



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 13 November 2024

Session 6



The Scottish Parliament
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.parliament.scot or by contacting Public Information on 0131 348 5000

Wednesday 13 November 2024

CONTENTS

	Col.
INTERESTS	1
CONVENER	2
DECISION ON TAKING BUSINESS IN PRIVATE	3
CONSUMER SCOTLAND	4
PETROINEOS GRANGEMOUTH	27

ECONOMY AND FAIR WORK COMMITTEE

29th Meeting 2024, Session 6

CONVENER

*Colin Smyth (South Scotland) (Lab)

DEPUTY CONVENER

*Michelle Thomson (Falkirk East) (SNP)

COMMITTEE MEMBERS

Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

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

*Jamie Halcro Johnston (Highlands and Islands) (Con)

*Daniel Johnson (Edinburgh Southern) (Lab)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Lorna Slater (Lothian) (Green)

*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Sue Bompfray (Consumer Scotland)

Sam Ghibaldan (Consumer Scotland)

Iain Hardie (Petroineos Manufacturing Scotland Ltd)

Colin Pritchard (Ineos Olefins & Polymers UK)

David Wilson (Consumer Scotland)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 13 November 2024

[The Convener opened the meeting at 09:31]

Interests

The Deputy Convener (Michelle Thomson): Good morning, and welcome to the 29th meeting in 2024 of the Economy and Fair Work Committee. We have received apologies from Willie Coffey.

Our first item of business is a declaration of interests by Daniel Johnson as a newly appointed member of the committee, replacing Claire Baker. Before I ask him to declare any relevant interests, I want to put on record the committee's thanks to Claire Baker, who has been our convener since the start of this session, for her contribution to the work of the committee.

I welcome Daniel Johnson to the committee and invite him to declare any relevant interests.

Daniel Johnson (Edinburgh Southern) (Lab): Thank you for that very warm welcome. I refer members to my entry in the register of members' interests, where I declare that I am a director of a company with retail interests in Edinburgh.

Convener

09:32

The Deputy Convener: Our next item of business is to choose a new convener. As explained in paper 1, the Parliament has agreed that only members of the Labour Party in Scotland are eligible to be chosen as convener of the committee, and I invite a nomination.

Daniel Johnson: After a great deal of deliberation, I would like to nominate Colin Smyth.

Colin Smyth was chosen as convener.

The Deputy Convener: Congratulations on your appointment, Colin. I think that it is time for you to take the chair.

The Convener (Colin Smyth): Thank you, Michelle. That is the smoothest election that I have ever been involved in. I thank the committee for that vote of confidence.

I begin by echoing the deputy convener's thanks to Claire Baker for convening the committee over the past three and a half years. Over that time, the committee has carried out a number of important inquiries in areas such as town centre regeneration and the disability employment gap, and we have put forward some positive recommendations that, if implemented, would make a real difference to people in our communities. I hope that we can build on that work and, crucially, be clear about the committee's important role in holding Government and agencies to account.

Decision on Taking Business in Private

09:34

The Convener: Our next item of business is a decision on whether to take in private items 6 and 7, which concern consideration of today's evidence. Do we agree to do so?

Members *indicated agreement.*

Consumer Scotland

09:34

The Convener: Our next item of business is an evidence session with Consumer Scotland on its activities and performance. I welcome our panel of witnesses.

Consumer Scotland is the statutory independent body for consumers in Scotland, covering the public, private and third sectors. It is a non-ministerial office, established under the Consumer Scotland Act 2020, and it is directly accountable to the Parliament. Responsibility for scrutiny of Consumer Scotland therefore falls primarily within the committee's remit.

I welcome David Wilson, the chair of Consumer Scotland; Sam Ghibaldan, the chief executive; and Sue Bomphray, director of operations and partnership. I will make the same appeal that Claire Baker always made, which is for members and witnesses to keep their questions and answers as concise as they possibly can. I invite David Wilson to make a short opening statement.

David Wilson (Consumer Scotland): Good morning. Let me be the first person beyond the committee to congratulate you on your appointment, convener. I also reflect our thanks to Claire Baker, the former convener, for the interactions that we have had with the committee.

You have already described our constitutional role. I have a couple of points to add to that by way of background. One of our key roles is to advocate on behalf of consumers in Scotland, but we very much see our role as including not just devolved matters, as we have an advocacy role that goes beyond devolved matters and includes reserved matters, especially energy and post issues. We see our remit as broad, as the Parliament did in setting our legislation.

As a final piece of background information, I will say a quick word about our funding. We receive core funding from the Scottish Government, but we also receive what is called levy-based funding, which ultimately comes from consumers directly. We receive funding from Scottish Water consumers for our role on water in Scotland. We also receive levy funding via the United Kingdom Government for energy and postal services. From next year, we will become the statutory consumer advocate for heat networks, and we will receive additional levy funding from that corner as well.

I am delighted to be here, as it gives us the opportunity to describe the work that we have done and it gives you the opportunity to scrutinise our work. We are now two years old, having been set up in April 2022. We are very pleased with the

progress that we are making, although there is obviously still further progress that we wish to make.

On 17 October, we published our annual report and accounts, which give a comprehensive overview of what we have done over the past year. Before giving some brief highlights, I point out that the annual report sets out that we seek to do our role as transparently and efficiently as possible. We are very pleased to get a clean audit from our auditors, and details of that are set out in the annual report.

I do not want to say too much more, but I will give some brief highlights of the sort of things that we would be keen to discuss with you. They include our work with regard to consumers overall, and particularly the research work that we have done to raise the visibility and the impact of policy thinking and policy development around consumers. Clearly, the past couple of years have been a very challenging time for consumers, not least due to the energy situation and the cost of living crisis. However, there are a range of other issues, including energy affordability, water affordability, postal services and telecommunications, that we have been working on, and there are a number of specific areas on which we have sought to advocate specific policy positions.

I will say a brief word to establish that one of our key statutory requirements is to take into account the needs of consumers in vulnerable circumstances. We have taken that very seriously when it comes to our set-up. We have an expert advisory group on consumers in vulnerable circumstances, and we have done particular pieces of work around consumers with disabilities, especially in recognising the challenges that face consumers or users in legal services. That is an area that we would be keen to talk to you about.

I will stop there. I hope that that was sufficiently short, but there is a lot of depth and a lot of issues in all of that, which we are keen to discuss.

The Convener: Thank you, Mr Wilson. There will certainly be a lot of questions on some of the issues that you have raised.

I will begin by picking up on one of the subjects that you mentioned in your opening comments and one of the pieces of work that you have done, which is on postal services. The committee took evidence on concerns about the future of universal postal services, and I appreciate that Consumer Scotland has carried out some work on that. Can you tell me a little bit about that work and, specifically, what feedback you received from small businesses about the importance of those universal services? Was it different from feedback from other consumers?

Sam Ghibaldan (Consumer Scotland): I will take that question. The universal postal service, as you allude to, is extremely important for consumers in Scotland. Data published by Consumer Scotland last year found that nearly two thirds of adults in Scotland had sent first-class or second-class letters in the past 12 months, and more than three quarters had sent parcels.

Consumers need the postal service to communicate with each other. It is an important part of our social glue—our social cohesion. We need it to access essential services and to exchange letters with the national health service, banks and energy suppliers. As you alluded to, small businesses use it a lot in the way of their business, sending out parcels, making deliveries and receiving things. Therefore, postal services are absolutely essential, but there are issues with the current services—very significant issues.

First, there has been a significant decline in letter deliveries over the past decade or so. In 2011, around 14 billion letters were sent, but in 2021, 7 billion were sent, so there has been a significant decline. Royal Mail says that that is causing issues in delivering the service cost efficiently.

On the other side of the equation, consumers have been experiencing issues with reliability and affordability. Royal Mail has consistently failed to meet its targets for delivering mail on time, which is a point that comes through very much in the research that we have done. It comes through for both small businesses and mainstream consumers—individual consumers. On affordability, the price of first-class stamps has doubled in the past five years. It is now £1.65.

That has led both Royal Mail and Ofcom to put forward various proposals for reform of the service. Those include, for example, reducing the number of delivery days to three or five days a week, and there are other proposals around reducing second-class post specifically, and revising the speed of delivery targets.

From the perspective of the work that Consumer Scotland has done, it is fair to say that there are similar issues for small businesses and for individuals. Part of the reason why we cover small businesses as well is that they often behave in a similar way to individuals and have similar needs and concerns. That work shows us that there is a need for significant and comprehensive work to be taken by Ofcom, in particular, and by Royal Mail and, I suppose, ourselves in ensuring that any changes that are made to the universal service obligations will not cause harm for consumers.

In the case of small businesses, it is very much about allowing them to operate effectively in their core markets. They have already had significant

disruption in relation to Brexit, for example, and we need to avoid any further significant impact on them from USO reform.

The other key aspect for us is that any reform should address the problems that consumers already experience—the ones that I referenced in relation to the affordability and reliability of the service.

Turning to what we have done to make progress in this space, I know that we have shared with the committee our detailed work on the issue—members may have seen that. We made a very substantial response to Ofcom, setting out the issues and the concerns, and we regularly meet Ofcom and Royal Mail and try to push them on this agenda. We are currently undertaking research with low-income consumers in the Highlands and in Dumfries and Galloway to look specifically at their views on how the proposed changes might impact on them, and we will engage stakeholders such as Royal Mail and Ofcom in that work.

Last month, we held a joint round-table discussion with Highland Council, which Ofcom attended, and we invited community and business groups to take part to share their views about the changes. I would be happy to write to the committee with further detail about the outcomes of that.

09:45

This is an on-going and developing agenda. It is important, from our perspective and from consumers' perspectives, that consumers' interests are seriously taken account of by the regulator, which is Ofcom in this instance. Pressure or interest from anywhere in the public policy system is going to be very useful in keeping those issues at the top of the agenda, so I very much welcome your question and the committee's interest in the issue.

The Convener: Thank you very much for that. I will follow up on that in relation to the concerns that we raised around small businesses. I wonder whether this is echoed in your work and what your view is. One concern was that deliveries would be reduced. Not having a Saturday delivery was probably the most fundamental issue raised by small businesses. For example, businesses who produced magazines to send to customers were concerned that there would be real delays if that were to happen. Did you come across that in your research, and does Consumer Scotland have a view?

Sam Ghibaldan: Absolutely. That is one of the issues that informs our concerns about the reliability and regularity of the service, which small businesses consistently indicate are really important to them, so we are trying to factor that

in. I would be happy to write with more information and specific numbers on that. I do not have those numbers with me.

The Convener: That would be very helpful, and information on the follow-up work that you are doing in Dumfries and Galloway and the Highlands and Islands would also be helpful.

