markets that we serve, including Belfast, which we supply into. Belfast will be another port where we will be considering the economics.

Colin Beattie: I am interested in the expectations with regard to the size and scope of the hub. You have indicated that it will serve domestic markets in the northern part of the UK, but I presume, then, that the expansion opportunities will be limited to a certain extent.

Iain Hardie: The expansion opportunities with regard to import logistics are limited to the geographic hinterland that we serve. The opportunities that you have referred to might be more pertinent in a discussion about a biorefinery, biodiesel production or sustainable aviation fuel production et cetera, which are part of another workstream that is being investigated by the business.

Colin Beattie: We have touched already on the Forth green freeport, but I am still not clear how the hub is going to impact it. Is the hub going to channel any of its business through the freeport? What consideration has been given to how any opportunities could be developed?

Iain Hardie: The refinery remains within the footprint of the green freeport, but I see the benefit of that in the forward-looking projects, such as the biorefinery potential and other low-carbon projects at Grangemouth. Those are where the fiscal

concessions linked to that policy are given best effect.

Colin Beattie: Has that been factored into your plans for the future?

Iain Hardie: It will be factored into our biorefinery project at the appropriate time, as we go through the development funnel for that project.

Murdo Fraser (Mid Scotland and Fife) (Con): Good morning, gentlemen. I want to ask a couple of questions just to follow up Mr Beattie's line of questioning and to ensure that I properly understand the situation.

At present, Grangemouth takes crude oil from the North Sea or elsewhere, refines it and then sells the product to markets that are predominantly in the northern part of the United Kingdom. If the refinery closes, what happens to the product that is currently coming from the North Sea? Where will it go to be refined?

Iain Hardie: Good morning, Mr Fraser. As you will be aware, the refinery is linked to the Forties pipeline system at Kinneil, but we take very little crude oil via that system. It is a legacy arrangement that is inherent in the BP configuration of the site from times gone by.

Our importation of crude oil is international; indeed, a trading team is focusing on exactly that and looking at where we can get an appropriate specification of our crude diet at the best possible price. The oil is brought in from all corners of the globe.

Murdo Fraser: In that case, I have two follow-up questions. First, if the refinery closes, what happens to the pipeline that goes from St Fergus into Kinneil?

Iain Hardie: I do not see the link. I have made it quite clear that the refinery's crude diet from the North Sea via the Forties pipeline system is minimal. Currently, our importation of crude oil comes mostly via the west coast, at Finnart oil terminal, where we bring it in in bulk via large carriers and transfer it through the cross-country pipeline. That is what we are switching to a bulk diesel import mode, instead of a bulk crude import mode, in our potential terminal configuration.

Murdo Fraser: So the closure of the refinery will have no impact on the gas pipeline.

Iain Hardie: That is correct, Mr Fraser.

Murdo Fraser: My second question, then, is: where will your current customers in the northern part of the UK—the ones who are buying your refined product—source it from?

Iain Hardie: It is business as usual for the customers that we serve today, and we will

continue to serve them all the way through the transition.

Murdo Fraser: Beyond the transition, where will they purchase their refined product from?

Iain Hardie: They will purchase it from Petroineos. As we move into our fuels import mode, we will continue to serve them in the way that we have served them historically, as a manufacturer of finished fuels.

Murdo Fraser: Okay, but will those products be refined elsewhere and not at Grangemouth?

Iain Hardie: Of course. By definition, the finished fuels will be imported to site and we will sell them through all our existing infrastructure at the Grangemouth road rack, so there will be no change for any of our customers at the transition point.

The Convener: I call Colin Smyth, followed by Maggie Chapman.

09:45

Colin Smyth (South Scotland) (Lab): I will come back to the issue of jobs. The company often talks about the positive impact on local jobs, not only from the site but from supply chain and contractor jobs. Will you clarify the number of jobs that are affected? We have heard that around 400 jobs will be directly affected, but what assessment has been made of the impact on supply chains, contractors and other local businesses as a result of the closure of the refinery?

Iain Hardie: You are right—the current head count at the refinery is approximately 500 and, going forward, we anticipate that we will need about 100 heads for the terminal. Our modelling suggests that, by the time we reach that transition date, approximately 100 will be eligible for retirement. We anticipate that, following the cessation of refinery operations and during the currency of the terminal operations, about 50 employees will still be required for decommissioning and demolition of the Grangemouth site for a period of probably up to three years.

Colin Smyth: There must be supply chain jobs and contractor jobs already in place in the refinery, as well as the people whom you directly employ. What assessment has been made of any potential loss there? The company constantly talks up its positive impact on supply chain jobs, but there will obviously be a negative impact. What assessment has been made of that?

Iain Hardie: There is a supply chain that supports Grangemouth in refinery operations. When it becomes an import terminal, the demand for services from that supply chain will inevitably

drop, which is why it is equally important that, in parallel with the cessation of the refinery, we continue our studies on biorefining and the potential to bring such projects online.

Ultimately, we talk about the just transition, but this is the just transition in action. There is an inevitability about our having to migrate from the fossil-based economy to the non-fossil economy, which goes to businesses, employees and the supply chain. That is where I want to direct our focus.

Colin Smyth: I agree. If we are to have a just transition, the starting point is knowing how many people are currently employed directly and indirectly for the refinery, in order to support those people. I am still not entirely clear about the impact numerically on supply chain jobs and what assessment has been made of that.

I will come back to the 2025 figure. You have indicated that you are not clear whether the refinery will close then. What would prevent it from closing in 2025? It is making a loss at the moment, and the assessment of your direction of travel clearly shows that you should be ready to close in 2025. What is going to change between now and 2025 that you have not already built in, and what impact does that have on your existing workforce?

Highly skilled employees who are in the refinery at the moment are now being told that their job is on a timer. Presumably, they will be looking for other employment, because you cannot give them any certainty beyond 2025. What assessment has been made of the impact on your daily operations of the fact that you are likely to lose skilled staff between now and 2025? They will be looking for opportunities elsewhere, presumably away from Grangemouth, because the work that you are doing elsewhere on the site to bring other things on stream is long-term stuff—it will not create any jobs in the short term, so people are going to leave the area because of your announcement.

Iain Hardie: You have correctly identified and referenced twice the highly skilled staff that we have on site, and they are the absolute focus of the management team at present. You are right that this news will be unsettling for them. Together with the unions and the employee forums, we have had very advanced discussions with them. Notwithstanding that we are not in a formal consultation because we have not started the closure process, we have put in place, via the annual pay review, a series of enhanced measures to protect them.

As of yesterday, I understand that the unions will be recommending to their members an upgrade to their redundancy terms as well as an above-inflation pay rise. It is for exactly that reason that we need to give them as much

financial security as we can at this time, so that we can continue to operate as a refinery for as long as we need to, while it is economically viable and to put in place the enabling infrastructure for the terminal transition. The employees are absolutely at the heart of our strategy.

Colin Smyth: What incentive is there to stay until 2025? If you are a skilled worker looking outwith Grangemouth potentially, what is the incentive to stay there? Are you saying that, if they stay, they will get a financial bonus? They know that their job will probably disappear in 2025. You have not said anything at all that suggests that it will go beyond 2025; realistically, we know that the date is 2025. What is the incentive for skilled employees to stay on the site?

Iain Hardie: As I say, there is a package of financial support to incentivise our workforce to stay for that period. It is business as usual: as things stand today, the refinery is in full operations mode, and we need our staff to stay. It is therefore incumbent on us as a business to incentivise them to stay. If we did not do that, we would precipitate a larger problem for the business, so we are doing everything that we can to keep the workforce motivated and engaged, while recognising that this is a period of uncertainty.

Colin Smyth: Are you doing anything at all to reassure those in the supply chain and to suggest that there may be alternatives? You will know who your suppliers and contractors are on the site. Are you in discussion with them about what your future plans may mean for them? They will be feeling uncertain, too, and that concerns a lot of jobs.

Iain Hardie: As we move through the process, which we have announced only recently, we are having exactly those discussions with employees, those in the supply chain and all the other stakeholders. There is a large envelope of people we have to reach out to, talking things through with them and having exactly those sorts of discussions with them.

Maggie Chapman (North East Scotland) (Green): Good morning and thank you for joining us this morning. I want to continue the line of questioning on jobs, workforce planning and what you anticipate happening, not just over the 18 months but beyond that. You have talked about the reduction in jobs that is likely to happen as the site shifts from refinery to import hub. I am interested in the relationship between that and the biorefinery for the future, which you have spoken about. An estimated 50,000 jobs would be generated under the plans for the green freeport. If there is to be a reduction to roughly 100 jobs with the import hub—and you mentioned a need for 50 jobs to decommission existing infrastructure—how would that play into the broader, astonishing,

increase in job numbers for the site, or for the area, in relation to the freeport?

Iain Hardie: I have not been involved in, and am not aware of, the data that supports the green freeport job figures, so that is not for me to comment on. What I can comment on and have commented on in response to questions from Mr Smyth and Mr Beattie is the transition that we are putting in effect for our staff. I reiterate that, for us, as far as I understand it, the benefits from the green freeport are best suited to forward-looking projects that are currently going through the appraised project development funnel.

Maggie Chapman: So there is not a direct link with workforce planning beyond the shift to an import hub.

Iain Hardie: The specifics of the green freeports and the figure that you have referenced are not factored into our thinking. Our thinking has been about how we can do the best for the 500 heads that we have responsibility to manage as a business.

Maggie Chapman: What skills and retraining are required for the jobs that you anticipate will continue to exist at the import hub? What professional changes will be required for the employees that you currently have? How will you support them through that?

Iain Hardie: It is currently business as usual. Everyone is going through their training, and they are keeping their tickets up. That is essential, and that will not change until a decision is made. Even then, once we make the transition, there will be a package of measures, and I would anticipate ensuring—with the support of the Scottish Government, Falkirk Council and other bodies—that there is appropriate support for those employees who will not be transitioning into the terminal business. As a business, we have a good track record in that regard. We put such measures into effect in 2020, and I am confident that we will employ the same rigour as and when we make the transition announcement with respect to refinery operations.

Maggie Chapman: I understand what you are saying about the people who will no longer have roles, but I am talking about the people who will. I imagine that the jobs will be slightly different. What skills and training will be in place for them for that, and to allow them to do the jobs that they want to do?

Iain Hardie: As I say, we are at the start of the project, doing the workforce planning in and around the terminal transition. We have a highly skilled workforce now for operating the refinery, which is a top-tier complex COMAH site under the Control of Major Accident Hazards Regulations 2015. Those jobs will be directly relevant and

useful, and they will fill the gaps that we need for the terminal business as and when we make the announcement. I absolutely see a transfer from one to t'other.

