



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 7 January 2025

Session 6



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Pàrlamaid na h-Alba

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NET ZERO, ENERGY AND TRANSPORT COMMITTEE

1st Meeting 2025, Session 6

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Michael Matheson (Falkirk West) (SNP)

COMMITTEE MEMBERS

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

*Monica Lennon (Central Scotland) (Lab)

*Douglas Lumsden (North East Scotland) (Con)

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

*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jim Anderson (Caledonian Maritime Assets Ltd)

Kevin Hobbs (Caledonian Maritime Assets Ltd)

Gillian Martin (Acting Cabinet Secretary for Net Zero and Energy)

Sue Webber (Lothian) (Con)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 7 January 2025

[The Convener opened the meeting at 09:17]

Decision on Taking Business in Private

The Convener (Edward Mountain): Good morning and welcome to the first meeting in 2025 of the Net Zero, Energy and Transport Committee. The first item on the agenda is a decision on taking items 4 and 5 in private. Item 4 is consideration of the evidence on ferry services in Scotland. Item 5 is consideration of the evidence on the legislative consent memorandum on the Great British Energy Bill. Do we agree to take those items in private?

Members indicated agreement.

Ferry Services

09:17

The Convener: Our second item of business is an evidence session on ferry services in Scotland. Today's session is part of the committee's rolling scrutiny of ferry services, which will be continued over the rest of this parliamentary session.

I welcome representatives from Caledonian Maritime Assets Ltd: Kevin Hobbs, chief executive officer, and Jim Anderson, director of vessels. We go straight into questions, and I will ask the first of those. Can you confirm that the Glen Sannox met all the contract specifications that were agreed when it was originally ordered?

Jim Anderson (Caledonian Maritime Assets Ltd): Sorry, I have a bit of a throat.

The two main contract requirements are speed and dead weight. The speed was achieved during the owner's sea trials, and the dead weight was reduced from the original contract dead weight.

The Convener: As I understand it, the speed was 16.5 knots minimum at 87 per cent of maximum revolutions per minute.

Jim Anderson: That is correct.

The Convener: Was that achieved?

Jim Anderson: That was achieved.

The Convener: Was that achieved by reducing the dead weight?

Jim Anderson: No, no. The ship itself performed at that speed. The ship was heavier than was originally estimated, which reduces the available dead weight.

The Convener: So the ship was heavier than it was supposed to be?

Jim Anderson: Yes.

The Convener: How much heavier?

Jim Anderson: We lost about 90 tonnes. I will come back with the right figure.

The Convener: In the contract, a fine is leviable on the constructor if the ship does not meet the weight requirements—is that right?

Jim Anderson: Yes.

The Convener: What would the fine have been for a 90-tonne—

Jim Anderson: I will have to refer back to the contract, but I can do that; I can probably look at the contract while I am here. We have to remember that, obviously, the contract was with the Scottish Government and the yard at that

stage, but I can check what the liquidated damages were.

The Convener: Had it reached the stage at which the ferry could have been rejected?

Jim Anderson: I would have to check that, convener, if it is okay just to check the figures, because it was probably right on that point. If you will allow me, I can go back and check that for you.

The Convener: Okay. I am slightly concerned that the ship seems to be heavier. Fines would have been imposed on any other shipyard. Surely, as well, if it is heavier, it will use more fuel, will it not?

Jim Anderson: Slightly—sorry about my throat—slightly more fuel.

The Convener: It will use more fuel. When you say “slightly more fuel”, Jim, do you want to be—I mean, I know if I load my car up with—

Jim Anderson: I do not want to throw out figures here without referring to the data from the sea trials, which I would have to look at to see what that difference in dead weight is compared with fuel and power. I am happy to come back to you on that.

The Convener: It would be helpful to understand, if the ferry was plying to Arran, how much extra fuel it would need on each trip as a result of that, because that would give us an idea of the cost per trip, and you could probably work out the cost per year in extra fuel as a result of the ship being heavier—and the extra emissions.

Jim Anderson: It is important to note that the dead weight requirement that was set was set for the toughest conditions for carrying maximum freight. The actual dead weight that was achieved was around 791 tonnes. I am sure that that was achieved, but I will check that figure. That is for a fully laden vessel, full of heavy goods vehicles, for the toughest conditions, carrying maximum vehicles, whereas that ship on that route will carry mainly commercial vehicles and a mix of cars. The actual required dead weight for the service is much less than 791 tonnes, if that makes sense.