I bring in Kevin Stewart, who has a question on another important issue.

Kevin Stewart (Aberdeen Central) (SNP): Thank you, convener, and good morning. Consumer Scotland submitted a response to Ofgem's consultation on the involuntary installation of pre-payment meters. Do Ofgem's new rules in that area go far enough to protect consumers in Scotland?

Sam Ghibaldan: They go a long way. There was controversy about pre-payment meters 18 months ago, and Ofgem convened the process. It was positive that it brought suppliers and consumer groups such as ourselves around the table for discussions over several weeks to look at how it should work. Ofgem put in place the temporary pause on installations. We felt that we had a substantive input into that, and we were pleased with the process that Ofgem went through.

We made a number of recommendations on the code of practice that it developed as a result of that process, including, for example, that the precautionary principle should be applied before the involuntary installation of a pre-payment meter. We also made a number of recommendations on the characteristics of households or consumers where installations would not be appropriate, such as those with children under five or others in vulnerable circumstances. The code recognised a lot of that. We are continuing to monitor that, because, as you will all know, from a consumer perspective, the proof is in the pudding when it comes to the operation of codes of practice and rules.

We are pleased with the progress, but I would not say that we are confident that we have reached the end of the journey.

Kevin Stewart: Is more required to reach the end of the journey, as you describe it?

Sam Ghibaldan: We take an evidence-led and analysis-led approach, and we work very closely with the advice bodies in Scotland, including Advice Direct Scotland, Citizens Advice Scotland and Trading Standards Scotland. We take information from their data, and we will continue to look at whether there is more that we need to do in that regard. At the moment, we do not have specific requirements, but we will continue to look

at that. We will act and make recommendations to Ofgem if that is needed.

Kevin Stewart: I want to move off the pre-payment meter issue and on to energy markets more generally. From my perspective, part of the issue is down to the cost of living crisis. I have seen much more in my mailbag and in my email inbox about difficulties with energy suppliers. That often leads to a wee missive to Ofgem, but the responses are often pretty grim and not very helpful, to say the least. Do you think that Ofgem serves the public well?

Sam Ghibaldan: That is an interesting question. In our experience in recent years, Ofgem has been very proactively engaged. It has made significant efforts to reach the stakeholder landscape in Scotland on a number of issues, for example, pre-payment meters and, more recently, RTS meters, which are restricted—oh God, I am not going to give you the exact wording, but they are telecommunications meters. They operate through a radio signal, which is being turned off.

We convened something called the energy consumers network, which brings together advice bodies and various other bodies with an interest. We brought Ofgem to one of the network's meetings a few months ago to discuss RTS meters, and I think that that was one of the factors—although not the only factor—that led Ofgem to bringing suppliers together to force them to act on the issue. Therefore we feel that there has been a positive response, but undoubtedly, as in all organisations, there is room for improvement.

David Wilson: Can I follow up on that?

Kevin Stewart: Please. Can you be less diplomatic on it, Mr Wilson?

David Wilson: I should declare an interest as an ex-employee of Ofgem. That was 20 years ago, so it is some time past.

Kevin Stewart: We may have forgiven you for that by this time.

David Wilson: Thank you. Obviously, Ofgem has a very challenging and broad-ranging job. In the interests of consumers, we need to have an effective and functioning electricity and gas regulator—that is crucial. It is also crucial that the organisation recognises and responds to the criticisms that are made of it.

I will only add that the chairman, Mark McAllister, is still relatively new. I do not know whether the committee intends to invite him to a meeting or to engage with him, but Mark has done a lot in the period since his appointment to reach out to consumer groups and, I am sure, to the industry—but I am not as close to that. He is from Scotland and he has been here since his appointment. He has visited Citizens Advice

Scotland's extra help unit, and we have engaged with him personally on a number of issues. If there are concerns with Ofgem, I know that the chair would be keen to engage with and get feedback from you as part of his leadership of the organisation.

Kevin Stewart: I have to say that the communications that I get from Ofgem are often not what I would expect.

I need to ask a question about some of the experiences that my constituents have with fixed tariffs—these are folks who cannot change tariffs because they have storage heating. In reference to RTS, I have had a text again this morning about my own meters, but no real explanations are given to folk for why these things need to take place.

On that communication aspect—communication is king, or queen—do you think that Ofgem does the business of ensuring that the energy companies communicate well? Is part of the problem that Ofgem cannot really criticise the energy companies because it does not communicate very well itself?

Sam Ghibaldan: On RTS meters specifically, the looming signals turn-off has been known about for a long time. I remember that, several years ago when I was in a previous organisation, the switch-off deadline was postponed because of pressure that we had brought to bear. There are many more RTS meters in Scotland proportionally than elsewhere in the country, for obvious reasons. It is late in the day that suppliers are being pushed into action in this space.

I completely agree with you about communication. We have made a key point throughout the process about something that Ofgem now requires energy suppliers to do, which is to have an effective communication strategy in place so that consumers are aware of the issue and so that suppliers are proactively identifying the consumers affected and are contacting them. It sounds as if you have received some positive messaging.

Kevin Stewart: I would not go as far as to call it positive.

Sam Ghibaldan: There are also what I might call operational barriers to progress. Scotland has a lot of islands and small communities. In our discussion with the sector, we came across the rule that suppliers could not deal with RTS meters belonging to other suppliers. We have raised that with Ofgem and with the Scottish Government and I am pleased to say that, although that problem has not yet been solved, it is on the agenda. For example, one solution would be that staff from one supplier could go to an island and fix RTS meters for several people, which would reduce costs, complexity and delay in operations.

Your central point about the need for effective communication with consumers is very much what we have been saying.

Kevin Stewart: I have a final and very brief question that is Scotland-centric, because you have led me down that path. We have seen reports in the past few days that smart meters do not work as well in Scotland as they do elsewhere. How many complaints have you had about that and what are you doing with Ofgem and others to get that right for consumers?

Sam Ghibaldan: There are historical reasons for the issue. There has, effectively, been a line across the middle of the UK and smart meters in the southern part have historically relied on mobile signals while those on the northern side have relied on radio signals. There are historical reasons for that, and I stress the word “historical” because, when the roll-out began, mobile signals in Scotland were not anything like as reliable as they are now.

There is work under way to tackle that. We engage often with Ofgem and with Smart Energy GB, which is the umbrella group for the companies dealing with that. There is a target date, which I think is 2030—I cannot swear to that and will get back to you with more information—to have a more universal approach. Pilots of alternative technical solutions are under way and include a pilot in Orkney.

We can learn some interesting lessons from the smart meter roll-out as we develop other technologies and adaptations in future. It is really important to have reliability and to take an approach that can endure.

Michelle Thomson (Falkirk East) (SNP): My colleague Kevin Stewart asked about taking things up a level. The act of Parliament that underpins Consumer Scotland has five key areas of focus. For the record, the top two are reducing harm to consumers and increasing consumer confidence. How are those linked and do they imply a hierarchy of importance? In particular, is there any point in increasing consumer confidence if there is no resulting reduction in harm? I would like to understand how you square those up.

David Wilson: That is a really good question that goes to the heart of one of our key challenges as an organisation. The issue of consumer experience could not be broader; there are consumer issues in everyone’s daily lives, so, no matter how pleased we are with the progress that we are making as an organisation, it is inevitable that we cannot address every issue, which means that prioritisation is of fundamental importance.

The first part of my response would be to talk about the work that we have done in trying to communicate the importance of consumer issues

and raise awareness of them. We do research work and advocacy about issues that may not be seen as consumer issues and about the seriousness of some of the detriments and harms that consumers face.

10:00

Back in July, I think, we did a report that summarised areas of consumer detriment. An interesting point that came out of that is the fact that detriment varies across society. Broadly speaking, young people face a very serious set of detriments, partly because of the nature of the markets that they engage in, especially online markets. Many of the people who are most affected are the least likely to complain, to be blunt, or to seek redress, to use more formal language.

There is a set of issues. We try to identify areas where there is a clear issue or problem, areas in which we hope that we can make a difference and areas in which people are not well served by another organisation, whether an enforcement organisation or a lobby group. That process of prioritisation goes to the heart of the choices that we make, both as a board and as an executive team.

I will make a final point about harm and detriment. At the start, I made a point about our statutory remit in relation to consumers in vulnerable circumstances. That focuses our attention on work that I hope we would be doing anyway, which is looking at the challenges that are faced by consumers who are in situations in which they are most at risk of harm or in which the risk of harm is highest. That is the definition of “vulnerable consumers” in the Consumer Scotland Act 2000.

That is why we have done a lot of work on consumers with disabilities and the link with the cost of living crisis and energy affordability. Earlier this year, we worked with disability advocates and organisations across Scotland to publish a report on some of those challenges. We will shortly publish a follow-up to that, which will go into some of the detailed issues around energy affordability for disabled consumers.

The area that I want to highlight is that of the challenges that are faced by consumers who are patients with medical needs, such as people who have home dialysis or consumers who, sadly, have a terminal illness and incur high electricity bills during the end-of-life process, which they still have to pay. We want to work with other consumer advocates to advocate on behalf of consumers in such situations to provide Government with what we hope are measurable and actionable actions that it can take to address those consumers’

needs. That is the arc that we would like to follow, from prioritisation through to deliverable actions that we hope that the Scottish Government, the UK Government or regulators and other bodies can take.

Michelle Thomson: That was a very comprehensive answer in which you fairly recognised the complexity of what you have to do.

Given the way in which you operate, how effective is your relationship with other key stakeholders? One could argue that you occupy quite a niche position from the point of view of your research methods and how theirs might differ.

David Wilson: I think that “niche” is a good description. We are a statutory consumer advocate. Although there is a statutory consumer advocate in Northern Ireland, technically there is not one in England and Wales. Many organisations play the role of consumer advocate, but we have been trying to develop a methodology for being a statutory consumer advocate. As a statutory advocate and—I hope—a critical friend to Governments, we play a role that is different from but complementary to the role of organisations such as Age UK or Citizens Advice Scotland.

Working with a variety of those non-statutory consumer advocates and building those stakeholder links is absolutely essential to what we do. Much of what we do, we do with them—certainly, it is not instead of what they do. That includes—as Mr Stewart mentioned—small businesses and others. We are very much building those stakeholder links while, at the same time, building engagement with the Government bodies, in relation to the wider stakeholder link.

I have already mentioned Ofgem. There are also Ofcom and Trading Standards Scotland in a Scottish context. We have to work with the enforcement bodies and provide them with—if you like—ready-made solutions, because we do not have enforcement powers at all. Our role is advocacy, not enforcement or direct support, in that sense.

We need to work with both stakeholders and Government bodies, and act as—we hope—a bridge between them.