Maggie Chapman: In another line of questioning, Colin Beattie asked about the supply chain and indirect jobs. Do you see a role for your business in supporting any reskilling, upskilling or retraining for supply chain contractors and others, or is that their business?

Iain Hardie: I imagine that it will be a combination of both, Ms Chapman. The Scottish Government, Falkirk Council and Petroineos will all have a role to play, as and when we reach that point. We understand fully what the supply chain needs of the terminal business will be. I do not think that it falls exclusively to any one party.

Maggie Chapman: My final question is on a slightly different point. I am not thinking about jobs and employees necessarily, but what engagement have you had or are you planning to have with the community around the site? There will obviously be an impact on it with the work that needs to happen over the next 18 months. I do not know, but the site could then have a very different kind of impact on them. The import business will be quite different from the refinery business in terms of the consequences for and the impact on the immediate and not-so-immediate communities, residents and small businesses.

Iain Hardie: The community that has grown up around Grangemouth has been there for a very long time and has seen the site transition over a number of decades and years as it has developed. There will inevitably be consultation with the local community as we move through the process, but I come back to the point that we are at day 1. No decision has been made. It is business as usual.

You and your colleagues have made excellent points about stakeholders we have to speak to. Those discussions have, to a large extent, started and will continue, as and when we progress through the decision-making process.

Maggie Chapman: I will just press you on that. You say that those discussions have started. What form have discussions with the community taken? What have they been to date, if they have started already? Are you using just the formal consultee mechanisms through community councils and that kind of thing, or are you looking at broader strategies of engagement?

Iain Hardie: At this stage, our engagement has been at the highest level. As you can imagine, for us, key stakeholders in respect of our local community will be the likes of Falkirk Council. That is where our attentions have focused. I think that that is right, recognising that, although we have made the announcement, we are only at day 1 of

the process. As and when we have an understanding of when closure will be, how it will be effected and what the programme looks like, you are absolutely right that we can go back to specific stakeholders and have specific discussions with them at that stage.

Maggie Chapman: Do you expect the 18 months of work that you are at day 1 of to have a negative impact on the community as operations shift during those 18 months?

Iain Hardie: No, there will be no direct impact. The engineering programme to effect the changes at Finnart and Grangemouth will not have any adverse effect on local communities in the east or the west of Scotland.

Maggie Chapman: Thank you.

The Convener: Mr Hardie, you keep saying that no decision has been made, but what part of the decision has not been made? It sounds as though the refinery is going to close and we are going to move towards imports and exports. You have confirmed the kind of job changes and job losses that we are looking at, but you keep saying that no decision has been made. What bit of the decision has not been made?

Iain Hardie: I do not think that I can be much clearer, madam convener. I am sorry if it has not landed. We have not made a decision as to when we will be closing the Grangemouth refinery. The positive decision that we have made is to put in place the £10 million investment to enable the logistics works on the east and west coasts of Scotland.

The Convener: So when the refinery will close is the final decision that has not been made, although most indicators seem to suggest spring 2025.

Iain Hardie: There is a recognition that the refinery will close. We would not be putting the measures in place if we had line of sight to the refinery operating for the next 20 years. That is simply not the case. No one in the refinery industry or, I think, in the UK or Scottish Governments reasonably believes that. What we are doing is putting in place the infrastructure such that, as and when the business makes that decision, there is no change from a continuity-of-supply position for Scotland.

Kevin Stewart (Aberdeen Central) (SNP): Good morning. I want to go back to some of the comments that have already been made about the Scottish cluster and the Acorn project. To quote you, Mr Pritchard—if I misquote you, you can tell me—you have said that your plans remain unchanged around the Scottish cluster and the Acorn project and that you are continuing with them. However, you are looking at a substantial

change to the business. Could you explain why you feel that your commitment and your planned works for the Scottish cluster and the Acorn project remain unchanged?

10:00

Colin Pritchard: Of course. Thank you for the question and for the opportunity to clarify that, Mr Stewart. I said that we are switching our fuels across to hydrogen. The key assets in Grangemouth that we are focusing on in the fuel switch are our petrochemicals complex's KG ethylene cracker and our utilities—that is, our combined heat and power plant and our utilities boilers providing steam and power to all the site. I would remind everyone that, at Grangemouth, there is still a petrochemicals complex and the Forties pipeline system runs to Kinneil terminal.

In relation to determining our design basis, I have not mentioned our assumption that there would be no demand from the refinery for its fired heaters for hydrogen or to replace its current hydrogen unit that exists while it is a fossil fuel processing refinery.

I am saying that our plans are essentially continuing as I discussed with the committee earlier in the year, because the design basis and our customers are exactly the same as they were and they are unchanging. We have put ourselves into a position in which, and made it very clear that, if there is future demand from the refinery, we will be there to provide that demand be that from utilities or as a fuel, or as a hydrogen for transport. All that will be upside and additional demand to our plans for Grangemouth's hydrogen provision. If that comes from blue hydrogen, we will be capturing that additional CO₂ and putting it through the Acorn system.

I am saying that the plan is essentially unchanged because of exactly that: we did not have a demand from the refinery in the first place that we needed to factor in.

Kevin Stewart: There was no demand in your original business plan to ensure that you were supplying the refinery.

Colin Pritchard: There is no direct demand for its fuel switching or to replace the hydrogen unit.

Kevin Stewart: Okay.

I want to move to a few other issues to do with the biorefinery. I would also like to hear a little bit more about your plans for hydrogen, which you have already mentioned. Beyond that, where are you with regard to sustainable aviation fuel and its production, which will be extremely important? What will be the impact of the proposed closure of the refinery—you are unable to tell us when that will be at this moment—on those ambitions?

Beyond that, what effect does the refinery plans have on the confidence of future investors in relation to what you are looking to scope for the future?

Iain Hardie: There is quite a lot to unpack there.

Kevin Stewart: Yes, there is quite a lot.

Iain Hardie: To be clear, there are two separate projects: the biorefinery project, which is the Petroineos study, and the blue hydrogen project. Do you want to hear about both, or do you have a preference for one or t'other?

Kevin Stewart: Just mix it all up, please.

Iain Hardie: No! That is the point, Mr Stewart.

Kevin Stewart: We have got a very short period of time. Summarise both very quickly, because I have more questions, as you would imagine.

Iain Hardie: I will keep waffling in that case. The biorefinery is at an appraised stage, so it is at a very early commercial and technical feasibility stage. We are taking a matrix-based approach. We have a new-build review. We also have a repurposing review that is based on the refinery's existing configurations. We are also looking at two sizes—in effect, there is a mid case and a high case in terms of production. That is looking at whether we should just focus on a domestic market or whether we then do what we had done as a refinery historically, which is to export into ARA, recognising that—as you have—there will be demand for those biofuels going forward.

There are a few important things about SAF that we have not discussed enough. As a business, we are reviewing the potential for the importation of SAF. It is not as easy as bringing in jet fuel in the way we currently do—piping it in, storing it and selling it to the market. There is a separate piece of logistics and enabling work that we have to do on site to accommodate it. That work is funded and is being done. Our plan in 2024 is to carry out a number of test cases of that, where we will import SAF from Europe and sell through the existing terminal infrastructure at Grangemouth to customers.

Kevin Stewart: Why not manufacture SAF here?

Iain Hardie: That is exactly what our biorefinery project will do, Mr Stewart. The biorefinery project is looking at the feasibility of manufacturing biodiesel and SAF. We could have a very long and detailed discussion about the hurdles to that, but there are two big ones that the committee should be aware of. You talked about investor confidence in respect of SAF. The reason why we are not yet seeing a large uptake of SAF manufacturing at scale and at pace in the UK is, I would argue, the level of investor confidence.

There are two specific major challenges that relate to the UK policy framework. First, we know that a SAF mandate will come in, but we do not yet know what thresholds it will be at over what period of time. Therefore, by definition, how, as a project developer, are you expected to design, procure and manufacture a plant to meet a product demand that you do not yet know is firmly there? Secondly, there is a big disconnect between the feedstocks that you can use for bio in the UK and in Europe. The UK Government has proposed and is sticking to what is called a hydroprocessed esters and fatty acids cap, which is forcing industry to move to second-generation technology with a lower technical readiness.

As a result, I fear, and the data shows, that by the time the SAF mandate comes on stream, there will not be sufficient domestic manufacturing in the UK to meet it, and we will revert back to being a net importer of SAF into the UK. That could and should be addressed in order to incentivise and push on the development of bioprojects in the UK.

That is probably enough from me on the biorefinery. I will hand over to Colin Pritchard to talk about Ineos's blue hydrogen project, which is of equal significance.

Colin Pritchard: Just to clarify, is the question specifically about the blue hydrogen project?

Kevin Stewart: Just give us a brief summary. What bothers me about how you are doing things at the moment is that there may be a future impact on confidence in moving some of these projects forward.

Colin Pritchard: To be clear, the project is underwritten by the demand that we have on site for hydrogen that comes from the petrochemicals complex and the Forties pipeline system. Iain Hardie discussed potential future projects in biofuels, SAF development and other low-carbon hydrogen feeding into the transport sector; if they are given the right policy support, some of the aspects that Iain discussed make commercial sense. At the moment, there is a general challenge, which is true across the whole of the energy transition, that our policies seem to be directed more at banning the old than at creating the future that we wish to move to. The latter is decidedly more complex, I admit.

There should be investor confidence in what we plan to do, because we have demand and offtake. In fact, given the way in which the UK Government's low-carbon hydrogen agreements are set up, confidence in offtake is key. Ultimately, that might even limit ambitions across the UK of such hydrogen projects being developed.

I reiterate that, if we can get the right policy and support for the future projects that we have discussed from the refinery, that will only be

additional demand and should bolster and build on what is already a solid demand base for our hydrogen project.

Kevin Stewart: I will move on a bit, because there has been talk of energy security. Members have asked questions about the Forties pipeline and what comes in at Kinneil. You have discussed in great depth current exports to ARA, and you have talked about a crude mix from international markets.

With regard to energy security and the carbon footprint, is not there an argument that more crude oil should come in through the Forties pipeline to Grangemouth? You have talked about Finnart and about the pipeline being used for diesel. I have not heard anything about petrol or kerosene and how they would come into the import plant. From an energy security perspective, would not it be better to utilise the Forties pipeline to Grangemouth more, rather than relying on international shipping coming in to Finnart? Do you have a general comment on that? I might then have some specifics to address.