The Convener: It sort of makes sense, but it does not make sense, because you reduced the passenger numbers, did you not, as a requirement of—

Jim Anderson: —the Maritime and Coastguard Agency—

The Convener: Well, as a contract variation, then as a requirement of the MCA, did you not decrease passenger numbers?

Jim Anderson: Yes, we did; there were additional staircases.

The Convener: It was for 1,000 passengers originally, and that went down to—

Jim Anderson: Eight hundred and fifty-two.

The Convener: So we lost nearly 150 passengers—148 passengers. What about the vehicles? That number was 127 including HGVs, was it not?

Jim Anderson: The vehicle deck dimensions remained the same from when the contract was signed so, basically, the space that was available for the vehicles remained the same.

The Convener: So there was no change in that.

Jim Anderson: No change.

The Convener: Okay. Just looking at it from the outside, I am a little confused that we have ended up with a ferry that was not as originally specified but has just been accepted in. Whose agreement was it just to accept what was delivered? Was that yours, or was it the Scottish Government's?

Jim Anderson: That is a joint agreement based on the operational conditions for the ship. The dead weight was set at what we call the design draught of 3.45m, but the ship can operate at 3.7m draught, so the actual available dead weight is actually much greater than 791 tonnes. If operating at a deeper draught in the water, we can carry even more than 791 tonnes, so we do not have any concerns about the operation of the ship and its ability to carry the full payloads of HGVs.

The Convener: Hold on, now you are adding another dimension. Just tell me this: the ship sits deeper in the water—is that right?

Jim Anderson: No, it does not sit deeper in the water. The ship is designed so that it can sit deeper in the water.

The Convener: The contract said it was to be 3.45m. What is it?

Jim Anderson: It is 3.45m, which gives the 791 tonnes, which was reduced from the contract figure of eight hundred and something—whatever it was.

The original requirement for the ship was a 3.45m draught, which is normal operation, but the ship is capable of operating at a 3.7m draught. That is quite normal for most contracts—it is the same even for the Islay vessels. You have a service requirement and then you have an even deeper draught that allows you to carry more dead weight. However, as you rightly say, if you carry more dead weight, there is a slight penalty when it comes to fuel.

The Convener: Does 3.7m allow you to enter all the harbours that the ferry could be used at?

Jim Anderson: Not all of the harbours. The maximum draught was mainly for operating as a freight one on the Stornoway to Ullapool route, so that was why the requirements were set for a greater draught.

Kevin Hobbs (Caledonian Maritime Assets Ltd): Basically, the 3.45m was born of Ardrossan. When CMAL and some of the other stakeholder councils are redeveloping ports at the moment, we are going for deeper ports to try to get them to modern standards, as I am sure you are aware, including for Uig to Tarbert, Harris. As it stands, the 3.45m was the limit to be able to operate the Glen Sannox into Ardrossan at every state of tide, whether neap tide or spring tide. However, as Jim Anderson says, if you are operating to a port that is deeper, the vessel can carry well over 1,000 tonnes of payload.

The Convener: I will go back to the original question. From what you said, Jim, the ferry did not meet the original specifications that were laid out when it was supposed to be built.

Jim Anderson: For the dead weight, yes.

The Convener: Which is quite a critical thing, I would suggest. Who made the decision to accept that ferry with that built into it? Was it CMAL, Transport Scotland or the Scottish Government?

Jim Anderson: That was a joint decision that we made at the regular meetings that we have, where we discuss all aspects of the project.

The Convener: Who made the joint decision?

Jim Anderson: Who made the joint decision? Us, the operators in CalMac Ferries Ltd, along with the strategic commercial assets division team, Transport Scotland and so on. It is all the same people who attend the room.

From an operational point of view, the ship meets its requirements with that 791 tonnes of dead weight. When you sign a contract for those ships, you always allow a certain margin for all of that, because it is the most critical area of a ship's design anywhere you go on the planet—it is about getting good control of that weight. A certain margin is always built into that.

The Convener: I understand that, which is why the penalties are £5,000—or a certain number of pounds per tonne that is over, as I understand it. However, I am trying to work out whether, if the ferry had been built by anyone other than Ferguson Marine, those penalties would have been imposed.

Jim Anderson: All contracts are taken on a case-by-case basis.