Michelle Thomson: That is a difficult role. Do you have any final points, Sam?

Sam Ghibaldan: I will add to that something around how we meet our various statutory obligations.

There are statutory obligations regarding detrimental harm, and we also have statutory obligations regarding issues such as sustainability or sustainable consumption. We reach a judgment through a prioritisation process that involves

asking questions such as, for example, how many consumers overall will be affected, or what the gravity of the impact or opportunity would be. Those are the type of factors that we need to take into account. Sometimes we also consider whether there is a particular Scottish interest. That is not necessarily exclusive; there does not have to be a Scottish interest, but we might consider whether there is a particular impact in Scotland. Those are the type of considerations, and each one of those is a judgment. There is not a right answer—we have to work it through.

We undertake two key types of collaboration. The first is around influencing regulators, Governments and companies so that consumer markets and services provide consumers with what they need and operate in a way that works for consumers and engages and protects them. The second is very much about partnership with the sort of organisations that David Wilson mentioned—such as CAS, Advice Direct Scotland and Trading Standards Scotland—to help them to align the consumer protection and advice services landscape. It is also about learning from them and taking their data. It is a partnership.

Daniel Johnson: The 2020 act that created Consumer Scotland gave it three broad primary functions: providing advice and information to policy makers on consumer issues; carrying out research and investigations into consumer issues; and providing or securing the provision of advice and information to consumers.

You have a budget of £3.9 million to spend, but only £444,000 is spent on direct consumer advice. My question has two parts. First, why did you choose to go down the route of outsourcing consumer advice rather than doing it directly? Secondly, given that it is one of your primary functions—indeed, many of your answers have emphasised your view that you are a consumer advocate—I wonder how you view the fact that only 11.4 per cent of your budget is dedicated to direct consumer advice. Is that the right balance, and are you placing the right emphasis on direct consumer contact?

David Wilson: That is an excellent question, which, again, goes to the heart of some of the choices that we have had to make as an organisation.

I will kick off. I am also keen to bring in Sue Bomphray to describe some of those more detailed budget points and the money that we pass to other organisations.

The legislation is permissive, if that is the right language; it gives us a broad potential remit, covering a variety of areas. We were keen to establish ourselves as an organisation that undertakes the core levy-funded work on energy,

post and water, which is not a direct consumer advice function. That is the core of what we do, and then we build from that. That is very much the journey that we have been on over the past couple of years.

We made a conscious decision not to seek to become a direct consumer advice organisation. As you have rightly said, we could do that—the legislation gives us powers in that respect—but a number of factors influenced our decision. We wanted to establish our reputation and reach in the wider landscape first of all, and we also recognised that a number of existing organisations already have that role in Scotland, and do it very well. I am thinking of Citizens Advice Scotland, Advice Direct Scotland and a number of other organisations with a more specific focus on energy and on other sectors.

In part, our initial choice was not to seek to compete in that landscape but to leverage, boost and potentially streamline it. That is our position now. Sue Bomphray can give you more information on this, but, on some of the specifics that you have mentioned, we felt that they were areas that we had the funding for. There were certain proposals and actions that we felt that CAS, in particular, could take forward, and we thought the best way of delivering them was through it. That approach will continue in future, as we have been asked to take on the role of heat networks advocate. Much of that will involve consumer-facing activity, and we are in discussion with those organisations to provide that in future.

Lastly, I would never say never with regard to developing, at our own hand, consumer advocacy or broadening out with whom we work or to whom provide support, but I want to be satisfied that we are not simply adding to an already effective landscape instead of improving it. That would be the criterion.

Daniel Johnson: I will push you a little bit on that. All of us round this table are familiar with how advocacy works; indeed, we undertake it day in and day out. I would find it quite difficult to do that job if I did not hold surgeries with my constituents to understand what they needed. In a functional sense, how can you understand what to advocate for on consumers' behalf if you are not doing that sort of thing directly? In conducting broad research, as it were, is there a danger that everyone ends up as a statistic rather than a person, and that you miss some of the more fundamental issues that you would have picked up if you had that direct contact?

David Wilson: Again, you have identified that very well. We do not have a specific complaints or direct advice role, but that does not mean that we never engage directly with consumers. I think that we are increasingly moving into that area, whether

it be about representing consumers or whatever. We would like to move beyond the early work that we have done with the lived experience of consumers; indeed, it is definitely an area that we are moving into.

As for how we know what to advocate for if we are not getting face-to-face contact, we can build on our really strong links with the likes of Citizens Advice Scotland. Formally, we will, from next year, be funding it directly to provide us with data and insights. In that way, there is almost a symmetry: as we do our national advocacy, we learn from its local work, while it is bringing our national advocacy approach into that local work. It is a matter of working with it in what is almost a supply chain, if you like. We are finding ways of doing that sort of thing, and I fully recognise the need to do it.

Daniel Johnson: I understand. There are lots of different ways in which one can understand the consumer experience.

That brings me to my final question. Part of my reason for asking this is that I completely recognise that Citizens Advice Scotland does a great job, but its funding is under severe pressure. Because of those funding pressures, it is not the organisation that it might once have been or might hope to be.

Just reflecting on my constituency casework, I note that I am getting an increasing number of people approaching me because they are struggling to get good consumer advice to understand what their contractual obligations are with providers of goods or services, when procuring things or buying products directly from shops or online and, in particular, with the building trade. My view is that the availability of direct consumer advice is much weaker than it was perhaps a decade or two ago. What is your view of that and of your role in helping to rebuild the advice ecosystem or landscape?

10:15

David Wilson: In the interest of time, I note that I completely agree that, given the experience over the past few years and the cost of living crisis—it is not just to do with those aspects; there is a wider range of issues—there is the need for expert and sympathetic consumer advice across the board. It is the sort of advice that many organisations provide, and we are in the same camp as them in drawing attention to both the increased demand for those services and the need for greater provision. Please take it that we are fully behind that. Perhaps Sue Bomphray could say a bit more about how we are working with those organisations to encourage that.

Sue Bomphray (Consumer Scotland): Good morning, everyone. At the start, when Consumer

Scotland was being set up, there were a lot of representations from different bodies about what we would do and what our position would be in the wider consumer sector. We have tried really hard not to upset those stakeholders and to work with them to complement the services that they provide.

We have taken a conscious decision not to set up another advice mechanism, because that would not be a good use of public money. We are working really closely with ADS and Citizens Advice Scotland to ensure that we complement their work. We have data sharing agreements with them, meaning that we have access to their data and they have access to ours, because we are trying to bring some coherence across the sector. We are in the process of setting up a strategic leadership group for the chief executive officers across the advice bodies, which includes Citizens Advice in England and Wales, because there are some areas for which we fund it for work in Scotland.

Again, to bring some coherence, we are bringing funding streams together. Through our energy levy from the UK Government, every year, we fund Citizens Advice Scotland to run its big energy savings network project and its “Worried this winter? Let’s chat” campaign. In the past couple of years, we have been able to fund trading standards for some of the work on scams and the television campaigns that have been done. We also fund Citizens Advice in England and Wales for the portion of its advocacy work that covers Scotland. The key is bringing all those outputs together and sharing them to ensure that, collectively, we deliver the right data to advocate for the right policy changes.

Daniel Johnson: I have one final cheeky question. If we had those organisations round the table today, would they say that you have had a positive impact on the consumer advice landscape?

Sue Bomphray: I think that they would. They might not have done at the outset, when we started, but we have worked really hard on relationships, and we have regular meetings with CAS, ADS and Citizens Advice to ensure that we are working together rather than against one another.

Murdo Fraser (Mid Scotland and Fife) (Con): It was interesting to see that you launched an investigation in July into the market for energy efficiency and low-carbon heating products. Will you tell me a little bit more about why you chose that area for investigation? What do you expect the outcomes and impact will be from any findings that you have?

Sam Ghibaldan: The ability to conduct investigations is a central part of the 2020 act, which imposes specific requirements about the publication of recommendations and about the nature of support for those recommendations by the Scottish Government. The act gives particular weight to the outcome of the investigations that we do.

To arrive at our choices and to develop our investigations function—respecting the importance of that in the act—we went through a significant process, bringing in somebody from the Competition and Markets Authority to help us to look at how to structure an investigation function. We did a lot of work with other organisations in looking at aspects such as prioritisation processes, governance and pre-investigation work, which I think is where the answer to your question lies.

The things that we look at in making a decision on an investigation include the nature of the market and the formality of the engagement that is required, the extent of evidence of any issues, the views of regulators and whether formal recommendations would help to progress things. On the investigation into consumer issues in the market for low-carbon technologies and energy efficiency, we identified that there is a clear opportunity to influence developments because of the forthcoming heat in buildings bill and any associated regulation. That was, I suppose, a clear tick in the box and it showed that this is something that we need to look at.

First, there is a significant and wide consumer impact, because we know that 2.4 million homes need to be upgraded by 2045, so it will affect a significant majority of the population of Scotland. Secondly, we know that there is a reasonable evidence base. Although the numbers are still small, there are a lot of early adopters of technologies, and we can use that evidence to develop the case for the investigation and think about how consumers should be approached in the roll-out of the net zero agenda, how to protect consumers and how to encourage them.

We also know that installing a heat pump is a complicated process. I know that from my experience. It can be a confusing market at times, and there is evidence of scams. It is perfectly possible to work your way through it, but it is not straightforward, so there are definitely things that we can do to improve that.

On the process that we have gone through since we launched the investigation in July, we had a call for evidence, and we have had a number of submissions and engagement, with evidence from various stakeholders including Trading Standards Scotland, the Competition and Markets Authority and Home Energy Scotland. We

have had round-table sessions with stakeholders to thrash through some of those issues, and although I cannot prejudge the outcome, the areas for recommendations might well include improving incentives and providing extra clarity for consumers, and reforming the ways that rogue traders, misleading information and scams are dealt with. I am sure that we have all seen a million invitations on solar panels and everything else on Facebook. How do we address those? The key issue in the market, I suppose, is how we can give consumers confidence that they can make the right decisions and find the right people. We also need to improve support for consumers on the small number of occasions when, sadly, things go wrong.

We are looking to publish the investigation by the end of the financial year. We are making sure that we are aligned with the heat in buildings bill process, in order to be able to inform that.

Murdo Fraser: Thank you. That is really helpful. Part of the reason why I asked the question is that I have had a number of constituency cases in which individuals have claimed that they were, in effect, mis-sold technologies. It certainly seems that companies have come in and made lots of promises about what will be delivered, but the outcomes have not been what was anticipated.