Iain Hardie: Let us unpack where you are going with this, Mr Stewart. First, with respect to the terminal, we are talking not about international crude but about international refined product.

We have spoken about the reconfiguration of Finnart on the west coast for bulk importation of diesel. That inherently gives us strong security of supply: diesel is the most popular grade of finished fuel that is sold in the UK. By definition, that frees up capacity on the east coast at the Grangemouth jetties, because it de-bottlenecks access to that infrastructure for bulk importation of gasoline and kerosene, as well as allowing Grangemouth to provide back-up logistics for diesel. In our current configuration—

Kevin Stewart: It is the importation aspect that gets me. We are talking a lot about energy security. Let us look at this in layman's terms. We have the North Sea basin producing crude. You are refining that crude into various products.

Iain Hardie: The North Sea produces crude. Do we take much North Sea crude via Kinneil, to use your FPS example? The answer is no—the amount is de minimis. Are we exposed today from a fuel security, international supply chain perspective with respect to our operations? Absolutely, because we have to import crude internationally in the same way—

Kevin Stewart: That is my point. Do we need to import as much crude, and cannot we utilise the North Sea basin and what it is producing to a greater degree? I recognise that there are different types of crude and all the rest of it—

Iain Hardie: Mr Stewart, I will stop you there, because we are getting mixed up between crude and refined product. I am saying that the economics of manufacturing refined product at Grangemouth in the competitive landscape in which it sits will not be viable in the longer term. We will have to transition away from manufacturing, and the move to an import business would add to the \$1 billion in losses that are already attributable to that business. However, the alternative is unsustainable losses in the future: that is not a viable future and it is not inherent in any just transition planning modelling.

Kevin Stewart: I think that we could go on for quite some time about the competitive international market. From an energy security point of view, there have to be changes to that market. To reduce our overall carbon footprint, there have to be changes to that market, as well.

What I am driving at is that we should, from an energy security point of view, be utilising the North Sea basin to the max to save on importing crude and product. Would not it be better to utilise the pipeline from Forties to Kinneil more? Would it be beneficial for Petroineos if the UK Government, in particular, looked at what could be done to help with energy security by investing in it? I am well aware of the 2013 rescue plan, which led to a £9 million grant from the Scottish Government and £125 million of loan security from the UK Government. Is it time to look at security, and loan security, in relation to future energy security and reducing the carbon footprint?

10:15

Iain Hardie: If I may, I will focus on two aspects, in the interests of time. We take energy security incredibly seriously. Our proposal and plans are designed to ensure exactly that and to give Grangemouth a new life as a future fuels hub for decades to come.

On whether the UK Government and the Scottish Government should be making interventions to maintain continued refinery operations at Grangemouth, I will leave them to make their representations directly.

Brian Whittle (South Scotland) (Con): Good morning, gentlemen. I have a couple of quick questions to get clarification, so that I understand exactly where we are. We understand that, at some point, you will no longer be importing and refining crude at the plant, but you will be importing refined fuel into the plant. What assessment have you made of the impact of that on the decarbonisation process?

Also, will you clarify how that potentially impacts on production of hydrogen and SAF at the plant?

Iain Hardie: When the Grangemouth refinery stops operating, its scope 1 and scope 2 emissions will fall, by definition, to the tune of about 800,000 tonnes a year. However, there will still be demand, so we will be importing product, which will be combusted in cars, buses and so on in Scotland, so I expect the scope 3 emissions for the country to remain largely unchanged. They will be tracked in the downward curve that also tracks the improvements in efficiency in engines and the decline in use as people move to EVs, hybrids and so on.

On SAF, which we touched on with Mr Stewart, we are doing two things. First, there is an on-going project to ensure that we can import SAF through Grangemouth. Ahead of the mandate for 2025, we are planning on doing some test runs in 2024 to prove the system, because the supply chain and the testing that we have to do for the product are quite different.

Secondly, SAF manufacturing is an exciting opportunity and is an inherent part of our biorefinery project. As I mentioned to Mr Stewart, it is focused on HVO—hydrotreated vegetable oil—which is biodiesel, and SAF. The project will provide the domestic manufacture of those two key products.

Brian Whittle: There is an interesting web, if you like. We will not be refining crude in Scotland any more, so there will be a reduction in carbon production, but crude will still be refined—we will be offshoring our carbon production by refining crude somewhere else. That is the overall reality.

Iain Hardie: You are absolutely right. We cannot get away from that. You are spot on.

Brian Whittle: You said that you have an offtake for the blue hydrogen that you produce at the plant. Is that a particularly promising area for development of the site? Looking down the line, do you have potential for much greater offtake of hydrogen?

Colin Pritchard: As we said, the current plans for the blue hydrogen plant involve the offtake for our ethylene cracker and utilities provision. We will be in a position to provide low-carbon steam and power across Grangemouth. That will supply the existing assets and there will be potential capacity to supply steam and power to businesses that locate in the area, because we will have excess capacity because of how we have configured.

There are opportunities to grow the demand for hydrogen in Grangemouth. Clearly, they come from the biorefinery aspects that Iain Hardie outlined, as well as from the location in Grangemouth. I go back to why the refinery is there in the first place—there is the land and the logistics. I am working closely with the likes of Scotia Gas Networks and National Gas

Transmission in relation to their H2 Caledonia project and Project Union, which will link hydrogen.

The intention is to link Grangemouth into a national 100 per cent hydrogen supply system that goes the length of not just Scotland but the UK. That would give us access to the ability to supply anybody who would like to locate in Grangemouth. Through our blue hydrogen production and by linking into the Acorn project and the National Gas Transmission feeder number 10, we will be able to take away CO₂ from other processes—not just Ineos and Petroineos processes—in the vicinity of Grangemouth in the future.

In many ways, the work that Ineos Grangemouth is developing in the next step of our decarbonisation plan will set up Grangemouth very well by linking it to logistics so that it can take advantage of hydrogen and CO₂ links. We just need policy support in order for energy transition investments in Grangemouth to be made by our companies and others.

Brian Whittle: Have you thought about moving to green hydrogen production? Do you have the capability to do that?

Colin Pritchard: I am at pains to describe low-carbon hydrogen demand, because there is blue hydrogen and there is green hydrogen. As I outlined when the committee was in Grangemouth, we are moving with blue hydrogen first, because it has deliverability, which means that we can move more quickly in relation to the quantities of hydrogen that we need in Grangemouth. We can do that, in part, by taking advantage of existing infrastructure that was used to transport natural gas down from the North Sea as part of our previous fossil-fuel-based economy. Being able to safely store CO₂ about 400km away from Grangemouth, 2.5km under the sea bed, requires 15km to 20km of new pipeline. Existing pipelines can be reused for the rest, so deliverability is really strong. That is why we are moving faster with blue hydrogen.

We are switching to hydrogen as a fuel, so we can use hydrogen from any source whatsoever—it does not matter to the end user. Green hydrogen, wherever it is generated, will be usable as an energy source in the future, which is why we intend to link the Grangemouth site to SGN's H2 Caledonia and Project Union. That would make hydrogen from any source available to anybody who wishes to locate in the Grangemouth area.

Brian Whittle: I have a final small question on an issue that has been niggling away at me for some time. Did the hostility that seems to be being heaped on the oil and gas industry at the moment have any impact on the decision-making process?

Iain Hardie: No. There was a macroeconomic assessment.

Brian Whittle: Thank you.

The Convener: I have a couple of quick questions. With the move to becoming an importing business, will any assessment be made of where refined product comes from and how it is refined? We can consider international standards. The UK has high standards when it comes to health and safety in the workplace and the products that we produce. How can we be assured that what comes in meets those standards? Has any assessment been made of whether it will?

Iain Hardie: That should and will form part of the assessment, as we transition through the period of planning. I have no doubt that any product that we bring in will meet the relevant international standards.

The Convener: As I said, the committee carried out an inquiry into a just transition. The way in which the announcement was made makes it look as if there will be a sharp and sudden decline. If 400 jobs are lost, what proportion will that be of the jobs at the site? The whole point of a just transition is to not repeat the mistakes that were made in, for example, the mining industry. Unfortunately, the way in which the announcement was made makes it look more like that, instead of what we are looking for in a just transition.

Iain Hardie: What do you mean by

“the way in which the announcement was made”?

What is your concern regarding the communications?

The Convener: We are all here sitting on the committee, having done an inquiry a few months ago, and it has come out during a committee meeting that 400 people are about to lose their jobs at the site—that is quite a significant number of jobs—at a pace that I think the committee did not expect. We recognise that there is a shift away from refining and from use of oil and gas, but not at the speed that this happening by 2025 would suggest.

We will pick up with the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy questions about what a just transition means. From the outside, I have to say that, at this point in time, it does not look like there will be a just transition for Grangemouth.

Iain Hardie: Your views on what does and does not represent a just transition are well noted. I will be interested to hear what the cabinet secretary has to say with respect to that, as well.

Stephen Kerr (Central Scotland) (Con): Do you accept that the narrative around the closure is that hundreds of jobs—potentially thousands—will

be lost, with a devastating impact on the Grangemouth and Falkirk area? Do you accept that?

Iain Hardie: Figures on job losses have not yet been finalised with respect to the terminal business transition and when that materialises. I do not recognise the thousands of job losses that you are referring to.

Stephen Kerr: Okay—so you do not recognise the potential impact on suppliers and contractors, which is thousands of jobs on the Grangemouth site?

Iain Hardie: No, I said that I did not recognise where the figure had come from—

Stephen Kerr: But do you understand that that is the nature of the calculation of the impact?

Iain Hardie: I do not have for you a calculation on the supply chain impact. There is modelling that can be done, and is done, and multipliers are used to ascertain supply chain impact, which we can discuss.

Stephen Kerr: What is your modelled impact on the supply chain of a potential closure?

Iain Hardie: The typical modelling number uses a multiple of seven. That is taken from the Chemicals Industry Association, but it belies the fact that not everyone involved in the supply chain works exclusively for the manufacturing business, and not every business will have no part to play in the future transition. Therefore, if you have a more credible data set, that would be a good point to start.

Stephen Kerr: If your seven times multiplier is right, we are talking about thousands of jobs.

I was interested in your reply to Brian Whittle about the background to the decision. Why on earth, given your response to Brian Whittle, did Andrew Gardner, your chairman, make the extraordinary statements that he made just a month before the announcement of the closure? He said that the future of Grangemouth was on the line because of the policies that were being pursued by the SNP and Labour.

Iain Hardie: Is that from *The Independent on Sunday* article?