The Convener: So, maybe, maybe not. I am not sure that I am any clearer on that, so I might have to come back to you.

Bob Doris (Glasgow Maryhill and Springburn) (SNP): I have some very brief questions on the same front. The dead weight of 791 tonnes was the target in the contract. Is that correct?

Jim Anderson: That was less than the contract; the contract figure was 800 and something. I will refer to the contract in a minute.

Bob Doris: You are just going to check whether that was within the flexibility in the margins.

Jim Anderson: Yes.

Bob Doris: If that is the case, it would be within the specification in the original contract. We do not know that yet, but you will check on that this morning, is what you are saying to me.

Jim Anderson: Sorry, say that again.

Bob Doris: If a dead weight of 791 tonnes was within the permitted flexibility, it would have met the contract specifications as originally outlined, because built into that was a degree of flexibility. Is that correct?

Jim Anderson: The 791 did not meet the contract specification. However, from an operational point of view, it was more than enough. The contract specification was set slightly higher.

Bob Doris: Is it correct that the contract did not have within it a tolerance level and that it had to be on the nose?

Kevin Hobbs: Yes. When we say we made a decision jointly, we did make a decision jointly, which was off the back of knowing what that particular route needed.

If we pull a silly figure from out of the air that the dead weight was to be 200 tonnes, the ship would have been rejected, because it would not carry anywhere near what it needed to carry.

However, when you look at the heat maps of what is carried to Arran by any of the ships today or any that are likely to be required in the future, the 791 tonnes would still meet the requirement for that ship to be fully laden and still be within 3.45m.

09:30

Bob Doris: Is that on the basis of the routes that the ship is intended to operate on?

Kevin Hobbs: Correct. However, if it goes to another port—let us say, as Jim has mentioned, on the Ullapool to Stornoway route—the ship can have a draught of 3.7m. The original spec said that the vessel could carry 1,271 tonnes, and we would be about 90 tonnes short of that. There is plenty of margin within the ship to carry what it

needs to carry on the routes that it is going to operate on.

Bob Doris: I will ask the question another way, as those just become numbers. All I want to know is that the ship is being delivered now—

Kevin Hobbs: Correct.

Bob Doris: It is at variance from the original specifications.

Kevin Hobbs: Yes.

Bob Doris: I would like to know where the restrictions are and where the ship can now be used. Are there more limitations on those vessels because of the current specifications, rather than the specifications that were set in the original contract? I am happy to get those details in writing but, ultimately, that is just numbers, and numbers alone are meaningless. What is meaningful is whether or not those two vessels can now technically do less if, at some point in the future, they were to be redeployed elsewhere to do other tasks.

Kevin Hobbs: In broad terms, a 90-tonne reduction in dead weight equates to two articulated, fully laden lorries. How you can operate depends on which port you go in to and how deep that port is.

Broadly, what we are saying is that, for the purposes of the ship being delivered and for the route that it is going to be on for the majority of the time or the alternative routes that it may be deployed on from time to time as a cascade, it will do what is necessary. It will carry what is required.

Bob Doris: That is helpful, but I ask you to reflect on the basic point that I am making. Unless this is their bread and butter or their business, anyone listening to this meeting just wants to know whether the two vessels will be less effective on their current routes. We have a clear expectation that that will not be the case and that they will do exactly as was always intended, but they could be redeployed for other purposes within the fleet at some point in the future. Are there more restrictions on what they can or cannot do because of the variation in specifications?

Mr Hobbs said that there will technically be two fewer articulated lorries. That explanation becomes meaningful to someone, rather than the numbers that are flying about. It would be helpful if, either here this morning or in writing, we could get a meaningful explanation on that because, quite frankly, most people are just hearing gobbledygook. That would be helpful.

Jim Anderson: I can give some figures. Take an HGV, fully loaded—44 tonnes is the maximum that is permitted. If we take 14 times 44 tonnes, that gives us 616 tonnes. If we had 14 fully loaded

HGVs on the ship, and the availability is 791 tonnes, we would have 791 tonnes minus 616 tonnes, which gives you the additional dead weight for your stores, your fuel and so on. From an operational point of view, we are more than comfortable with the 791 number.