Part of the complication in this space is that there are various Government schemes that provide funding, and there is an assumption on the part of consumers that what they are offered is somehow an official Government scheme. When it turns out badly, they come to me and say, "Will you raise this with the relevant Government department?". The Government department says, "Well, the delivery of the scheme has nothing to do with us. We just provide the funding." There is clearly a perception issue, is there not? People think that, because there is Government funding, what they are offered is somehow an official Government scheme, even though it is delivered by a range of third-party contractors who might or might not be up to scratch. Are you looking at that area?

Sam Ghibaldan: That is one of the central questions for the investigation. There is a sad and relatively long history of that since all the scams around the green deal a decade or so ago. You are right: the official nature of a scheme will make people have confidence. On how we bridge that gap and ensure that people are effectively protected in the market, it is key to build sufficient consumer confidence in the mainstream population that they can proceed confidently in this space. That is central to our investigation. It is vital for consumers that such measures are dealt with and appropriately addressed, but it is also vital to our success in meeting net zero targets.

The short answer to your question—sorry; that answer might have been a bit long—is yes.

Murdo Fraser: You might not know the answer to this, but is it currently the case that, if somebody is accessing funding through a Government scheme, there is an accreditation for whoever is doing the installation?

Sam Ghibaldan: Yes—there are accreditation schemes, although I do not want to overly assert my knowledge of the detail. Suppliers have to be accredited, but there are sometimes issues with the way in which those accreditation schemes operate.

In addition, anecdotally—I stress the word "anecdotally"—I am certainly aware that there have been cases in which suppliers have been registered with a scheme but have then dropped out of it. There are a number of issues in that space.

Murdo Fraser: This is my final question. Are you still taking evidence, or have you concluded that work?

Sam Ghibaldan: We have pretty much concluded our evidence taking, but we are always open to more.

Murdo Fraser: All right—thank you.

David Wilson: I will make some brief remarks, almost as a summary of the responses. One of the features of the market that is developing around renewable energy, which is writ large across many of the areas in which we work, whether it is legal services, wider energy matters or transport, is the importance of effective market regulation and effective redress in particular situations. With the best will in the world, there will, in some markets, always be concerns about regulation and redress. That element is central in so many of the markets that we deal with.

I reiterate the key point that Sam Ghibaldan made. With regard to the challenge of achieving net zero, the regulation of the heating market is crucial, as is, more widely, regulation and redress across a range of different areas, whether it is electric vehicles or other things. That tells us that the key point is that achieving net zero is fundamentally a consumer challenge. The UK Climate Change Committee says that around 60 per cent of the emissions reduction that still needs to happen would have to come from very direct consumer choices, and that is why regulation and redress is so important.

The Convener: I call Gordon MacDonald.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning to the witnesses. I want to ask you about the recall of goods and product safety. Under the 2020 act, you have

“a duty to establish, or secure the establishment and operation of, a publicly available database of recalls of goods in Scotland, where either there is a significant risk to individuals or the scale of recall is significant.”

That is from your annual report. Can you give us an update on where we are with that?

Sue Bomphray: Yes, I can do that. You are right. Interestingly, between the passing of the 2020 act and Consumer Scotland coming into being in April 2022, a database that broadly fulfils that function was established by the Office for Product Safety and Standards. We have spent a lot of time looking at what is available out there and considering whether there would be any merit in setting up a separate Scottish database, and we believe that there would not be.

The OPSS database covers the whole UK and covers a broad number of products. The committee will be aware that there are five or six other separate product recall databases that relate to things such as medical devices, vehicles and food. We are looking at how available those databases are to the public; where people go to find out if there is a recall; how those databases operate; and whether they would represent fully the needs of consumers in Scotland.

The set-up of the OPSS database involved a cost of circa £5 million, so we are not in the funding bracket to be able to do anything like that ourselves, but we have been able to work closely with the organisation. We are part of its consumer reference panel, which meets monthly, and we have contributed some funding to increase the size in Scotland of the annual surveys that the OPSS does on consumer detriment and recall.

The OPSS’s biggest challenge is to increase awareness of its database, and we are trying to do that, too. It is not the type of database that a consumer would log on to once a week and say, “Ooh, I wonder if my Bosch dishwasher is featuring this week.” There is much more of a push, and the OPSS is really trying, to shift the responsibility on to, first, manufacturers and, secondly, organisations that can help to publicise that database. For example, the OPSS works closely with organisations such as the Royal Society for the Prevention of Accidents, which can then promulgate the information. Where big-ticket items are involved—members might remember the stories about kids’ hoverboards catching fire, for example—the OPSS will run big publicity programmes. Our approach at the moment is to increase awareness of the database. We are looking to build something on to our website.

10:30

Gordon MacDonald: You are saying that it is your responsibility to raise awareness of the

database. I had a look at it, and it is probably the worst website I have ever seen in my life. It is a list of descriptions, with hyperlinks to click on that take you to a long list of attributes to that item. Then, at the very bottom, you click on another link and you eventually see a photograph that is about the size of a postage stamp. It is not user friendly.

There does not seem to be anything proactive about making alerts to the public. I know that you guys are not front facing in dealing with individual consumers, but you put out two alerts on your Twitter account in the past 48 hours. One, for bikes with a high risk of injury, has had 140 views, and the other, for a vacuum cleaner with a fire risk, has had 152 views. Do you think that that level of hits is acceptable? What will you do to address that, bearing in mind that we are a population of 5.5 million and that the website that you are pointing everybody to is not user friendly?

Sue Bomphray: It is a complex area because there are so many product alerts. The fundamental basis has to be putting more of an onus on manufacturers.

Gordon MacDonald: How does the public find out?

Sue Bomphray: Manufacturers should inform customers.

Gordon MacDonald: That happens only if the customer has registered the product. If customers do not register their product, which is the case with most people, they will never find out unless somebody rolls out some kind of publicity regarding the issue.

Sue Bomphray: As I said, it is complex, because a lot of manufacturers are very good at contacting customers who have bought digitally. They can get in touch and say, “We know that you have this product”. That covers one part of it, but there are other parts. We are working on how we can make promulgation of the information more effective. That is why we are working with a lot of the charitable bodies, and we are helping the OPSS to map the relevant bodies in Scotland to get the information out there. It is not realistic to be in a zone where everyone has to go into the database once a week and check all their products; there are so many recalls. It is about sifting through and getting information out proactively to consumers, whether that is through consumer bodies or directly to consumers.

Gordon MacDonald: My concern is about significant issues—that is what it says in the 2020 act. What are you doing to publicise problems that are significant, either because of the safety of the product or because there is a substantial impact on the public because of a particular item? There does not seem to be anything.

Sue Bomphray: That is where we are linked in, as I mentioned earlier, with the OPSS and all the bodies that it works with. We are trying to increase that number of bodies because those bodies will have interests with those consumer groups. I mentioned ROSPA. There will also be bodies that deal particularly with child or baby product safety. We are trying to work with those bodies to promulgate the information.

We do not have the capacity or funding to set up a separate database, and I do not think that that would be good value for public money. Neither—we talked about advice earlier—

Gordon MacDonald: You do not have to set up a separate database. What I am getting at is how you should publicise something significant. I am not talking about every single item. If you want to be linked to that website, that is fine, but how do you deal with the significant issues outwith that? You also have a responsibility to ensure that the website remains up to date. The information on the website relates to the recall of goods register, and there are opportunities to highlight and register wider pieces of Consumer Scotland work where relevant. That is the responsibility that you have, but that work does not seem to be happening.

Sue Bomphray: We can certainly take that away and look at it. We are working really hard with the OPSS and all the bodies that it works with to get information out there with product safety alerts. Those do not come directly from us, which is perhaps something that we can look at doing as well.

David Wilson: Adding to what Sue Bomphray is describing, I think that we agree that a lot of work is happening behind the scenes on that to assure ourselves about the Scottish element and technically fulfil the remit in the 2020 act.

On the front-facing, consumer-facing aspect and our communicating in a more visible and effective way, we are very comfortable with that and are actively wishing to move into it. You are right to say that this is, perhaps, an area that we are still building on, but, as Sue Bomphray has described, it is not about building a database; it is about communicating the information and getting it to consumers. On that, I think that we entirely agree.

Gordon MacDonald: Thanks very much.

The Convener: I call Lorna Slater.

Lorna Slater (Lothian) (Green): Thank you very much for coming in today. I am very grateful for your work, especially on behalf of vulnerable people.

I notice that you have made a series of recommendations to public and private bodies, both substantial and small. I am particularly

interested in your recommendation about reforming tariffs to Ofgem, which I would absolutely support. What is the pattern of take-up in that respect? Do you find that public bodies and Governments are more or less open than private bodies? How effectively are the recommendations taken up? Obviously, you are doing a lot of good work and are making excellent recommendations, but how far do they go?

David Wilson: I shall kick off, but we will probably all want to say something. It is such a good question.

There is, perhaps, a formal answer that I can give you with regard to what we do. We have instituted as part of our performance framework—I warned you that it was going to be formal—what we call a recommendations register. Where we make a specific proposition or recommendation, we formally track it; we might say to, for example, Ofcom that we want it to do X, and, if they do it, we try to track that and any impact in a formal way and in formal language. Obviously, that takes time. Much of the influence that we want to bring is to do with not just formal recommendations but informal engagement and so on.

As a very high-level answer to your question, I would say that the level of engagement and the willingness to listen to what we have to say and to work with us as a new statutory independent public body has been strong across the board. We are certainly getting a good hearing, whether it be from the Scottish Government or, indeed, the UK Government. As for the UK-wide regulators, I have repeatedly mentioned Ofcom and Ofgem; we have worked very closely with the CMA; and we are building links with the new National Energy System Operator. Again, good links have been established, and there is a firm foundation to build on.

Perhaps Sam Ghibaldan and Sue Bomphray can add to this, but there are a couple of examples that I could highlight where we have recommended X and the organisation in question has gone on to do it. That is important, but it is clearly just one part of our overall influence and engagement.

Sam Ghibaldan: I will try to give you a short answer, but it could be long. I will try to keep it brief, though.

The sort of influence that David Wilson has referred to covers a really wide range of partners, as you have suggested in your question, but our focus has been on building quite strong working relationships with the likes of the CMA, Ofgem, the Financial Conduct Authority and the Consumer Council for Northern Ireland, which, as a longer-existing statutory consumer body, has been really supportive and helpful to us in our development.

As for some examples of how that has worked, we signed last week an innovative memorandum of understanding with Scottish Water and the Water Industry Commission for Scotland that is designed to put consumer interests and perspectives right at the heart of the strategic review of Scottish Water's charges for the next charging period from 2027 to 2032. We had really positive engagement in thinking about how to build consumer research and consumer views into the process. We have had an impact in that respect, with a very positive reception to the need for that approach from the regulator and Scottish Water. Moreover, as David Wilson has mentioned, we are signing an MOU with the new National Energy System Operator later this month.