Stephen Kerr: It was reported by a number of outlets. I have in front of me a report from *The Daily Telegraph*, but there are direct quotes.

Iain Hardie: If you have the direct quotes there, I can assure you that, in speaking of the oil and gas policy having an effect on Petroineos, Mr Gardner was roundly misquoted in that context.

Stephen Kerr: This is the quote:

“We want to keep jobs in manufacturing here but Labour hasn’t understood that we need supplies. I need ... gas, ready, cheap and available as a feedstock.”

Is that wrong?

Iain Hardie: That is entirely wrong, Mr Kerr. My understanding is that Mr Gardner was speaking about the need for natural gas supplies to be maintained in order to have a feedstock for the blue hydrogen project, which forms a key and pivotal part of Ineos’s decarbonisation strategy for the Grangemouth cluster. With respect, I point out that it is really important to recognise that that was a wholesale misquoting of what Andrew Gardner said.

Stephen Kerr: All right. I accept what you are saying. Can I quickly ask some very specific questions?

The Convener: Please be brief, Mr Kerr, as we are expecting the cabinet secretary in about five minutes.

Stephen Kerr: I will be very brief, but people are rightly concerned about this. It is widely known by analysts—including Alan Gelder, who is an analyst at Wood Mackenzie—that the hydrocracker unit that produces the diesel at Grangemouth went down in April and has not come back up. Diesel is the most profitable product line that comes out of the refinery, if I understand correctly. Why has the hydrocracker unit not been put back online?

Iain Hardie: The hydrocracker unit is offline because of operational issues. We are in our second root-cause analysis now. As you said, it is the heart of the refinery; it is a key upgrading unit that is not limited to diesel. It is essential for the commercial viability of the refinery that we get that unit back up and running as quickly as possible. It is in everyone’s interests that we do that, Mr Kerr.

Stephen Kerr: It is reported that some of the repair and maintenance work that is connected with the refinery has been stepped down, which has led to an increase in breakdowns, including of the hydrocracker unit. What is your response to that?

Iain Hardie: I have never seen such a report and I can assure you that the care and maintenance programme for the refinery business continues on foot, as it has done historically and as it will do going forward. We are a top-tier site under the Control of Major Accident Hazards Regulations 2015—COMAH—and health and safety is the critical concern.

10:30

Stephen Kerr: What will be the impact of the refinery closure on Ineos O & P, which is also loss-making—I think that it lost £300 million last

year—and the viability of that operation, given that there is input from the refinery to the processes of Ineos O & P?

Iain Hardie: The feedstock integration is entirely limited. There is a sharing of corporate and commercial services. Beyond that, the linkages are few and far between these days, Mr Kerr.

Stephen Kerr: There is one last question from me about the timeline. When did you notify the UK and Scottish Governments? I have been involved in the closure of plants. Such things do not happen just in the few days before one makes an announcement; they take months of intricate planning. I think that it is slightly disingenuous to suggest that the decision was made and announced within a few days, because it was obviously a long time in planning. When did you inform the UK and Scottish Governments of your intention to make an announcement on that day?

Iain Hardie: You are entirely right. The planning has been a long-term piece of work, and it has been considered in the round for a good while. Both the Scottish and UK Governments were aware of the concept, and had been aware of it for a number of years. I am sure that you will pick that up with Mr Gray later on, madam convener.

We made the formal notification to the UK Government, as we are required to do under the Energy Act 2023, on the morning of the announcement, and we similarly gave formal notification to the Scottish Government on that morning.

Stephen Kerr: That was not the first that they knew about it, though.

Iain Hardie: No—that is what I am saying. That was in addition to their having been aware of the concept, the studies and planning for that potential outcome for well over a year.

Stephen Kerr: They had been aware for “well over a year.” Thank you.

Iain Hardie: Thank you, Mr Kerr.

The Convener: That brings us to the end of the evidence session. I thank Colin Pritchard and Iain Hardie for attending. I will briefly suspend the meeting for a changeover of witnesses.

10:31

Meeting suspended.

10:38

On resuming—

The Convener: I welcome our second panel to discuss Grangemouth. Neil Gray, who is the Cabinet Secretary for Wellbeing Economy, Fair

Work and Energy, is joined by Scottish Government officials. Kenneth MacDermid is head of critical energy infrastructure and commercial projects in the energy industries division, and Sue Townsend is interim deputy director of the energy industries division.

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

The Cabinet Secretary for Wellbeing Economy, Fair Work and Energy (Neil Gray): Good morning, convener and colleagues, and thank you very much for having me along again this morning.

I welcome the opportunity to discuss the emerging situation, as far as we understand it, at the Grangemouth refinery. I welcome and value your support on that important issue.

I recognise that this is a more than unsettling time for the workforce at the Grangemouth refinery, and I reiterate the Scottish Government's absolute commitment to doing all that we can to support it. I also recognise the potential impact of the announcement in the longer term for supply chain businesses, and I commit to ensuring that any subsequent decision that is taken takes cognisance of the wider economic impacts for business, local people and communities.

It is important to acknowledge the role that Grangemouth has played nationally and locally as part of our industrial infrastructure. It is Scotland's largest industrial site and it is an integrated cluster of strategic infrastructure, with expertise in downstream oil, chemicals, petrochemicals and innovation. It is also hugely important for logistics, as it is Scotland's largest port.

There are three major industrial sites: the Petroineos fuel refinery; Ineos Olefins & Polymers UK, which focuses on petrochemicals; and Ineos FPS—Forties pipeline system—for the oil and gas pipelines. Together, those three businesses employ around 1,800 of the 2,000 employees at Grangemouth.

The Petroineos refinery is the focus of the recent announcement. The refinery dates back to 1924, and it is currently owned and operated under the terms of a joint venture formed in 2011 by Ineos and PetroChina.

In those early days a century ago, before the exploration of North Sea oil, the refinery relied solely upon oil sourced from across the globe, much like its operation today. It currently has 500 direct full-time employees and delivers £150 million of gross value added annually. Grangemouth is Scotland's largest industrial site, as I have said, with an integrated cluster of strategic infrastructure and expertise in critical elements of our economy.

I have set all of that out to make it clear how important the site and the refinery are to us. That is why we are focusing on working with the refinery management and staff to start the transition to the future.

As members would expect, the First Minister and I have met the refinery's senior management team to receive an update on what the announcement means. We subsequently met shareholders yesterday. It remains our understanding that the announcement is not, at this point, a decision to close the refinery but a decision to start the necessary preparations to have the potential to transition Grangemouth to an import terminal. During the meetings, we stressed the importance of ensuring that workers are at the centre of any decisions that the business takes on the refinery's transition. The business agreed on the importance of working collaboratively with the Scottish Government and trade unions throughout the transition period.

I have also met representatives of, and written to, Unite the union and the Scottish Trades Union Congress. We are aligned on the imperative of securing a just transition for Grangemouth, the industrial cluster and its workforce. It is our intention to publish the just transition plan by spring next year. I am sure that members will want to discuss and hear more about that work during this evidence session and subsequent evidence sessions.

I finish by reminding the committee that the responsibility for the security of fuel supplies lies with the UK Government. Contingency planning relating to fuel supplies is therefore the responsibility of the Secretary of State for Energy Security and Net Zero. Members will be aware that I have written to the secretary of state. I have also had a constructive meeting with the Minister of State for Energy Security and Net Zero, Graham Stuart, and the Parliamentary Under Secretary of State at the Office of the Secretary of State for Scotland, John Lamont, who have both assured me that the appropriate plans are in place in the event that there is any disruption to fuel supplies from Grangemouth.

It is my intention and hope that we will continue to work constructively as things develop, not least to ensure that we prioritise the wellbeing of the highly skilled workforce and that any final decision safeguards the business's role as a supplier of road and air fuels for years to come.

I look forward to taking your questions.

The Convener: Thank you, cabinet secretary.

I do not want to disappoint the cabinet secretary, but this morning it sounded like the decision had been taken to close the refinery. You described it as a potential to move, but it sounded

like there was a clear intention to move. The dispute this morning just seemed to be about the date—whether it would be spring 2025 or some future date. I do not know whether other committee members agree, but the evidence that we heard earlier this morning did not make it sound like the decision was up for much discussion. Has the cabinet secretary had a chance to listen to the evidence this morning? Does that reflect the discussions that he is having?

Neil Gray: I heard part of the earlier evidence session. I was at another event concerning the energy sector earlier this morning, so I did not catch the first part of it. Regardless of that, I think that the assessment is a fair one: there is a transition that is going to be had at the Grangemouth site. With respect to Petroineos, its investment in coming forward with an import terminal ensures that, whenever a decision is taken to end the refinery elements, there is still an industrial capacity at the site. That also protects fuel security for Scotland, which is an important consideration.

There is a discussion to be had, which I have been having with the joint venture shareholders and the site management, about the factors that influence the decision on the timing of the decision. Those discussions are on-going. I am grateful that the UK Government appeared to be at the table for those discussions, and I hope that, through future meetings, we will at least be able to understand the process by which the decision is being taken and whether there is anything that can be done to extend the life of the refinery. However, I do not wish to pose any further question about the challenge, given part of the evidence that you have heard this morning on the macroeconomic elements that are at play here and the reason for the decision.

10:45

The Convener: You will know that the committee did an inquiry into the just transition for Grangemouth in the summer. The announcement was made during our committee meeting two weeks ago. That the announcement was made in the way that it was and the timescales that were attached to it were a bit of a shock to members. We have concerns. That type of announcement does not look like a just transition to us, after the work that was done in the summer. Four hundred jobs is a big proportion of the jobs at the refinery—it is four fifths of them—and quite a lot of jobs will be lost from the site overall.

How does that affect the Government's just transition plans? From the outside, it looks like what we went through with the mining industry,

which is what we are trying to avoid in the current situation.

Neil Gray: I absolutely agree that we are trying to avoid how deindustrialisation has happened to communities in the past—communities that you represent, convener, and communities that I represent in Airdrie and Shotts. We are absolutely looking to avoid that.

The work that we are doing on our just transition plan for Grangemouth is continuing. I hope that we now have a date set for a ministerial element to the Grangemouth future industry board and that UK ministers will be along to that as well, so that we can discuss the impact of this on what we are trying to achieve for the Grangemouth site.

Colleagues have already articulated some of the potential options for future investment and industrial activity at the site. The jobs aspect is still to be finalised. We are still to understand the full detail of what refinery losses can be made up for by the import terminal. We are looking to push as hard as possible to ensure that, whenever a decision is taken, we protect as many jobs as possible, for the reasons that you have articulated.