Bob Doris: Okay. I do not want to pursue that any further other than to ask a more general question, which is not related to dead weight. After signing contracts for vessels to be delivered, is it normal or routine that those who win those contracts will, at some point during the construction phase, approach their partner and say, “We believe that there is a case for a contract specification variation,” and then seek agreement with those who have given them the contract in the first place? Is that unusual or is it routine?

Jim Anderson: It is not unusual to have amendments to contracts in a shipbuilding contract.

Bob Doris: Can you say a bit more about when that has happened in the past?

Jim Anderson: There could be change orders where you perhaps have had a change of equipment, so that the weight could grow naturally. If there is some added item on the ship—a winch or something like that—there might be a 10-tonne penalty. When you look at any change order for a ship, whatever that might be, there could be a time aspect for the yard to do some additional work. There could be a weight concern or a weight penalty that we would also have to consider. That is why, when you set your dead weight requirements, you always make sure that you have some margin.

Bob Doris: Okay. I have no further questions. However, when we are having an exchange in the future, I urge you to make it meaningful to members of the public. For example, saying that there could be two less fully-laden articulated lorries on one of those vessels at another port, if it was deployed elsewhere, and that, in the context, that is pretty minimal would be helpful, because, with the numbers that are flying about, it looks as though this is way off course in terms of the dead weight. Again, it would be helpful to have something in writing that puts that in plain speech rather than doublespeak.

Kevin Hobbs: What everybody needs to know is that the operator, us as CMAL and the Government more widely had a discussion about whether it was acceptable, and it is acceptable for that route. It will have no negative effect on what can be carried on that ship on the primary route.

Bob Doris: That is good to hear, and that is not lost on me. I had supplementary questions because we just had numbers flying about, which became meaningless to me, quite frankly.

Kevin Hobbs: It is not a simple, straightforward subject matter. That is why people study naval architecture.

The Convener: Jim Anderson, to save you looking it all up, I think that I have the figures to hand. The vessel was meant to have a dead weight of 878 tonnes, with a tolerance of 10 tonnes. There were penalties of £5,000 per tonne for falling below that weight, up to a maximum of £250,000, which would have meant that it was 50 tonnes below the weight, down to 818 tonnes. At that point, the boat should have been cancelled, according to the original contract, because it did not meet the specification.

What I was trying to drive at is that the boat can carry less than was originally agreed—less than the contract was set up for—which means that it is not doing what it was expected to achieve. That, therefore, raises the question of whether you have value for money, in my mind—especially now, as you can have fewer passengers and fewer vehicles. It appears to me that we have ended up with a boat that does not meet the original contract, however it has panned out. We have not got what we paid for, and we paid considerably more than we thought we were going to have to pay. To me, the whole thing seems to be a complete confusion. I am going to leave it there, because I think that I have made my point.

Kevin Hobbs, I think that you specifically asked for the anchor chain to be retested during the trials—unless I have got that wrong. *[Interruption.]* I am being told that it was Jim Anderson who asked for it, so my knowledge of that was wrong.

Jim, you asked for the anchor chain to be retested, and there was going to be a quick fix, which would allow it to be workable by February this year, which is after it goes into service. We were told that anchor chains are not that vital but that they are part of a safety feature. Has it been fixed or will it be fixed before the vessel starts carrying passengers?

Jim Anderson: I hope that I can clear this up. During the first builder trial—the builder being Ferguson—the ship was taken out to sea before the final outfitting was done, to demonstrate that the propulsion system was working. That was a great thing to do after all those years, and it was really successful. At that point, nothing was formally presented, but this then happened during the owner trials, just recently, towards the end of the year. The anchors were lowered during the first sea trial, which was in February if I remember rightly. What we are interested in is whether we can safely lower the anchors if we have to do that for whatever reason. Some issues were observed when we were retrieving the anchors at the time—nothing too great—but, by the time that we got to the owner sea trial, we could see that the anchor

chain was slipping more and more. Therefore, it was identified that we had to make a modification to the system.

The Convener: So, has it been modified?

Jim Anderson: It will be modified. The update that I got just yesterday was that that will be in early February. We do not have the actual date yet, but early February is when the gypsies will arrive. As soon as we have the definitive date for that, we will plan the best time to carry out that work, alongside CalMac from the operations point of view.

The Convener: Okay. I think that the latest that we have heard is that, subject to the toilets being fixed, the vessel will come into use on 13 January. It will then have to come out of service again to get the anchor fixed. How long does that take?