With regard to Ofgem, David Wilson has referred to our consumers in vulnerable circumstances expert committee, which comprises our staff as well as people from CAS and other bodies who have direct face-to-face experience. Last month, Ofgem came to that committee to discuss its emerging vulnerability strategy so that we could get some insight into and information on it. Those are really positive examples of the sort of thing that we are doing.

Two weeks ago, we published recommendations on water affordability for the Scottish Government to address issues in relation to the fact that around 10 per cent of people in Scotland are in water poverty. Those recommendations followed not only significant research and analysis by us but a lot of working with the Scottish Government, Scottish Water and the Water Industry Commission for Scotland to refine and develop them, to ensure that we were confident that the recommendations that we were presenting were workable and achievable. As I have said, those are now with Scottish ministers.

One of the key things that we have always consciously done is to take an evidence-led and analytical approach, and we are finding that our stakeholders, be they regulators, companies or governments, are responding well to that. When we started, we did not have much of a hinterland, but we are now getting to the point where we have a more substantial base of evidence, research and other things that allow us to engage ever more effectively.

Lorna Slater: I have one very quick question—

The Convener: I am conscious of time.

Lorna Slater: It is my final question, and I think that it will be a quick one.

I am thinking about energy consumers when I ask this, but it might be relevant to other consumers, too. With regard to customer service and experience of, say, tariffs and so on, I know that companies are moving to artificial intelligence

for a lot of that customer interaction. How does that strike you? Is it an opportunity or a worry?

David Wilson: That is a big question. In our reports a couple of months ago, we set out some of the challenges that consumers are facing in general, and I think that AI is clearly going to have quite a significant impact. Indeed, the utility sector is an area that it will impact on, and we will certainly want to monitor and, potentially, investigate it in future. I would say that, with regard to some of the technological solutions to energy supply—this takes us back to Mr Stewart's earlier questions—it is an area that, as part of our statutory energy role, we would want to monitor very significantly.

The Convener: That brings us to the end of our evidence session, and I thank the witnesses for their comprehensive responses to members' questions.

I suspend the meeting briefly to allow for a changeover of witnesses.

10:42

Meeting suspended.

10:48

On resuming—

Petroineos Grangemouth

The Convener: Our next item of business is a follow-up evidence session with Petroineos following the announcement that refinery operations will cease at Grangemouth from next year. In November last year, it was reported that the refinery would transition to a finished fuels import terminal and distribution hub. In September, it was confirmed that the transition would take place during the second quarter of 2025. As part of the committee's inquiry into a just transition for the Grangemouth area, we visited the Ineos site. However, at that time, we were not made aware of the intentions for the refinery.

Following the announcement, we took evidence from Petroineos, Ineos and both the United Kingdom and Scottish Governments. Today's meeting is an opportunity for the committee to discuss developments since then. I welcome Iain Hardie, head of legal and external affairs for Petroineos Manufacturing Scotland Ltd; and Colin Pritchard, sustainability and external relations director for Ineos Olefins & Polymers UK. I invite Iain Hardie to make a short opening statement.

Iain Hardie (Petroineos Manufacturing Scotland Ltd): Thank you, convener. I will be brief.

I thought that it would be useful to remind members of some important context for the evidence session. Grangemouth is the UK's oldest refinery, and we find ourselves increasingly unable to compete with bigger, more modern and more efficient sites in a highly competitive global market. Simultaneously, demand for the key fuels that we produce at Grangemouth has already started to decline. With a ban on new petrol and diesel cars to come into force in the next decade, we foresee that the market for the fuels that we produce will shrink further. Due to its age, size and configuration, Grangemouth also requires high levels of capital expenditure each year to maintain its licence to operate. The annual outlay on essential planned maintenance and repairs has been consistently higher than company earnings over the past decade.

By way of illustration, since the Petroineos joint venture was formed 13 years ago, our shareholders have invested nearly £1 billion in the refinery, only to absorb cash losses of more than £600 million. Last week, the refinery lost £385,000 on average each day, and we expect to lose more than £150 million during the course of the year.

That is the backdrop against which, last November, our shareholders outlined plans to close the refinery and create in its place a modern import and distribution terminal that is capable of receiving finished fuels for onward distribution to customers through our existing road terminal. That action, as well as the associated £30 million investment that we are making in additional storage capacity and associated infrastructure, will safeguard Scotland's supply of fuel when we switch to import and distribution mode during the second quarter of next year. Our proposals have been scrutinised and validated by external experts, and we have liaised closely with the Department for Energy Security and Net Zero on the detail of our plans to demonstrate how the measures that we are putting in place will ensure that there is continuity of supply for Scotland.

As you know, unfortunately, the import terminal will require significantly fewer people to operate than a refinery. In September, we launched a formal consultation process with the site's 475 employees and their representatives to discuss how we will achieve a net reduction of approximately 400 roles in the next two years. We are committed to running an open, honest and robust consultation process with our employee forum and union representatives. The dialogue has been highly constructive and remains ongoing. We are doing everything that we can to reduce the impact on our colleagues and to minimise compulsory redundancies as far as possible. We have also continued to communicate transparently and directly with Government ministers and officials at Holyrood and in Westminster, sharing the relevant financial and operational details to ensure that the context and rationale for our actions are well understood.

Finally, and I hope, more positively, we welcome the financial contribution from the Scottish and UK Governments towards project willow, which is a feasibility study that is assessing the potential for low-carbon manufacturing opportunities that may be pursued at Grangemouth in the future. The research is well advanced and, by spring next year, we hope to have identified commercially viable opportunities to develop low-carbon fuels that would underpin Government commitments to the net zero transition, maximise economic growth across Scotland, support local employment and contribute to long-term sustainable fuel security in Scotland and the UK. I look forward to discussing those matters further with the committee.

The Convener: You have highlighted the 400 direct jobs that will be lost as a result of the decision. I mentioned the committee's work on a just transition for Grangemouth, and the Government has published its draft plan for a just transition. From the company's point of view,

where is the just transition for the 400 workers who will lose their jobs in a short period of time?

Iain Hardie: For a number of years, we have clearly articulated the challenges that our business has been facing to the Governments in Holyrood and at Westminster. Those challenges have been driven, in part, by policies that have been set by the Government to ban new-build petrol and diesel cars post 2030. In that context, it is hardly surprising that, as a manufacturer of petrol and diesel fuel, we would have to transition away from that at a point. In parallel, we have launched project willow, which is a study that will look at low-carbon manufacturing options for the Grangemouth site.

Let us be clear, however, that the purpose of the study is not to enable a smooth transition, as I think that you are alluding to, from a fossil-based economy to a non-fossil-based economy—the study will not do that. If that was to have been put into effect, that piece of work would have had to have been done five years ago. To be very clear, we approached the Scottish and UK Governments five years ago with that proposition, but we did not move on. We are where we are today. We are committed to running an open, fair and robust consultation, in parallel with ensuring that there is continuity of supply. Those are our two drivers.

The Convener: You referred to the 400 direct jobs. What is your estimate of the supply chain jobs that will also be lost as a result of the decision?

Iain Hardie: That is set out in the PwC report that we fed into and that was prepared for the Scottish Government. We are working with the Scottish manufacturing advisory service—SMAS—to put support in place for the supply chain.

We must recognise that those in our supply chain are not passive bystanders in the energy transition. They can, should and, I hope, will play an active role in that transition, particularly as we progress through project willow. We see a really meaningful and viable new economy coming from low-carbon manufacturing at Grangemouth and our supply chain has a deep and meaningful part to play in that.

The Convener: Does the company believe that the figure of more than 2,000 that is given in that report is accurate?

Iain Hardie: We provided raw data to PwC, which was advising the Scottish Government. It put that data through modelling, applying a factor of a multiple of seven, and brought in other information to formulate that number. I do not have a direct view of how many indirect jobs are at risk, but that is the data that the Scottish Government's advisers have put out.

The Convener: Okay, thanks. I will bring in the deputy convener.

Michelle Thomson: I thank the witnesses for joining us this morning—I really appreciate it. I want to start with geopolitics. What assessment have you made of the impact of a Trump presidency, Trump's closeness to Vladimir Putin and the implications of that for your future plans in Scotland and the UK? Have you had any discussions with the Scottish or UK Governments?

Iain Hardie: Trading is at the heart of our business, so we have always been exposed to the geopolitics of world markets. As a refiner, we have had to procure 50 per cent of our crude product internationally. We will import finished fuels in future and it is likely that 100 per cent of those will be manufactured internationally.

We were cognisant of the potential for geopolitical events—including a Trump presidency—and have ameliorated that risk in the planning phase by establishing what we see as a virtual pipeline of fuel that will come directly into the heart of the Grangemouth hub. We have taken control of all aspects of the supply chain to ensure continuity of supply and to address the risks to which I think you are alluding.

We have long-term product offtake agreements in place and have long-term storage contracts in place in the Amsterdam-Rotterdam-Antwerp—ARA—European trading hub. We have long-term shipping contracts in place for the specific size of vessels that are required to get into the Grangemouth jetties and are investing £30 million in our tank farm to ensure that we have sufficient ullage to cover a number of unforeseen and unforeseeable events and that there is no impact on continuity of supply at the pump. To the extent that we can, we have tried to create a robust and Trump-proof supply chain.

Michelle Thomson: You said in your opening statement that you are making a loss, so I will pick up on some of the internal mechanisms in the plant. Why is the hydrocracker not fully operational and what would be the impact on your margins if it were?

Iain Hardie: We discussed that in November last year. It is, without a doubt, material that the hydrocracker is offline. It has been offline since April last year and that has exacerbated the financial losses incurred by our business.

We have addressed the issue a number of times. We were seeing a direction of travel about the company not putting every resource into restarting the hydrocracker. I said last November and say again now that we were absolutely committed to getting the unit back online. We drew in external resource from third-party consultants and expert resource from our sister refinery in

Lavéra and from our PetroChina network. We tried to restart the unit three times, but failed.

With that operational information in hand, the board took a rational decision that it would not be safe to try for a fourth time. That was the right decision to take, but it absolutely had an impact on margins. We must be very clear that having the hydrocracker online would never have taken us from that \$200 million loss into profit. Our forecasting showed that all that it would have done would have been to ameliorate \$100 million of losses, so that the business would have had to absorb \$100 million of loss instead of \$200 million.

Michelle Thomson: Have you conducted an internal assessment of the hydrocracker and the hydrogen unit that feeds it? Are you able to share that with the committee at all?

11:00

Iain Hardie: Reports were prepared internally, but I think that those are internal engineering documents. I will have a think about it offline. We could certainly take you through the findings of those reports—we would be more than happy to do that. On whether we could hand over detailed engineering documents, I would have to take that under advice, but we would be absolutely delighted to talk you through the root cause analysis that we conducted.