More widely, we are looking to ensure that we see as many opportunities as possible to retain highly skilled workers from the traditional oil and gas sectors in the green industrial revolution that is coming, and to ensure that we can see a line of sight for workers who are looking to transition to be able to do so and remain here in Scotland.

The Convener: For the Grangemouth area, it is not just about the 400 jobs. I think that people recognise that the 400 jobs involve people who are very highly skilled. We constantly hear at the committee that industries cannot get the skilled people that they need. We can anticipate that those people, who are highly skilled, will have transferable skills. However, there is also the impact on the wider community and on supply chains—I think that other members will pick up on supply chains. The wider community is where the just transition is meant to be delivered.

Part of the Government's just transition plans was about gaining a fuller understanding of the impact of the site on the wider community, the supply chains and the economic impact of changes at the site. Are you still anticipating that that will be part of the delayed just transition plan? The concern is that, by the time the plan is published, it will be redundant, given the recent announcement. What can we expect from the plan in the spring? Will it take cognisance of the recent announcement?

Neil Gray: Absolutely. It is central to the on-going work, and that has been the case through its development. You have repeated again that the

400 figure is an assumption rather than a definite figure—

The Convener: To be honest, we did not have any pushback from Ineos this morning that it is not 400 jobs that we are talking about.

Neil Gray: I understand that. I am simply saying that, at this stage, that is still an assumption rather than a definite figure. We are looking to do everything we can do to make sure that we maximise the number of jobs that are retained at the site and that can be retained in the wider community.

I absolutely understand that Grangemouth is a hub of industrial activity and that it brings with it investment in the wider community and the supply chain that feeds it. Mr Hardie articulated the fact that there will be on-going business based on the import terminal, which will ensure that there are still business opportunities there. A complex supply chain feeds a number of different aspects of the Grangemouth site.

We are still assessing, alongside the impact on the business, what the likely impact on the supply chain will be, but I hope that it will be maintained in as strong a position as possible. That is partly why we are carrying on with the work on the just transition plan and looking for a further meeting, with ministerial involvement from both the Scottish Government and the UK Government, of the Grangemouth future industry board early in January—I think that the date of 18 January has been proposed—in order that we can examine exactly those types of questions.

The Convener: How often does the future industry board meet, and how often does the Government meet it?

Neil Gray: They meet on a regular basis, at both ministerial and official level. I am not sure of the date of the last meeting at official level.

Susie Townend (Scottish Government): The last one was last week, and there was another one about six weeks previously, I think. It meets reasonably regularly, and it is across the public sector.

The Convener: Okay. We will focus on the issue of jobs, as that has come up. Perhaps the members who asked questions on that in the previous session would like to come in, starting with Maggie Chapman.

Maggie Chapman: Good morning, cabinet secretary, and thank you for being here this morning.

In questioning the previous panel, Colin Smyth and I tried to understand a little bit more about the impact on jobs. I take what you say about the figure of 400 being an estimate; it is not certain

yet. However, I found it quite concerning that no analysis seems to have been done and no thought seems to have been given to understand the consequences for the supply chain with regard to the indirect jobs at the refinery. I know that that is only one element of the work that happens at Grangemouth, but—we did not go into this in any detail this morning—the other operations will still involve indirect supply chain work, contractors and that type of thing.

What assessment has the Scottish Government done or what assessment is it planning to do? That feeds into the just transition plan as well. We have heard suggestions that 50,000 jobs could be created in relation to the freeport proposal. Obviously, not all of them would be at Grangemouth or related to the refinery.

What is your understanding of the data that we have and the data that we need, and the plans to understand the consequences for supply chain jobs? We did not get any information on that earlier.

Neil Gray: There are a couple of elements in there. First, on the jobs and the assumption around potential losses, I have had—as I said in my introductory comments—very good and constructive meetings with Unite the Union and the STUC on that. They are working closely with the management and the joint venture to ensure that the workforce is given as much protection as possible, and that as much of the workforce as possible is retained in order to ensure that the refinery is operational for as long as that decision is alive.

With regard to the work in the supply chain, that features, as I said, in the work of the Grangemouth future industry board and the work that we are doing around the just transition plan. However, I note that certain types of supply chain operations such as the logistics element will still be there. Where there is an import terminal, there will still be a need for logistics moving from the site to the forecourts, so supply chain elements will still be retained as part of that. Nevertheless, we are looking to try to ensure that we assess the situation as acutely as possible, working with the joint venture to understand to a greater extent—as Ms Chapman challenged us to do—what the potential impact on the supply chain could be.

Maggie Chapman: Thank you for that.

One of the elements of the work that the future industry board is doing now, which I presume will feed into the just transition plan, is around skills and the upskilling and reskilling shifts that are required. There was an expectation that there would be very clear shared responsibility—that is probably the kindest way in which I can put it—among the Scottish Government, the council, the

joint venture and possibly others to secure the upskilling, reskilling and retraining that will be needed not only for the current employees who are retained but for supply chain workers, too.

Neil Gray: Yes—that is a fair assessment, and we are absolutely working on that.

Maggie Chapman: Can you say a bit more about that?

Neil Gray: That is central to the work of the Grangemouth future industry board, and it will be central to the just transition plan that is published. We cannot have a just transition without having a just transition for the workforce, so of course that is central to the work that we are doing.

Susie Townend: The Grangemouth future industry board has representation from across the public sector, and it includes people from Falkirk Council, Skills Development Scotland and Forth Valley College. Therefore, there is already a lot of discussion about those issues.

Last week, we started to discuss how the college and SDS could be involved in providing exactly the social supports that you are asking for in respect of the existing workforce and the supply chain. We are also starting to think about the wider impact on the Grangemouth community and how we can ensure that young people continue, in the future, to see Grangemouth as a place in which to live and work and to have well-paid and successful jobs.

Maggie Chapman: Thank you, Susie. That is really helpful.

Earlier, Iain Hardie said that this is the just transition in action. Those were his words. It goes to the business, employees and supply chain issues that we need to deal with. However, I have a little bit of anxiety about that. There can be an industry shift or change, which we are anticipating, from a refinery to an import hub. Although that is a change, it does not necessarily speak to the just transition. It is a transition in that it is a change.

In response to a question from the convener, you said that this clearly will be part of the just transition plan. I appreciate that the plan is still being worked up and has yet to be published, but how will we ensure that there is not just a shift, so that we are not just saying, “Okay, we will retain jobs. Maybe we will have a few more jobs over here and over here”? Rather, we should be talking about the transition as a whole, which involves more than a shift from one kind of industrial process to another. There are social elements, as well as the economic and industrial elements.

Neil Gray: The critical element is making sure that we continue to work on some of the other opportunities that are available for the site, including carbon capture and storage and the

central role that the Grangemouth site plays in the Scottish cluster. Questions were previously raised about hydrogen and the potential for a biorefinery, which will be absolutely critical in ensuring that there is not just a shift, as Ms Chapman suggested, but also a transition. As Iain Hardie set out, the hydrogen and biorefinery elements are works in progress and areas that we still need to make sure all partners are looking to drive forward as quickly as possible.

Maggie Chapman: Okay. I might have a couple of other questions later.

The Convener: Thank you. I was going to see whether Colin Smyth had any questions about the workforce, but I will go back to the issue of the board. When we conducted our inquiry in the summer, we expressed some frustration around the Grangemouth future industry board, which was not able to give us evidence because it did not constitute itself as a board. It is really a discussion forum. Recently, Richard Dixon has written an article expressing frustration about the lack of activity by the board. I understand that the last minutes that were made public were from December 2022. Although the board may have met, I do not know how transparent it is.

I do not know whether you have an idea of when the board’s priorities will be available. They are not available for 2023-24, yet we are almost at the end of 2023 and we are faced with news that we were not expecting from Grangemouth. The committee would want to look for some assurances that the board is working effectively and is filling the gap with planning the transition. The other issue is that we are still waiting for the Government’s plan.

Neil Gray: There are two elements to your question. First, to answer the final part of it, we are publishing our just transition plan early next year. The Grangemouth future industry board continues to be active and working, and I will make sure that its activities and forward work are shared with the committee. I can follow up with correspondence on that, unless Susie has further information that she wants to impart right now.

11:00

Susie Townend: I will add a little on the Grangemouth future industry board. In the GFIB, we have been talking about whether it could be slightly changed to take more account of the wider set of stakeholders.

The Convener: That was a recommendation of the committee.

Susie Townend: Exactly. At the moment, it is set up as a public sector body-focused board. The plan going into the new year, which we are starting to discuss with a range of stakeholders, is to bring

in a much wider range of stakeholders and to involve the community, businesses working in the area and ministers from the Scottish Government and the UK Government. The UK Government has already expressed a desire to be involved in that, and we will take that forward in January. The board will be slightly restructured to take account of the committee's recommendations.

On the points that you, convener, and Ms Chapman made about the just transition plan, we are keen that the plan is not imposed on the local community but is co-developed with the community. There has been a series of stakeholder engagement events with businesses and workers, and we will now go out to people in the community to discuss their vision. That will then feed into what will be the GFIB vision.

The two sets of work are inextricably linked. There is the work that we are doing on engagement in developing the just transition plan for Grangemouth, which will inform the way in which the Grangemouth future industry board is constituted and takes forward its work. The vision should probably be available in the next couple of months after Christmas, but that is subject to what we hear from the community and other stakeholders. We think that it is important that they have space to say what they want, because they will be the most directly affected.

The Convener: Is there a recognition that the recent announcement on Grangemouth impacts on the just transition plan significantly, because we have moved at a pace that was not anticipated when the plan was originally drafted?

Susie Townend: It will, for sure, impact on what goes into the plan, but, on the timing of the plan, we still expect to publish it in spring next year.

The Convener: Okay. Colin Smyth wishes to come in on this issue.

Colin Smyth: I will follow up on some of those points. Given the direction of travel that we have had for some time and the policy decisions on net zero, the closure of the refinery will not come as a surprise to the Government. It was always likely to be the case. For clarity, when was the Government aware that the refinery was likely to close? I am not talking about the specific announcement on the timescale, which suggested that it will close in 2025.

Neil Gray: That is a fair comment. With a century-old refinery that has been loss making and has received intervention at numerous points over recent years, it is a fair assessment to say that there was a risk around its future, especially as it is competing with super-refineries elsewhere in the world, particularly in the middle east and China. The viability of refineries not just in Scotland and the rest of the UK but in this part of Europe is

being driven down by that international competitiveness.