Jim Anderson: I asked that question yesterday. I am not quite sure, but I would put that kind of job at about two days.

The Convener: It would be helpful to know how long it will take, so that people know what is coming down the chain to them. If you asked that question yesterday, you would not be surprised that I asked it today.

Douglas Lumsden will ask the next question.

Douglas Lumsden (North East Scotland) (Con): I want to ask about warranties on the Glen Sannox components. I presume that most of those components are now out of warranty, because they were ordered a long time ago. Is that correct? How would warranties normally work, and how will claims be handled in relation to Glen Sannox and Glen Rosa?

Kevin Hobbs: As you rightly point out, the majority of the warranties for the components on the vessel are out of date, because the vessel was built over a period of nine years as opposed to two-and-a-half or three years.

Effectively, there is an overarching warranty on all shipbuilding contracts given by the shipyard, which means that the shipyard effectively stands over any warranty issues. Normally, if a component part breaks and is under warranty, the shipyard will go to the manufacturer and ask for it to be replaced or repaired. In this instance, it would be up to Ferguson's to effect that repair, because the warranties are now out of date. Ferguson's has to stand over the warranty of the physical build—the physical hull and the way it has been built—which is the same in any shipbuilding contract, but warranties for the component parts within the ship, which would ordinarily run for six or 12 months after first being used in service, have lapsed.

Douglas Lumsden: Even though the parts have not really been used in service, they have still lapsed.

Kevin Hobbs: Correct.

Douglas Lumsden: How long would the manufacturer normally allow for them to be delivered and then brought into service?

Kevin Hobbs: When the procurement team in a shipyard places the orders, it specifies to the original manufacturer when it anticipates that the ship will be in service. In this case, that would have been about three years after the contract was signed, in October 2015. Ordinarily, you would have a six or 12-month warranty after the ship entered service, but the fact that the build took another six years on top of that means that, in the main, the warranties have lapsed.

Douglas Lumsden: I presume that that is the same for both vessels.

Kevin Hobbs: It is even worse for the Glen Rosa, because its build will probably take 10 years.

Douglas Lumsden: Have any parts been taken from the Glen Rosa and used on the Glen Sannox?

Jim Anderson: I do not have a definitive list, but that has happened. It would happen with a normal contract, too.

Douglas Lumsden: Have those parts all been replaced on the Glen Rosa?

Jim Anderson: The Ferguson's procurement team has the replacement of those parts in hand.

Kevin Hobbs: There are not hundreds and hundreds of parts that have gone wrong. By any stretch of the imagination, you could not say that the Glen Rosa has been denuded of all of its equipment. It is just the odd piece of machinery that has not worked properly. Instead of waiting for the manufacturer to manufacture a new piece, it makes sense to transfer a serviceable component from the other ship, so that that vessel can enter service as quickly as it can.

Douglas Lumsden: The key components that are under warranty are probably the propulsion system and the liquefied natural gas system—obviously, they are both the same thing.

Kevin Hobbs: There are warranties against almost everything: pumps and so on—you name it.

Douglas Lumsden: Is there anything that is obsolete in these vessels now, because of the time that the build has taken, which it might be hard to get replacements for?

Jim Anderson: An exercise was carried out to look at what was considered to be obsolete in the way of bridge equipment, which tends to be more software-related stuff rather than a pump or an engine. As you know, electronic systems tend to have a certain shelf life. That is the world that we are living in—after five or 10 years, manufacturers change something and bring in something new.

Douglas Lumsden: So, components have had to be changed, even though they have not been used, because they are obsolete already.

Jim Anderson: As I said, an exercise was carried out to look at what was considered to be obsolete. The obsolete elements were mainly bridge equipment.

The Convener: Monica Lennon will ask the next question.

Monica Lennon (Central Scotland) (Lab): Good morning. We were recently told by Ferguson's that it cannot provide a final cost or delivery date for the Glen Rosa. After all this time, how can it possibly be the case that those details are still up in the air?

09:45

Jim Anderson: There have been a lot of changes in the yard over the past few years, as everyone in the room is well aware. Last year, a new project management team was put in place, and a new planning team was put in place towards the end of last year.

I and the tripartite group have been asking when we can get sight of the plans for how the lessons learned from the Glen Sannox can be applied to the Glen Rosa and we can be provided with some established norms that demonstrate to us and all parties how the shipyard is going to execute those plans. At the moment, we do not have sight of those plans. We have been promised them by the end of this month, but at the moment we do not have them, so there is nothing that we can use to measure the yard's efficiencies, if you want to put it that way, as we go forward.