Michelle Thomson: Yes, I appreciate the commercial sensitivity; I am fully mindful of that. However, I think that having more public information as to the specific implications with regard to the hydrocracker, and why we are in the current position, would be helpful for the public record.

In addition, I have not seen a public impact assessment of an import terminal. I do not know whether you have undertaken such an assessment, but it would be useful to understand the top-line impacts on environmental security and, in particular, the societal impacts. I draw your attention to the recent commentary from John Bell of Gulfsands, which you will probably have seen. He believes that the impact is significant, and that has been backed up by the PwC report.

Have you undertaken an impact assessment? What can you put in the public domain regarding the implications of the import terminal?

Iain Hardie: Just to be clear, are we talking about an environmental baseline assessment or an assessment of continuity of supply?

Michelle Thomson: Yes, and yes, and also an assessment of the impact on society—those three elements.

Iain Hardie: I will take each of those in turn. On continuity of supply, we have shared details through our virtual pipeline approach with the Scottish Government and with the DESNZ team that is responsible for fuel security in the Westminster Government, and we have had an independent consultant validate those findings. That is there—we have taken each of the key stakeholders through that; they have had sight of our proposal and, I think, are comfortable with it.

As regards the environmental baseline assessment, the closure of the refinery will result in approximately 800,000 tonnes of CO₂ not being omitted from the site; that is the current CO₂ output from the refinery. However, this is not a story about CO₂, because, as we all know, CO₂ does not respect international borders. The fuel that we procure for Grangemouth will be produced elsewhere, and that CO₂ will be emitted there. In addition, there will be shipping miles to consider. Our analysis is that there will be a net balancing with regard to the global CO₂ impact.

Finally, as regards the societal piece, that feeds into our work in supporting PwC and the economic impact assessment. The product of that work has been an engagement with SMAS to put in place guard rails for our supply chain.

The next step, in which we will really advance the discussion, is project willow. One of the key lenses through which to assess any viable low-carbon option in a post-refinery environment is the community impact. That is a key lens through which we will assess the commercial attractiveness—which includes the societal attractiveness—of various low-carbon pathways. The committee will, we hope, see the outworking of that in quarter 1 of next year.

Michelle Thomson: I know that other members are going to come in with more detail on a lot of these questions. On Grangemouth in particular, the community has a multitude of issues. The committee's general sense, as we brought out in our earlier report, was that the community had gained no material benefit from the carbon revolution, and that it has concerns about a just transition.

I understand what you are saying about profit margins and the future direction of travel, but what would need to happen in order for both Ineos and Petroineos, and PetroChina, to pause the plans for the refinery to allow more substantive steps to be taken to enable a just transition?

I fully understand the direction of travel, but what would need to happen for there to be a pause? I think that that is what most people are looking for.

Iain Hardie: I completely understand the question, Ms Thomson. I need to be clear with the

committee that we have shared the necessary financial and operational data with Government in Westminster and at Holyrood for well over a year. We refreshed that data prior to making our decision to commence consultation.

Michelle Thomson: But you brought forward the date from what was originally planned, which is on the public record. It was a shock to find out that we are now in this position. The date was brought forward from what the data was telling you that it should be and what you were telling both the UK Government and the Scottish Government about that.

Iain Hardie: That is incorrect. We paused. We provided the UK Government with a six-week period to conduct an operational and financial due diligence process in relation to the Grangemouth refinery, with a view to making an intervention. That same information had previously been shared with the Scottish Government.

At no time in the past five years of the currency of the discussions around Grangemouth writ large or in the past 18 months, when we have really drilled down in discussions with ministers and officials, has a package of financial intervention support been offered to the shareholders with a view to continuing refinery operations. The Scottish Government and the UK Government have conducted their due diligence, and they have drawn the same conclusions that we have drawn—that it is not commercially viable to continue operations.

The question that you are asking is, I think, a political one about a transitional measure. There has been chatter about nationalisation. That is a matter for the committee to consider and to come to shareholders on. I presume that, for the committee to do that, it would have to be comfortable with absorbing \$200 million of losses per year and investing more than \$100 million in fixed costs as well.

There is also the timing point. As a business, we cannot wait for Government to address the what-ifs. A number of times, we have heard politicians talk about leaving no stone unturned so that refinery operations can continue, but that has come to naught. If we had waited for that, we would have grown roots. We have to make informed decisions with the information that we have in front of us. We owe it to our shareholders, our employees and our customers to have a robust plan of action to ensure that we can smoothly transition from a refinery to a terminal. That is what we are doing. Our focus at the moment is on making sure that we are doing our best by our employees as we go through the consultation, and making sure that we are doing the best by our customers as we go through the transition from refinery to import terminal.

Michelle Thomson: With all due respect, I was not asking a political question; I was simply asking what would need to happen for you to pause the process. I think that you are alluding to only one element—incidentally, I do not have the cheque book of either the UK Government or the Scottish Government; I am simply floating this.

In your answer, you alluded to some kind of financial benefit, which you highlighted would need to be considerable. Am I correct in saying that you were suggesting that that could be a consideration?

Iain Hardie: I think that we have moved past that stage. From an operational perspective, the refinery units—all of them—will be out of endorsement come June next year. That goes to the point that we had to make decisions based on the facts in front of us. The facts in front of us were that there was no offer of or discussion around Government investment to continue refinery operations. As a result, we have had to focus our activities on the transition. Therefore, elements such as the licence to operate and the turnarounds, which we have discussed separately before, have been put on pause as we focus our engineering resource on terminal transition.

If the Government wished to make an intervention, in one sense that intervention should have been made many months ago. There is a financial hurdle, but now we are also in the realms of having an operational hurdle. The third hurdle is with our workforce. We need to present a clear message to members of our workforce on what will go forward. The vacillations around whether there will be an investor or a purchaser have caused significant disruption to our staff. We are really keen to manage that.

We still have a top-tier control of major accident hazards—COMAH—site to run, and that will be the case right up until we stop refining. The focus of staff needs to be kept on managing the refinery, not on the perpetual discussion about the what-ifs.

Michelle Thomson: The convener mentioned the economic impact—I think that the figure is 2,822 jobs. Given that many services are shared, there are also concerns about job losses at the chemical plant as a result of the move to an import facility. Do you anticipate any job losses at the chemical plant? If so, how many?

Colin Pritchard (Ineos Olefins & Polymers UK): I should probably address that question, deputy convener. No, there will be no job losses at the chemical plant, but you are right to point out that the chemicals business supplies shared services to the refinery. They include things such as security, emergency response and lab functions—we are still in the process of assessing exactly what they are. Iain Hardie has described

the refinery as going through a process of transition and scoping up its requirements for the future; once those are clear, we will be in a position to work out exactly what the implications are for those shared services.

Michelle Thomson: Okay. We look forward to hearing more about that.

My last question is on project willow, which you have referenced. An issue for people on the outside looking in—and one that we raised in this committee when we looked at the just transition—is that the governance of the Grangemouth future industry board was at that point a little uncertain. I know that things have now changed and that there is dual convenership between the UK Government and the Scottish Government, but the board's operation with regard to its accountabilities and responsibilities is still not clear to me.

It seems to me that, given Ineos's role at the heart of absolutely everything and in driving project willow, you have been able to adopt a highly successful hedge position. You will win if you win, and you will also win if you do not win, because you are absolutely at the heart of all measures that are driving Falkirk district forward, whether it be the Forth green freeports, what has happened with project willow and so on. How have you personally, or as a company, assessed the risk of a conflict of interests between yourselves being at the heart of all those things and what is best for the wider area, including the community of Grangemouth?

Colin Pritchard: I am not sure how best to approach that question. I can share with you my own personal interaction, now that I am in the 34th year of an eight-month placement up in Grangemouth. I am personally invested in Grangemouth and its success, and, for that very reason, I talk about Grangemouth rather than name any specific business. I have been through different companies and in the process have different badges on my overalls.

When I talked about project willow very recently at a conference, I got asked a very interesting question: what was I trying to achieve by promoting project willow? What would be the outcome? My answer was—and I apologise if this sounds a little bit idealistic—to get as many low-carbon, well-paid, high-quality jobs into Grangemouth as I possibly could, doing whatever they would be doing, working for whatever company they would be working for. It would not matter.

Since we started this process, the phrase that Iain Hardie and I have been using all the way through with project willow is that we are merely the custodians of the question. We are asking, "What does the future look like?" We are not

saying that our companies and shareholders will or will not invest, or that other companies will or will not invest. That ownership does not matter.

Surely, the bit that we should all be focusing on, and which we welcome, is this joint approach, with our bringing technical experience and knowledge of the site, PetroChina bringing its trading experience and the UK and Scottish Governments getting involved, given that this goes over reserved and devolved policy areas. We are working with our partners and consultants who are working on the process, and we are reaching out to more than 160 different stakeholders including technology providers, companies that are already operating in the area and other interested parties in innovation and technology. Yes, we are at the heart of it, but only as custodians of the question, not as owners of the solution.

Michelle Thomson: Okay, we will see about that. Thank you very much. I might come in again later, convener, if that is okay.

The Convener: Absolutely, deputy convener. I will bring Lorna Slater in now.

11:15

Lorna Slater: I, too, will start with project willow. I think that it is somewhat disingenuous to blame policies that were designed to reduce climate emissions for the current troubles. We are in a climate crisis. Global refinery capacity is going to decline, and older and less efficient refineries are of course going to be at risk. I note that you said in your opening remarks that you knew five years ago that this would need to be looked at.

Petroineos has put £1 billion into the refinery over the past 10 years and has not been able to make it a viable proposition, nor has it been able to start the transition to making it a low-carbon site, even though it identified that idea five years ago. What chance does project willow have of success? The Governments simply do not have the deep pockets that are required, so I have trouble believing that they are the factor that is suddenly going to make this work.

Colin Pritchard: I would take a different view and say that they are, but not on their own, and that industry is, too, but not on its own.

One of the key parts of project willow is the collaboration between industry and Government. We are addressing a challenge in a completely different way from what has been done before. Earlier in my working career, if we could not make something economic because of a regulatory or policy hurdle, we would just give up. We would look at it in our little box, do our technical and economic assessments, decide that it was not viable and walk away from it. We could have been

doing that in this world, but what we have said is, “We need to understand why there is not a market and why there is no demand, and the reason could be the regulatory hurdles.” I am afraid that it is the regulatory hurdles that come into play here.