We have been in discussion with the joint venture for some time around making sure that there is a future for the Grangemouth site and looking at all the possible options for a just transition. We have previously raised points on hydrogen, carbon capture and a biorefinery. However, as I said, the first time that we were made aware of the decision was at the same time as the workforce were made aware. I have to say that it is admirable and credible that the joint venture chose to tell its workforce first and at the same time as it told us.

Colin Smyth: In the previous evidence session—I appreciate that you may not have heard this—Iain Hardie, the head of legal affairs at Petroineos, suggested that the Government was pretty much made aware a year ago that the refinery was likely to close, although it was not given the date. Is that accurate?

Neil Gray: I would have to go back to look at minutes of previous discussions.

We have been aware for a long time that the future of the refinery was at risk—as I said, there have been previous interventions. That is why we have been engaging heavily with it to ensure that there is a just transition and investment in the import terminal that ensures energy security for Scotland and other parts of the UK. Again, the joint venture is making an important investment so that, when a decision is eventually taken on the refinery, we have continued industrial capacity and energy security at the Grangemouth site and for the fuels that are needed for Scotland's transport sector.

Colin Smyth: We are told that the Government's just transition plan for Grangemouth is likely to come up sometime next year. That may be less than a year away from the refinery's closing. Are we dealing with this urgently enough? What potential impact will the plan have on supporting workers who are likely to lose their jobs from 2025? It looks as though the timescale is not urgent enough.

We have already heard the concerns about the Grangemouth future industry board. I am absolutely unclear about what it has done. We do not even seem to have an assessment of the job losses that are likely to result because of the announcement. We know that 400 direct jobs will likely be lost, but we do not seem to know what the impact will be on jobs in the supply chain. Do you think that you are dealing with this urgently enough, given that the just transition plan might come out less than a year from the refinery's closing?

Neil Gray: Yes, because we have been engaging with the joint venture for some time, and we have ensured that investment has been made on the import terminal to give us assurance on the supply of energy security for Scotland. We have also ensured that a just transition plan will come in ahead of any decision being taken. No final decision is being taken on the future of the refinery yet. The decision that has been taken is to give investment certainty for the import terminal, which allows for the transition of the site and ensures that our energy security needs are met.

Obviously, we will continue to engage with the joint venture, the Grangemouth future industry board—of which we are members—the UK Government and the trade unions about maximising job opportunities, and we will look at how we can support the wider Grangemouth site and at the opportunities that are there for further job opportunities, so that the concerns that Mr Smyth fairly articulated are addressed as best they possibly can be in any interaction with commercial decisions that are taken by Petroineos.

Colin Smyth: There are several hundred jobs at risk, but even the investment in that import facility is likely to create only 100 direct jobs. I am not clear about what work is taking place to secure employment for the existing workforce in the refinery and the many—although we do not seem to know what the number is—supply chain jobs that are affected. You have talked about working with the company on the import facility and the security of the energy supply, but what work is taking place to secure a future for the hundreds of jobs at the refinery at the moment? Those affected are highly skilled workers who are likely to be looking to leave the company because they are effectively being told that their jobs are likely to be lost, come 2025.

Neil Gray: There are a number of elements to that. We have been doing a lot of work through the Grangemouth future industry board to look at opportunities for the Grangemouth site to ensure that there is continued industrial activity. We recognise that one aspect—the refinery—is approaching 100 years old and is not competitive on the international stage with other refineries around the world, as was set out by your previous panel. We have been engaging with the board on that work.

We also know that those affected are highly skilled workers. We do not know the final quantum of potential job losses, because we are still working with assumptions around what may be lost and what may be retained through an import terminal. However, we know that they are highly skilled workers and that they will be much in demand across the energy sector. Through the just transition plan, I am keen to ensure that there

is as much opportunity as possible to retain them in Scotland.

The other element that Mr Smyth spoke about is how the joint venture can retain those workers for as long as the refinery is operational. The First Minister and I both posed that question to Mr Hardie and his colleagues when we met a couple of weeks ago. I believe that significant investment is being made to retain staff, recognising that this is an uncertain time for them. We have impressed on the company the importance of ensuring that it looks after and retains the workforce. It is in its interests to do so, to ensure that it has a viable workforce to continue the processes that are in place at the refinery.

Colin Smyth: The issue, though, is around supply chain and contractor jobs. The direct employment at the site is very high skilled. It may well be that those workers will pursue opportunities elsewhere, but that could mean that they leave Grangemouth, so that is not a just transition. The issue is around those supply chain jobs.

The Grangemouth site is critical national infrastructure. Have there been raised, in your discussions with the company, any policy interventions at all from the Scottish Government or the UK Government that would allow the site to continue for a longer period than it looks as though it is likely to? I know that we do not know the exact date, but it looks as though it will be in 2025.

Neil Gray: Those are the exact questions that I asked of the site management when I met them previously and of the joint venture shareholders when I met them yesterday. The discussions and work are on-going around that.

I wish to underline that this is an incredibly challenging situation. I think the team said that they are in a stable financial situation at the moment, but they have not been in the past, and the projections for the margins for the site show that a substantial subsidy and investment have come from the joint venture in order to retain the site. I do not wish to set unrealistic expectations about what might be possible or what might be considered by the joint venture to be necessary to see the refinery go beyond 2025. However, as Mr Smyth would expect, those are exactly the points that are being raised in the active discussions that we are having with the joint venture about what might be possible there.

The earlier part of Mr Smyth's question was about the supply chain. In response to Maggie Chapman, I indicated that we are assessing the situation with the supply chain, but we have to recognise that, when there is a transition from a refinery to an import terminal, substantial supply chain activity will be maintained due to the nature

of the new activity. We need to do more work on examining exactly what that will look like.

The Convener: We need to make some progress. I call Colin Beattie.

Colin Beattie: Cabinet secretary, how does the planned change to import activity align with the aims of the green freeport policy? Are you satisfied that that change would represent the type of additionality that the policy was intended to encourage?

Neil Gray: The green freeport will capture significant activity beyond the Grangemouth site. We are looking to ensure that opportunities are taken advantage of through the green freeport, such as supplying, manufacturing and other services for the offshore renewables sector and other industrial activity.

The joint venture has taken its decision on a commercial basis and, I suspect, regardless of the freeport status. It has been taken with a wider macroeconomic situation in mind. I am happy to have a further discussion about the green freeport and what our ambitions are for it, but I do not think that that had a particular bearing on the decision that has been taken.

Colin Beattie: Apparently it did not. When we were discussing this with the previous panel members, they did not seem to me to have a very clear idea of where the new import hub would fit in with the green freeport. I would have hoped that there was an opportunity there, as much as anything else. It just seemed a wee bit vague. I am not sure whether you heard that part of the discussion, but I would have hoped for something a little more positive.

11:15

Neil Gray: I did not hear that part of the discussion, but I am happy to take that away and speak to the joint venture about its assumptions then come back to the committee with more detail.

Kevin Stewart: The previous panel, particularly Mr Pritchard, was keen to stress that the announcement will have no impact on the plans for the Scottish cluster and the Acorn project. Is that your understanding? How will the Scottish Government continue to scrutinise the matter to ensure that that is the case?

Neil Gray: That is absolutely my understanding. That was one of the first questions that I had, because I wanted to be confident about that. As I understand it, even with an import terminal, hydrocarbons will continue to be produced and there will continue to be elements of flaring, whereby substantial carbon can be captured from the refinery or the move to an import terminal. The wider Grangemouth site has significant carbon

emissions that can be captured. I know from discussions with the joint venture, but also from discussions that I had with the cluster a couple of weeks ago in Aberdeen that Grangemouth is absolutely central to their plans.

Kevin Stewart: We also discussed hydrogen production and the biorefinery project earlier this morning, and the previous panel was keen to talk about importing sustainable aviation fuel. Have you had any discussions with the UK Government and other partners about manufacturing sustainable aviation fuel? As an Orcadian, you will realise the essential role that aviation will continue to play in Scotland as we move forward. What can be done to try to ensure that Scotland plays a part in manufacturing SAF? Can that be done at Grangemouth as part of the just transition?

Neil Gray: I appreciate Mr Stewart's question. We touched on some of that last week when we talked about Glasgow Prestwick airport. There are challenges around feedstock and regulation, which Mr Hardie articulated well. However, we continue to make the case to the UK Government for a regulatory environment that will support investment in the production of sustainable aviation fuel, which I am looking to pursue. I encourage the committee to look at that in more detail as well, because it has a critical role to play in relation to some of our strategic assets—we have spoken about Glasgow Prestwick—as well as connectivity. Mr Stewart referred to my heritage in Orkney, but that connectivity is also important for the other island groups. We also need to be connected internationally. That plays an important role as we seek to continue to grow the Scottish economy.

Kevin Stewart: There was also some discussion earlier this morning about energy security and the impacts of international markets. In relation to the import hub plan, the previous panel made a point about diesel coming in at Finnart and going to Grangemouth through the existing pipeline, but I asked a question about the carbon footprint of importing that diesel. You talked about the international market and about refineries in China and the middle east being much more modern and competitive, but the carbon footprint of importing from China, the middle east or wherever it may be is huge. It may well be that our carbon footprint will reduce if there is no refinery at Grangemouth, but the carbon footprint of importing could be greater.

I recognise that this is the UK Government's responsibility, but have you looked at whether we could utilise the Forties pipeline to take crude from the North Sea basin and continue to refine at the likes of Grangemouth? From an energy security point of view in this weird and wonderful world that we live in, that would probably be the best way. It

would also cut down our carbon footprint compared with importing diesel, petrol and kerosene—and, in the future, the likes of SAF.

Neil Gray: You will be aware that there are industrial reasons why we already have to import significant amounts of oil and gas, but particularly oil, into Scotland.

Kevin Stewart: Sure.

Neil Gray: My understanding is that that is because of the high sulphur content of North Sea oil.

I absolutely appreciate your point. I agree that the situation going forward, to a lesser or greater degree, involves us offshoring our carbon footprint rather than taking responsibility for it. However, that is the situation that we face right now, because only about 30 per cent of North Sea oil is refined at Grangemouth for the industrial reasons that have been well set out.

Kevin Stewart: I am aware of the high sulphur content and the fact that crude from the North Sea basin goes elsewhere. There was talk of other refineries in north-west Europe earlier. However, maybe there could be investment in a new modernised refinery—if the UK Government was willing to do that—to take account of the high sulphur content of crude from the North Sea basin in order to get to the right end products, such as diesel, petrol and kerosene. I am no expert on this, but I have been told on many occasions by folks who are experts that refineries have a peak point in dealing with certain crudes. Maybe we could do that at Grangemouth as we move on.