The new planning team came into place towards the end of last year and a new project manager took over in quarter 1 or quarter 2 of last year, so there has been a bit of a revolving door in the business.

Monica Lennon: Are you feeling confident? It seems to me that you do not sound confident.

Jim Anderson: Am I feeling confident about what? Do you mean about being able to deliver the ship?

Monica Lennon: I am asking whether you are confident about delivery. From what you have said and what we have heard, it is unclear when CMAL

expects the Glen Rosa to be delivered and at what cost. Are you able to give an update or any clarity on that?

Jim Anderson: Until we get sight of a plan from the shipyard, we will not be able to measure how it is going to execute that plan.

Let us take the length of cables that need to be installed in the ship, which is a simple thing that we can measure. We know that around 260km or 270km of cable will need to be installed. We need to see some clear evidence on the strike rates that the yard will achieve on the installation of cables, pipe systems and so on. That means that we need to see the plans. If, say, 250km of cable has to be installed, there has to be a strike rate every week and every month for how much the yard can install and how much it can terminate. As yet, we do not have those plans to comment on. We are expecting to have them by the end of this month.

Monica Lennon: When exactly? By what date?

Jim Anderson: At the end of the month—I think that we were told that we would have them by 31 January. I think that that was also in the letter to the committee.

Monica Lennon: Okay, so nothing has changed. Are you confident that the plans will be published at that time?

Jim Anderson: I cannot say that for sure at the moment.

Monica Lennon: That is a pity. I will hand back to the convener.

The Convener: Can you clarify something for me? Who is the client? Is it CMAL, Transport Scotland or the Scottish Government?

Jim Anderson: The Scottish Government—SCAD.

Kevin Hobbs: Scottish Government economy took over the contract from us in December 2019, which was when Ferguson Marine (Port Glasgow) was incorporated as a company.

The Convener: So, you are just a passenger on this journey.

Kevin Hobbs: We would like to think that we are more than passengers, to be honest.

The Convener: Well, what you are saying is that the Scottish Government has the ultimate say. You do not know the details because you do not have them. If I was the client and I was buying a ship under a normal contract, I would make absolutely sure that people reported to me so that I knew exactly what was happening with the £150 million that I had invested—at the end of the day, that is what will be invested in the Glen Rosa. It appears to me that you are not in that position. I

am trying to work out what role CMAL has. I asked that question when I was on the Rural Economy and Connectivity Committee, and I am posing further questions on the issue now.

Jim Anderson: We are still directly involved. We have the same management system and relationship in place as we do for the four ships that are under construction in the Cemre Shipyard in Turkey. The only thing that is different is that we do not own the contract. However, we still have eyes on the ground, and we are still supervising, inspecting and producing patrol remarks, owner observation reports and so on. It is the same system. We are still the people who ask the shipyard technical questions about the plans and provide a level of technical know-how.

The Convener: So, you are not an arm's-length organisation; you are a feature on the arm's-length organisation.

Jim Anderson: We are directly involved.

The Convener: What?

Jim Anderson: We are directly involved.

Kevin Hobbs: From day 1 of the new world of Ferguson Marine (Port Glasgow), we have been effectively contracted by the SCAD team, which is part of Scottish Government economy, to be its eyes and ears on the ground, because neither that division nor, indeed, Transport Scotland, has people who build ships. That is why we exist.

The Convener: I hear that, but in 2006 or thereabouts, when CMAL was set up, it was meant to be an arm's-length organisation to organise the ships. It now appears that you have been subsumed as part of the arm of the Government, which questions the whole issue of why CMAL was set up.

Kevin Hobbs: Only on that contract.

The Convener: Only on that contract? But you have just said that it is the same for the Turkish ones.

Jim Anderson: No, I said that how we go about our business is the same and that the only other thing is that we do not own the contract.

The Convener: Okay.

Kevin Hobbs: We are the contracting party for all other ships but not for that ship, because of the circumstances in which that shipyard found itself.

The Convener: Okay. That is even more confusing.

The next question will be from Bob Doris.

Bob Doris: Oh, it is back to me again.