In the energy transition, we are, from a technical perspective, fighting against thermodynamics, and that means that we end up having to put more energy in to get the same energy out. By definition, that means that it will cost more, which, in turn, means that we are fighting against the economic hurdles. That takes us into broader policy, because, in effect, it means that, if we want to decarbonise and remove fossil fuels, doing so will cost more at the moment. It just will, in that process, and that has an impact on all consumers.

An area where we have been successful is electricity, but in that case, we have the advantage that there is no global market for electricity. There are not batteries floating around in the sea. People on this island will pay the cost of the electricity here, and that is part of the reason why our electricity bills are where they are. I accept that a lot of people put it down to global gas markets, but the fact is that a lot of the costs of decarbonising are included in those electricity bills, and people pay them because that is the cost of being in the UK and having those aspirations.

A lot of the materials that we produce, both as a refinery and as a petrochemicals site, are globally traded commodities. If we do not make them, they will come in from somewhere else. After all, there will still be demand for all those chemicals, whether they be used in medical settings or, indeed, for decarbonising, given the role that a lot of polymers have played in lightweighting vehicles. We will still need those chemicals, as was evident during the pandemic.

Given that we have those demands, how do we address the costs? I cannot put them into my products as commodities, because they will just come in from elsewhere around the globe. I will not have saved carbon—I will just lose jobs and economic activity in the UK, including in Scotland. I am afraid that we have seen that happen across a range of industries.

Therefore, we have said that we cannot do that, but the fact is that we cannot just sit there, either. We need to come up with a reason why the regulatory and policy change is needed, and with project willow, we have said that we need to be clear about the environmental benefits of the changes that we are talking about; clear about the community impacts and what they will mean for jobs—that is about the just transition that we all seek; and clear about the skills impact in terms of need, demand and what is available.

I make no bones about it—even in the basic world in which we are operating today, we have a shortage of skills to complete the work that needs to be done. The premise that we have come up with is that, if we look at the matter through project willow and can articulate the environmental, community and skills benefits in a Government policy sense, we will be able to provide the justification for the required regulatory and policy change.

That is the stage that we are at with project willow: we are trying to articulate what the asks are. To be clear, some of those asks are about changing the regulatory and policy framework that has been put in place to enable things to happen. Some of the regulations seek perfection where we need progress—so let us make some progress.

Some of the asks will be about the role of Government as a market maker. I admit that such matters are reserved, so this is probably an issue for Westminster, but you can see it already in, for example, the agreement on generating low-carbon hydrogen. That will not happen because the cost of producing low-carbon hydrogen for energy use is, depending on the technology that you use, anywhere between 2.5 and 10 times the cost of natural gas.

The key role that Government can play and where it can come in and help us is in de-risking activity. There are nascent industries such as hydrogen and biofuels that will require crops to be grown in the country. However, that will involve creating a new supply chain, and that is probably too great a risk for anybody in the current supply chain to take on. I put it to you that it is the Government’s role to de-risk those supply chains and, in other areas, to de-risk the capital that is deployed, potentially by coming in as an equity holder.

In short, there are three areas that will come out of project willow in which we need Government assistance to be able to deploy our capital and resources: the enabling of change through regulatory and policy change, which should not cost anything; the role of the market maker; and the role of the de-risker.

I am sorry for that long answer.

Lorna Slater: No, I appreciated it, and your nice summing up at the end.

On the workforce, Petroineos says right on the front of its website that it makes a profit of \$30 billion annually and has \$6 billion in assets. There is an expectation that, with pockets that deep, the company has the capacity to support workers and the community. How are you meeting those obligations without expecting the public purse to pick up the pieces as the situation falls apart?

Iain Hardie: We can reflect on the refinery losses, as we have done. We have made more than \$1 billion of investment in the past 13 years and simple cash losses of \$800 million. That is on the refinery side of the JV; you are talking about the trading business and other arms that are not really part of the discussion now.

The asks of Government through project willow will be financial in one sense, but we will get to make them only if the Government takes the necessary regulatory steps to create an investable platform. The Government has said to us that it would like to create a commercially viable platform for investment at Grangemouth—so would we. It is a no-cost option for Government if it can put in place the correct regulatory and policy framework to support it.

If we do that, we can move on to discuss who will pay for what, when and why. There will be a value for money assessment at that time. We need to have that discussion, in recognition of the fact that, as Colin Pritchard has said, the market for the technology that we are talking about—and for biofuels in particular—might be nascent and sub-economic today, but we want to get to that investable platform. That is the direction of travel.

In your opening question, Ms Slater, you talked about not pointing the finger of blame at the Government for regulations such as the ban on the internal combustion engine post 2030. I absolutely hear you; no finger of blame is being pointed there, other than to point out that such a move has consequences. One consequence of the ban on the internal combustion engine in the next decade is that a manufacturer of that product is going to struggle; the car industry sees that, too. We are just another example of an unintended consequence—or an intended one, as the case may be. As custodians of the question, the important thing is to articulate the new-generational, low-carbon growth that there could be at Grangemouth.

That is where there is strong alignment between the shareholders' and the Governments' missions. Indeed, that is the beauty of project willow. For the first time, regulation is not coming as a tell—it is coming from our being in the room together and discussing how we deliver something fit for purpose. The excitement, certainly within the UK Government circles, is that it will act as a benchmark for how regulation can be deployed in new technology sectors such as biofuels.

Lorna Slater: Thank you.

The Convener: I call Kevin Stewart for a brief supplementary before I bring in Daniel Johnson.

Kevin Stewart: I will be very brief, convener. I want to give as much of my time as possible to

Michelle Thomson, because of her constituency interest.

In your answers to Lorna Slater, you talked a lot about the regulatory regime, and you mentioned various policy changes that have taken place. However, I want to concentrate on the regulatory regime. As a committee, we have previously asked questions on some of these issues; indeed, we asked the former UK Minister Graham Stewart about the time that it was taking to put in regulation around the storage and transportation of hydrogen. Mr Pritchard, you are probably in the best position to give us a flavour of the regulatory change that is required for you to move forward and make progress with the likes of project willow.

Colin Pritchard: There are many areas, and we will probably run out of time before I get through the full list in detail—and I am sure that I will get kicked under the table, too.

The Convener: You can write to the committee if you want to give us a comprehensive list.

Kevin Stewart: If you could give us some of the top regulatory impediments at this moment, and then write to us with the lower-level stuff—which I imagine is probably equally important—that would be very useful for us all.

Iain Hardie: Again, you will see all that through project willow—that is exactly what project willow will deliver to you. There will be a decision-based road map that will articulate what the enabling actions are in respect of different low-carbon pathways. It might involve private sector investment, it might be an improvement to the technology readiness level and/or it might be a change to regulation. That will be very clearly articulated, so you will have it objectively laid out for you. However, we can give you a few headlines now.

Colin Pritchard: I am not saying that these are necessarily the only or the biggest ones, but I will give you a flavour of some of the issues that we have. If we look at low-carbon hydrogen, for example, the progress that has happened within DESNZ and the work with industry to develop the low-carbon hydrogen agreement is welcome, but we have written to DESNZ to explain some of the issues and barriers that we see, including things such as the capital investment risk. No matter which technology we pick, the projects are expensive, and the capital risk is put firmly into the supplier-consumer relationship.

Through the contract for difference, you will, in effect, get your capital repaid only when you are producing hydrogen. From the perspective of value for money, I can understand that the Government would want to pay only when decarbonisation is taking place—when hydrogen is substituting for fuel—but the impact of that is to

put an intolerable risk into that relationship, because of the quantity of capital that we are talking about. The consumer is making a 15-year take-or-pay agreement whereby it will commit to taking a certain quantity of fuel. That is one of the three areas that I discussed where the Government needs to take a bigger role, de-risking that investment and making it work in a way that means that the investment can go ahead and the opportunity is there.

We can also see it within a low-carbon hydrogen agreement, to pick something that is less high level but go right down into the detail, when you are talking about taking hydrogen and potentially using it in eSAF, which is synthetic sustainable aviation fuel made with low-carbon, green hydrogen. We are in a world where that can go through, but you have to have temporal correlation. By that, I mean that the wind has to be blowing at the time—in the half-hour period in which you produce the hydrogen that goes to make the fuel. If you cannot show that, it does not qualify. I could be wrong, but we do not seem to be awash with low-carbon hydrogen. Enforcing that level of perfection is preventing any progress. We could be achieving substantial decarbonisation, particularly in Scotland, where we have a wealth of wind resource that we can use to generate electricity and produce green hydrogen.

11:30

It is another high-level issue, but I would suggest that our approach to developing a hydrogen economy has been driven by the promotion of production without consideration of how that production will work its way through the full value chain, including in transporting the hydrogen to places where we can use it. I have certainly highlighted that in conversations at the Scottish Government's hydrogen industry forum. We need to focus on creating a value chain for the demand. Creating the demand is exactly what project willow is about.

Kevin Stewart: I look forward to receiving the correspondence, as will the committee, but that gives us a good flavour of the challenges. I have many more questions, but I will defer to Ms Thomson.

The Convener: I am sure that you have more questions. I will bring in Daniel Johnson next.

Daniel Johnson: We have all been looking at Grangemouth in a renewed level of detail. It occurs to me that some quite broad-brush assumptions are made, not all of which are correct. We think, "The oil comes out of the North Sea, it all goes to Grangemouth and we get our petrol—job done." I read that, although the Forties

pipeline terminates at Grangemouth, only 40 per cent of your feedstock comes from the North Sea. Our briefing notes also indicate that you are the main supplier of aviation fuel to Scottish airports and that you supply some 70 per cent of Scotland's petrol stations.

Will you provide a bit of detail as to what proportion of your feedstock is coming from the North Sea? Critically, as refining stops, will that introduce additional costs to customers who are downstream? In other words, will aviation fuel cost more or less than previously? Will there be any consequences for consumers at the fuel pumps in Scotland as refining at Grangemouth ceases?

Iain Hardie: Thank you for your questions, Mr Johnson. [*Laughter.*] Let me unpack each of them.

I will start with North Sea crude. Currently, 50 per cent of the refinery's crude diet comes from the North Sea. You are absolutely right to point out that very little of that comes through the Forties pipeline system, as it is the wrong specification for the configuration of our refinery. We import crude on the west coast at Finnart on Loch Long, where there is a deep ocean port and very large crude carriers are able to discharge crude, which is pumped through a cross-country pipeline to Grangemouth for processing. That touches on Ms Thomson's point about managing international supply chains and the risk of what will happen next. We are well able and suited to manage those in refinery or terminal mode—that is our business and it is what we do day in, day out, be it for crude or product.