Is it worth having that discussion with the UK Government, which has the primary responsibility, in order to ensure that we continue to have energy security and to stop the importing and reduce the carbon footprint?

Neil Gray: That discussion has to be part of the mix. I do not know whether the committee has reached out to have a UK Government minister appear before it.

The Convener: A UK Government minister will attend on 17 January. That is the date that we have managed to confirm.

Neil Gray: That is helpful to know. That question could be posed at that meeting. I think that Susie Townend wishes to supplement what I have said.

Susie Townend: I will add a comment on whether it would be economic for Grangemouth to build a new refinery to use more oil from the North Sea. An issue that we understand is causing pressure on refineries across the world, but particularly in Europe, is the scale of operation. Unfortunately, Scotland has a relatively small

population in relation to the size of the refinery. To invest in a large modern refinery would probably not make economic sense in terms of the throughput of product. There is not the market for a large new refinery.

Kevin Stewart: I am sorry to interrupt, but one reason why I asked the question is that this is not just about Scotland. It is also about the set-up of the refineries in the rest of the UK and even in the Amsterdam, Rotterdam and Antwerp triangle that Petroineos talked about. What is the situation in the north-west of Europe at the moment? How old are the refineries and what are their capabilities?

We recognise that oil and gas will still have some part to play in the future—a significant part, in some instances—and it would be much better to deal with that here than to import from some of the more modern refineries in the middle east and China that have been mentioned, not only from the carbon footprint point of view, but also from the energy security point of view. We have to look at the issue holistically. I will ask the UK Government those questions when it comes to the committee.

The Convener: Murdo Fraser also has questions about energy security.

Murdo Fraser: My questions follow on from Kevin Stewart's line of questioning. There are currently six refineries across the UK. We understand that the Grangemouth refinery is set to close, but we are not aware that there are plans to close the others. As we heard from the previous panel, that means that customers in Scotland who are currently supplied via Grangemouth will have to source supplies from elsewhere—it might be elsewhere in the UK or elsewhere in the world—although we will still produce oil and gas from the North Sea basin. Does the Scottish Government have any concerns about energy security, given that we will lose the capacity to refine crude oil in Scotland?

Neil Gray: There are two elements to Murdo Fraser's question. First, what he said about where customers will be able to source their fuel from is incorrect, because the transition to an import terminal means that they will still be able to source their fuel from Grangemouth.

Secondly, it is the UK Government that has responsibility for energy security. I believe that a UK minister will be before the committee in the new year to answer such questions. However, I have received assurances from the joint venture and from UK ministers that contingency plans are in place for Grangemouth in relation to the situation now and in the future, and that the transitional arrangements that have been announced for the import terminal are all about ensuring energy security.

Murdo Fraser: Thank you for that clarification. However, do you accept that, even though the Grangemouth refinery is closing, there will still be demand for oil and gas in Scotland? Even with a just transition, that demand will probably exist for decades to come. In effect, we are exporting those jobs. There will still be demand, but the jobs will not be here any more.

Neil Gray: No. I do not believe that that will be the case, because our transition to green energy sources and the continued operations at Grangemouth mean that there will be job opportunities in the energy sector for people in Scotland in the future. There will be a need to utilise our highly skilled people and technical expertise—particularly in the subsea elements, but also in the refinery elements—to ensure that our green industrial revolution can continue. Therefore, with respect, I do not accept the premise of Mr Fraser’s question. There will still be huge opportunities for people in Scotland to work in the energy sector for many decades to come, whether that is in the oil and gas sector or the green energy sector.

Murdo Fraser: If you were speaking today to one of the 400 workers at Grangemouth who might lose their jobs over the next 18 months—it might be longer than that, but it might be 18 months—what assurances could you give them that they will be likely to find a job in the green economy in which they will be able to utilise their skill set?

Neil Gray: I would point to the work that has been done on the just transition plan and on the green industrial strategy, which will be published early in the new year. That should give certainty to people who currently work in traditional energy sectors, such as the oil and gas sector, that there will be job opportunities as a result of the many diverse projects that we hope to secure in order to have a strong manufacturing industrial supply chain that feeds green energy opportunities. Those might be in pumped hydro storage, in floating offshore or onshore wind, in the marine energy sector or in hydrogen production and utilisation.

There will be many opportunities for people with high skill levels, such as those who work at Grangemouth, to transition and take up other jobs, so that we retain them in Scotland. That is a critical factor in the work that we are doing, and it is our ambition to retain as many of those workers as possible in Scotland.

Murdo Fraser: Will those new jobs come online quickly enough so that those who might lose their jobs at Grangemouth can benefit from them?

11:30

Neil Gray: We are already seeing some of that transition in action. I was in Aberdeen a couple of weeks ago when I opened the new Scottish and Southern Electricity Networks offices, and I believe that a third of the SSEN workforce has already transitioned from the oil and gas sector. For the benefit of Mr Fraser’s confidence, I note that that transition is already happening.

Murdo Fraser: Thank you, cabinet secretary.

The Convener: I will add to Mr Fraser’s question about the gap. Cabinet secretary, you talked about jobs in Aberdeen. I know that Ineos has a longer sight line regarding what it wants to do on the site, but that is not going to happen by 2025. For people who live in the central belt and work at Grangemouth, will there be opportunities in the central belt and not just in the north-east?

Neil Gray: I understand the question. It is a fair point. I used SSEN in the north-east as an example. Jobs are being created across Scotland and there will be job opportunities there.

For the Grangemouth site, we are looking to take forward opportunities, as I said, through the Grangemouth future industry board and our just transition plan, as well as through the work that we are doing with the joint venture, the UK Government and others to ensure that there is continued industrial capacity and new opportunities in areas such as hydrogen, carbon capture and the biorefinery. We are trying to ensure that those opportunities happen as quickly as possible, although we recognise that some of them are at a more advanced stage than others and that some depend on decisions that are not for us to make. Some of the decisions are outwith our control, but we continue to push hard to see progress in those areas.

Brian Whittle: Good morning, cabinet secretary. As we heard earlier, the wider impact of the closure on the decarbonisation programme is, as I would argue, the opposite. There is a carbonisation, if you like, with the offshoring of refining and the importing of the refined product into Scotland. To combat that—this follows on from Murdo Fraser’s questions—we need to develop the site. It is a major industrial hub and one of the biggest in Scotland. Ineos is already working with blue hydrogen, and the previous panel talked about potentially going into green hydrogen. We have also talked about the development of SAF. However, one of the biggest barriers to the development of hydrogen at scale is the initial capex that is required to develop the size of site that is required. The infrastructure is there, as are the skilled workers.

Something else that Ineos said this morning that came over loud and clear to me was that

Government policies, decisions and support will need to move much more quickly to allow the jobs to be there for the workers who are going to lose their current jobs. You said that you are already creating jobs. I spoke to a recruitment company that is currently stripping out the oil and gas sector in the North Sea, and it is almost exclusively going abroad. We need to move more quickly on that.

What is the Scottish Government doing to ensure that we develop the site into a hydrogen hub, a SAF hub and an import hub?

Neil Gray: I thank Mr Whittle for his question. Perhaps the policy barriers to some of those investments were not made clear this morning, but the policy areas are reserved to the UK Government. Perhaps Mr Whittle can raise with UK ministers, as we are doing, the importance of providing policy certainty on the regulation of the usage and transportation of hydrogen. That is part of the recent Energy Act 2023, which was passed at UK level. Mr Whittle will be able to raise that with whichever UK minister comes before the committee. To be fair, this is an area in which I hope we can have close collaboration and a shared understanding of the opportunity that is before us and the need to move quickly, which Mr Whittle mentioned.

That is on the hydrogen part. On the carbon capture part, Mr Whittle will know very well that we need progress to be made on the track 2 status confirmation so that the continued investment can happen. Alongside the use of hydrogen as a fuel, the carbon capture elements are the greatest way of decarbonising the industrial cluster. We have had an aspiration to see progress on carbon capture for years, and we now want to see progress on hydrogen as well.

On the areas for which we are responsible, we will do what we can to progress things as quickly as possible. However, in relation to the barriers that I believe Mr Hardie described earlier, the main responsibilities lie with the UK Government.

Brian Whittle: The main barrier to hydrogen is potentially the offtake. That was also mentioned earlier. The Scottish Government is investing in the development of green hydrogen, and has a fund for that, as does the UK. I am pleased to hear that the two Governments are starting to work closer together to develop that. The main issue is offtake. If there is no offtake, the site will not develop hydrogen.

I totally accept that the UK Government is not moving quickly enough on SAF, and that we will end up importing far too much of it, as we discussed at committee last week. However, I put it to you that the Scottish Government needs to ensure that the site at Grangemouth is utilised to its fullest extent. The level of capex to develop the

facilities from scratch probably goes beyond what we would find possible. Therefore, to decarbonise, we will have to utilise the site to its fullest. What support does the Scottish Government need to provide to ensure that that happens?

Neil Gray: The offtake is there, on the site, as was articulated this morning. The production and usage of that on site is to decarbonise the energy supply that the site needs for its processes. That concern about offtake was addressed this morning, I think. It is already—

Brian Whittle: If you were to play back an earlier part of the meeting, you would find that one of the witnesses said that they could increase capacity at Grangemouth and use that at other sites in other areas.

We are behind the curve on the development of hydrogen and offtake in this country, but we have a huge opportunity. Yes, currently, production takes place at the site and the offtake is at the site, but it was mentioned that the capability is there—with the right policies and the right support—to develop more for other areas.

Neil Gray: Again, the regulation of the transportation of hydrogen thereafter is still to be confirmed by the UK Government. The joint venture and Ineos will need to explain this in more detail, but my understanding is that the offtake is there, and that is making the commercial decision for the decarbonisation of the production that Grangemouth is utilising.

Mr Whittle's previous question was about jobs and retaining as many people in the oil and gas sector as possible. I also share the ambition to retain as many people in the energy sector in particular but in other opportunities in Scotland. We want to see a just transition for that highly skilled and valued workforce. I do not deny that there are competing opportunities around the world. I want to ensure that, through our work, particularly in relation to the supply chain for the offshore wind sector and the green industrial strategy that we are developing, we can show a line of sight for people to have a strong energy-related career in the green industries here in Scotland.

Susie, did you want to come in on that point?

Susie Townend: I was just going to add that one of the decisions that we are expecting from the UK Government this year is on hydrogen blending and how much hydrogen can be blended into the gas grid. If a decision is taken to allow a significant amount of hydrogen to be blended into the gas grid, that will provide some surety for offtakers.

Brian Whittle: Just to be clear, the blending level is around 10 per cent currently but it could go up to 20 per cent. Is that right?

Susie Townend: That is what we believe might be the case. The Scottish Government hopes that there will be a decision to move to around the 20 per cent mark.

Evelyn Tweed: Cabinet secretary, have you had any discussions with North Sea oil and gas firms about the impact of the closure of Grangemouth and what it might mean for their plans and business models?

Neil Gray: I assure Ms Tweed that I have regular conversations with individual oil and gas firms about their operations and what I hope will be their continued investment in green energy and the just transition that we want. I also have conversations with industry representatives. I recently had a meeting with Offshore Energies UK and, on the same day, I met the Scottish cluster and parties who are interested in that. To confirm my answer to previous questions, that provided comfort about the fact that the decision to transition from a refinery to an import terminal will not impact on the Scottish cluster.

Evelyn Tweed: That is reassuring. Thank you.

The Convener: On timescales, other members asked what has to be done if the life of the refinery is to be extended, and you said that the Scottish Government is in discussions with business. We expect the just transition plan to be produced in the spring. Will it include an assessment of how long the refinery could be open for, and will it be later than spring 2025? Do you have an alternative idea of how long it should stay open? A just transition needs to be managed, and a date of spring 2025 does not feel particularly managed for the local community.

Neil Gray: We have been given some warning that the potential date for the refinery closure is quarter 2 in 2025. That is helpful for the work that we are doing on the just transition plan, as it allows us to ensure that the plan is tailored. It also means that, through the work that we are doing with the joint venture, the other businesses involved in Grangemouth and other interested parties, including the local authority concerned—which I met last week—we can ensure that we do everything that we can to bring forward a just transition plan that gives people confidence about the opportunities that will be available in and around Grangemouth.

The Convener: On the green freeport, from the outside it looks as though there is a connection between the fact that the refinery business is now moving to an import-export business and, at the same time, a green freeport is being set up that will give tax breaks and incentives to imports and

exports. However, we have been told that there is no connection between the two.

Neil Gray: My understanding is that there is no connection.

The Convener: That seems—

Neil Gray: To be fair, it was articulated again earlier this morning that the change is about wider macroeconomic conditions, rather than any decision that was made by the Scottish or UK Government, which I assume includes the decisions on the green freeport.

The Convener: On importing, I asked the previous panel about offsetting. The carbon activity is just being moved somewhere else—we are offshoring it—but it still has to happen. We will be importing refined products. Do you plan to carry out an assessment of where the refined products come from and how they are being refined? Other countries do not have the same health and safety conditions for workers as we do and they will not be refining to the same standards. How will we know that the imports are of the same quality as those that we produce in Scotland?

Neil Gray: Obviously, we have an assessment and understanding, based on previous studies, of where oil is currently imported from. As you would expect, we do not have a huge amount of control over the commercial decisions that are taken on where to source it from. Mr Hardie said earlier this morning that Petroineos wants to ensure that it sources products from places that meet international standards. I assume that that includes health and safety as well as the standards on the production of the products.

The Convener: A number of members have asked about energy security. No doubt, we will pick that up with the UK Government minister when they are here in January but, at a time of increased global instability, it does not seem like good long-term planning for us to be increasingly reliant on imports.

Neil Gray: Indeed, and that is exactly why we need a transition for the energy that we use. Alongside the environmental and economic issues, the energy security argument for transitioning our energy dependence away from hydrocarbons to renewable energy that we produce and can source here is pretty obvious, and that is why—

The Convener: But we are not moving at a fast enough pace for that to be in place by spring 2025. There will be a period when we will still—

11:45

Neil Gray: The demand will continue. We know and understand that there will be continued

demand for some oil and gas products, but those demands will also diminish over time. In the meantime, the decision taken by the joint venture to invest in the import-export terminal means that energy security is maintained, which is a good thing. You will want to explore that with the UK ministers who have responsibility for that.

I understand that it is important to know when a decision will be taken about the refinery, but we have the assurance that, whenever that decision is taken, the import terminal will continue to give us energy security. That is a vital component in all of this.

The Convener: Two additional members have joined us today and have questions, if you have time. I realise that we are running over.

Neil Gray: That is fine.

Stephen Kerr: The cabinet secretary will know that my number 1 concern as a member for Central Scotland is for the constituents who are directly impacted.

Judging by what you have said today, would it be fair to say that you are not optimistic about the refinery's future? There was one mention in your answers of extending the life of the refinery, but you are not optimistic about it, are you?

Neil Gray: I do not want to set up unrealistic expectations. Previous interventions to extend the capacity of the refinery were made when the international perspective and domestic demand were different. Alongside my colleagues in the UK Government, I want to explore every single possible opportunity to extend the life of the refinery. I think that Mr Kerr would expect that of both parties. However, I do not want to make false promises about what might be possible; I just want to demonstrate to Mr Kerr's regional constituents, and to others more widely, that we are doing everything possible.

Stephen Kerr: I asked the previous panel about the status of the hydrocracker, a component that is key to the running and profitability of the refinery. What has Petroineos told you about what will happen to the hydrocracker?

Neil Gray: In line with what was said earlier, that is an operational matter for Petroineos, which continues to look at ensuring that it can restart the hydrocracker as quickly and safely as possible.

Stephen Kerr: Are you content that that is the intention of the business?

Neil Gray: Yes. That is certainly what has been articulated to me and is what was said to the committee earlier.

Stephen Kerr: It was indeed.

You were not as surprised as the rest of us were by the announcement. You had had a year's notice that it was likely to happen.

Neil Gray: I do not think that anybody should have been particularly surprised by the announcement in itself. Regarding the timing, we were told at the same point as the workforce, so there was certainly an element of surprise there.

We are talking about a century-old refinery that has had issues, where significant interventions have been made in the past and where the joint venture has provided a significant subsidy for a number of years. Therefore, the announcement was not a great surprise to us, and I do not think that it should have been to others.

The important considerations for the Scottish and UK Governments are energy security and the need to ensure that there is continued industrial capacity. We have been working on that with the joint venture and will continue to do so.

Stephen Kerr: I think the announcement came as a great shock to the people of the area. I understand what you are saying about the macro position, markets and the rest, but it came as a big shock to people who live in the area that it is very likely—in fact it is almost certain—that the refinery will close in spring 2025.

When will the Government be in a position to publish an assessment of the economic impact of the closure? At the moment, as Colin Smyth said earlier, the implications and ramifications of the refinery closure are not very clear. When will the Government produce its economic impact assessment?

Neil Gray: That work is on-going. With respect, the discussion that we have already had this morning indicated that we are still working with other parties to understand the likely impact of the decision to close the refinery and, importantly, the possible mitigation of the import terminal, and what other possible investments in hydrogen, carbon capture and a potential biorefinery might be made. That work is on-going, and we will continue to publish that as quickly as we can.

An additional consideration here is the fact that the final decision has not yet been taken, though I grant Mr Kerr the point that we will be in a difficult situation with the refinery after 2025. At the moment, my energy is directed at understanding what will be important for the joint venture in making the decision on when the refinery will close, and what, if anything, we can do to assist with the extension of the refinery.

Stephen Kerr: The economic impact assessment will no doubt be holistic and consider multiple possible outcomes to the situation that we are in, but I think that we can all agree that, as the

convener mentioned earlier, there is little doubt that the refinery is closing.

Neil Gray: I have not disputed that. It is the timing that is still uncertain.

Stephen Kerr: Irrespective of the timing, a holistic economic impact assessment would consider all the factors. With regard to the path ahead, it is critical that we understand what will happen because of the closure of the refinery, whenever it happens for definite. Who is doing this piece of work and what is the estimate of when it will be available for all of us and for the people of the area, so that we can begin to get our head around the nature, extent and scope of the challenge, which undoubtedly it is?

Neil Gray: We continue to work with partners on the Grangemouth future industry board and we continue to have discussions with the UK Government on those areas. We will continue to work on a just transition plan that will consider and articulate some of those areas. It will ensure that we are giving comfort to the communities and the people who are central to all of this that future job opportunities, future industrial capacity and a just transition can be achieved for the area.

Stephen Kerr: I am sorry—perhaps my question was not clear. Who is undertaking the economic impact assessment, and when is it likely to be published and made available? Those are my critical questions.

Neil Gray: We are doing that work. We will continue to do that work, alongside other parties, including enterprise agencies and the Grangemouth future industry board.

As I said, the critical element that we have before us is about helping to inform the decision that the joint venture will take about the future of the refinery itself. Obviously, we understand that that will have an economic impact, and we will continue to work on what that looks like and made an assessment of it alongside other parties.

Stephen Kerr: So you are responsible for producing the economic impact assessment?

Neil Gray: We will be, yes. The responsibility goes wider than the Scottish Government; it also has a UK Government element to it. We need to work with all parties involved to ensure that we are coming up with the information that we need to take decisions that we need to take around, for instance, the just transition plan and the potential opportunities for future industrial use of the site. We will continue to do all that we can to pull that together as best we can.

Stephen Kerr: A holistic economic assessment would take care of that. Will that be available in the first quarter?

Neil Gray: We will continue to work on that. I do not want to give any definitive timescales or dates around what we will be able to publish.

The Convener: The Just Transition Commission published a report today that says:

“the current path will not deliver a just transition”.

It is calling for a detailed and specific set of policies, actions, and investments. Is that what we can expect from the Grangemouth report when it comes out in the spring? You will know that we are currently doing an inquiry into a just transition for north-east Scotland. The commission’s criticism is that although the high level policy and approach might be embedded, there is a lack of action. Will the delivery plan give us that? The committee will scrutinise that when it is published.

Neil Gray: I would expect the committee, and other committees across Parliament, to scrutinise it. Obviously, we will reflect on the concerns of the Just Transition Commission and take those on board as we continue to work up the just transition plan that we will publish early next year.

The Convener: Thank you, cabinet secretary and officials, for attending this morning. I will suspend the meeting. [*Interruption.*] Sorry, did you want to come in, Kenneth MacDermid?

Kenneth MacDermid (Scottish Government): Thank you, convener. I will just add, in response to the request for action, that the just transition plan for Grangemouth will contain a detailed action plan that will set out all that. Clearly, that will be an iterative process, because it will reflect the emerging global situation in terms of technology and all of that. The plan itself will have an action plan that sets out what actions will be taken in terms of the wider Grangemouth cluster, and that will be published in the spring.

The Convener: Thank you. As I said, the committee will no doubt scrutinise that once it is published. I thank the cabinet secretary and officials for attending this morning.

11:56

Meeting continued in private until 12:38.

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