Product wise, we are the only landing point for jet fuel in Scotland, and we supply airports from Inverness to Newcastle. As you will appreciate, there is a special custody chain for managing jet fuel, which gives Grangemouth one of its unique selling points. We have spoken about project willow, and in that project we are stressing how we identify Grangemouth's advantages. Colin Pritchard spoke about the excess of green electrons and how those could be moved into viable products, subject to UK Government support. As I mentioned, we have a strong position in the SAF market and we would like to see Grangemouth playing in that market going forward. When we were in front of the committee last November, we spoke about the possible regulatory hurdles to SAF deployment. You can expect to hear more about SAF as project willow proceeds.

On fuel security, we have spoken about the virtual pipeline from Europe into Grangemouth, and our expectation is that that should not have a material impact on the forecourt price of fuel, nor should it have any impact on fuel security. Things should continue as normal. That is our operating inbound hypothesis.

Have I missed anything on your list?

Daniel Johnson: No. I like to make sure that my questions are energy dense.

Iain Hardie: They are.

Daniel Johnson: This is possibly a similarly energy-dense question. One thing that I am always struck by when we talk about refining and oil is that the products are not all energy. I understand that, globally, around 30 per cent of every barrel of oil is used for non-energy products such as pharmaceuticals, dyes, plastics and so on. I understand that, for North Sea oil, that percentage is higher, although I stand to be corrected. Given that position, we will have an ongoing need for hydrocarbons, which is presumably where biorefining comes in. That is what project willow seeks to address.

We are at the nascent, early stages, but what is the potential size of the requirement for that global biorefining capacity? What share of that market could and should Scotland and the wider UK be seeking to target?

Iain Hardie: That is another energy-dense question. You are absolutely right that biofuels development is nascent and at an early stage, which is why, post-refinery cessation, we are not migrating straight into a biorefinery. We looked at that and drew the same conclusion as many other operators in the UK have: it makes no economic sense to invest in biofuels today, hence the necessity for project willow to articulate what needs to change in order to get to that investment decision.

I know that we are repeating this, but it is important that people understand why project willow is so important. There is a desire for Grangemouth to be a low-carbon manufacturing hub, but there are big externalities that have to be addressed in order for that to happen. For the past 100 years, Grangemouth has been a refining hub. It would have inherent advantages as a biorefining hub. We are in no way ready to move to pure electrification. There will be a significant period when we need to migrate from fossil-based fuels to low-carbon fuels before we get to the purely electric solution. That comes back to Grangemouth's USP. What can we do to unlock the investment at Grangemouth that is necessary to fill that shortage?

Daniel Johnson: Let me ask what is, I hope, a simpler question, albeit that it is still about a complicated issue. I recognise your point in relation to the nascent opportunities. It is the state's role to de-risk and to look at the macro-level risks, particularly around energy security, but there are also much lower-level policy decisions that enable those things. Refining is not just about the pure investment or the product input and

output. There is also the supporting infrastructure of roads, electricity networks and so on. We are talking about developing complex supply chains in and out of a biorefinery.

What policy areas need to be looked at to, at the very least, make that possible? In particular, what should we be looking at and thinking about in the Scottish Parliament, in devolved areas, so that we at least make biorefining opportunities possible, if not seek to drive towards them?

Iain Hardie: That is a great question. It is really clear and it is where this discussion should be going. To play the question back to you, I think that it is, "What can the Scottish Parliament do within our purview to advance the case for investment?" Have I articulated the question correctly?

Daniel Johnson: Yes—and what policy decisions could we make now, either proactively or unwittingly, that might make biorefining easier or harder, whether they are about refuse collection, road infrastructure or other supporting policies?

Iain Hardie: There is definitely a potential Scottish Government play around agriculture and forestry. There are two potentially viable pathways to create new economic growth—new gross domestic product, new gross value added and new jobs—in agriculture and forestry in providing a cornerstone of biofeedstocks for a biorefinery. We are carrying out assessments and doing agricultural economic studies through project willow to identify the correct biofeedstock pathways from Scottish agriculture—I am thinking of the use of, say, sugar beet and cover crops—that can be fed into the refinery.

We have a very strong forestry industry in Scotland, but there are large inefficiencies in how we deploy our forestry resource. We think that we could provide a viable long-term pathway that incentivises foresters to access hard-to-reach areas, extract the whole tree, chip it and bring it to Grangemouth. That is a new biofeedstock pathway that simply does not exist today, and those are the sorts of things that we are looking to explore through project willow.

Colin Pritchard: I am having to keep myself in check, because I could start drawing pictures and flowcharts that go all over the place.

Agriculture and forestry are great. The area that excites me in our work on project willow is the ability to have an additional benefit in the supply chain. We are facing the challenge of creating new supply chains, but if we are talking about the biocomponent or the forestry element, we could be looking at growth in that sector, too.

I add that it is about more than a biorefinery. I go back to my first answer to the deputy convener about what I want to see—that is, high-quality, high-paying, low-carbon jobs—and I highlight the manufacturing side of things and how we can change the chemicals that we have. There is potential to have, in effect, negative carbon production of polymers but, going back to the point about policy, I make it clear that, if we were to capture a tonne of carbon in a tree, ferment it and produce a polymer from it—in other words, turn it into a physical thing instead of something that is released into the environment—it would still get no credit under the emissions trading scheme. The ironic thing is that, if I grow the tree, burn it, create electricity, capture the carbon and bury it underground—that is the reverse of our waste hierarchy—I will get an ETS credit for it. That is just another example of the things that could be changed in these policy areas.

I have to be careful, though. There is a lot that I want to get excited about, but then someone kicks me and tells me that we need to wait until project willow is ready to report its next stage.

Daniel Johnson: Finally, I have what is almost a comment—it is certainly a very closed question. The prospect of growing sugar beet or trees to provide feedstock for biorefining has been raised, but we would need to take a very close look at that if it was how we were proposing to use the land. If we were to use it for that purpose, we would not be using it for other purposes—say, for food. Indeed, if we were using it to grow trees as feedstock, it would mean that we would not be using it for wood product, and I would argue that, with wood products, the carbon would be locked away without any refining being needed.

I guess that the implication of that is that the Government needs to make a very clear and hard-nosed assessment about land use and whether that sort of thing constitutes appropriate use of the land. Would that summary be correct?

Colin Pritchard: You are absolutely right, and those are the things that we are wrestling with in project willow. We cannot take land out of food-growing use. We understand that. Indeed, it is part of the legislation on hydrotreated esters and fatty acids, and on SAF. However, going back to what Iain Hardie said, I note that there are a lot of potential efficiency gains to be made in the forestry sector at the moment. When we forest timber, we leave behind the roots, the brash and the branches, and those are bioresources that could be used.

We need to understand the impacts and opportunities. That is why I have talked about the multiplier effect; you can return land to tree growing quicker than you can at the moment, because you are not waiting for material to

decompose. There are ins and outs in that respect that need to be gone through, too.

I have been talking about the cover crop side of things exactly for that reason: we have to ensure that we are not in any way having a detrimental impact on the food-growing potential of the land that we have. It is another precious resource that needs to be looked after.

Daniel Johnson: Thank you very much.

The Convener: You touched on SAF, Mr Pritchard. I think that Murdo Fraser has a question on that.

Murdo Fraser: Good morning, gentlemen. I want to follow up on the question of sustainable aviation fuel, or SAF. You have mentioned project willow, which this also references, but opportunities to develop SAF at Grangemouth have been discussed for quite a long time now. From your perspective, how realistic are the prospects of our being able to develop SAF at Grangemouth?

11:45

Iain Hardie: One of the USPs for Grangemouth is, as we have discussed, the fact that it is the only landing point for jet fuel in Scotland. A cornerstone of our willow configuration is, I think, the concept of sustainable aviation fuel with, ultimately, a move to eSAF. It is a migratory platform, and that is what we want to see. I genuinely believe that SAF could be a cornerstone for Grangemouth.

Murdo Fraser: What barriers need to be overcome to make that happen?

Iain Hardie: That takes us back to the questions that Daniel Johnson asked and Colin Pritchard answered. There are a number of regulatory, fiscal and investment hurdles, and those will be the outworkings of project willow. It also comes back to Mr Stewart's question and having early sight of the regulatory changes that will be coming.

Murdo Fraser: All right. Thank you.

The Convener: I will bring the deputy convener back in at this point.

Michelle Thomson: I have a final question that brings me back to some of the themes that I followed up earlier. When I asked you what needs to happen for there to be a pause, my recollection—you can correct me if I am wrong—is that, during our exchange, you said that financial incentives might have been a consideration, but you suggested that we were nearly at the point of no return. I think that that is what you said.

Iain Hardie: It was a theoretical discussion about what-ifs. We have gone down that path with a number of First Ministers, Prime Ministers,

cabinet secretaries and secretaries of state, and nothing has been forthcoming. Off the back of that, we have had to make informed decisions that, in turn, drive our business decisions, and I have said that at the centre of that are our employees and our customers and ensuring continuity of supply.

Would we foreclose the door to anyone coming and having a discussion? Absolutely not, but our expectations in that regard are very clear. There is no intervention to be made by the Scottish and UK Governments, and we have set out our plans off the back of that.

Michelle Thomson: Thank you for being very clear about that. My final question is whether you have specifically asked the UK Government for financial support or, indeed, whether the need for it has been discussed at any point up to today. In other words, could there be any doubt in its mind that that could still have been an incentive to bring about a pause, as I have discussed?

Iain Hardie: There can be no doubt in the minds of the Scottish or UK Governments that we were open to any discussion about the continuity of the Grangemouth refinery. Indeed, we paused our supervisory board meeting for a period of six weeks to allow the UK Government to conduct financial and operational due diligence.

Michelle Thomson: Thank you.

The Convener: I have a final question. You talked earlier about clarity for the workforce. There has been some speculation about the possibility of a buyer for the refinery. Can you tell us for the record whether there have been any notes of interest or discussions about a possible sale of the refinery?

Iain Hardie: There have been discussions, but we have received no credible bids from any third parties.

The Convener: Finally, what input have your companies had into the development of the Government's just transition for Grangemouth plan?

Iain Hardie: We saw the draft just before it was published for consultation, and we welcomed the Scottish Government's decision to delay its formal publication until after the output of project willow could be considered. It is absolutely essential that the just transition plan and project willow work hand in glove to deliver on project willow's recommendations in an actionable way, recognising that the Scottish and UK Governments are in the room for project willow and that the just transition plan is how we let the rubber hit the road and drive the outcomes.

The Convener: But you had no direct input to the production of the draft.

Iain Hardie: No, convener.

The Convener: Okay. Thank you very much.

That brings us to the end of the evidence-taking session. I thank Iain Hardie and Colin Pritchard for joining us today.

We now move into private session.

11:49

Meeting continued in private until 12:21.

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

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: sp.info@parliament.scot



The Scottish Parliament
Pàrlamaid na h-Alba