If we look at the small vessels replacement programme, there is around £185 million wrapped

up in phase 1. Six bidders came forward for that, and I guess that those bids are currently being considered. We are keen to know how those bids will be assessed and the criteria that will be used. For example, what weight will be given to factors such as price—in other words, the reliability of what the overall cost will be to the public purse—and the quality of the bids. Quality is a very subjective word. I am keen to know a bit more about how a bid will become successful on the basis of price and quality and about other criteria that may lead to the final outcome of the contract—or contracts—being awarded.

Kevin Hobbs: I will start and then I will hand over to Jim, if that is okay.

As you know, the small vessels replacement programme involves seven small vessels being replaced. That is phase 1. There is a phase 2, which involves another three vessels and is not out for bidding at the moment. We follow the procurement rules that Scotland has in place, and we go through the Public Contracts Scotland tender process. That is a two-phase process for these particular vessels. So, you have an SPDS, which in old money is a PQQ, and that was—

The Convener: Sorry, but TLAs are great if you understand what the acronym means. Could you talk in full terms?

Kevin Hobbs: Okay. Let us boil it down. Basically, there are two phases to the bid. The first is a pre-qualification. We go out internationally and ask shipyards to show interest, and we have a pro forma that they fill out.

Bob Doris: Has that been done? I am told that you invited six to bid.

Kevin Hobbs: That was done. There was a lot of interest in terms of people opening the document, but, ultimately, at pre-qualification, we received 13 compliant bids. We narrowed that down to six, which is where we are now, and we invited those six shipyards to tender the ITT. The ITT return date is—

Bob Doris: What is the ITT? As it is the first time you have used the term, could you—

Kevin Hobbs: Invitation to tender.

Bob Doris: Thank you.

Kevin Hobbs: The invitation to tender return date is 24 January 2025. At this point in time, the activity going on within the PCS tender website is the six shipyards that are involved asking us general and technical questions prior to them formally putting their bids in on 24 January. From 24 January, that is when the assessment starts.

Bob Doris: That is context, because, although we may not have known the acronyms, we kind of knew the amount. It is more about how price,

quality and other criteria are considered once those bids are finalised and put in for consideration.

Kevin Hobbs: The figure of £185 million was mentioned. Just be aware that that is not all to do with the ships—that is the overall contract. There are also some modifications to some of the ports and there is the need to attain the right amount of electrical capacity at the ports to be able to charge the vessels overnight, so there are three distinct elements within that £185 million figure.

Bob Doris: That is really helpful. Thank you.

Jim Anderson: For the invitation to tender, or the ITT, the quality aspects of the tender make up 60 per cent. I will just check my figures—yes, the quality part is 60 per cent and the commercial part is 40 per cent. Within the quality part, we set the shipyards a whole host of questions to provide us with information in the tender response that we then evaluate. There is a big, long list. I do not think that you want to hear me read out every single question, but a huge part of it is about looking at the quality of the bid, the shipyards' capabilities, their resources, their project management plans and all that kind of stuff.

With these ships all being electric vessels, the bulk will be in the equipment that is going on them. The steel is relatively straightforward. I do not know whether anybody is familiar with the small vessels that go to the likes of Millport and all the rest of it, but they are small ships. The steel is pretty much the smallest part of the whole price of the ship, whereas the biggest part will be in the propulsion, the battery systems and so on. That will form a significant part of our evaluation. We call them the makers, and the maker's performance and the maker's specification is a huge part of our evaluation. All the other things that we have been discussing so far, performance-wise—the speed, the power and the dead weight—will be evaluated.

In response to our ITT, the shipyards say, "This is the type of ship that we would propose for you, and here are the levels of performance, the type of equipment and the levels of service and support that we can provide." There are a whole host of questions that we ask from a quality point of view.

Bob Doris: I will be careful with my next question on quality, because every bidder must be dealt with consistently and equitably as part of the process.

In relation to quality, a bid on paper can be very different from what is delivered in the shipyard. In relation to the demand to build, is phase 1 of the small vessels programme more straightforward, given the other questions that we have been asking about other ships under contract? Does the track record of individual shipyards in delivering

such vessels in the past come into play when determining who wins an award? Also, how can you compare the bidders when two of the bidders have never bid for work with you guys before—so they are new entrants from your point of view—while the other four bidders have an on-going relationship with you?

How do you balance the quality on paper with what the quality will be on delivery? Anyone can put on paper that the vessel or vessels will be good quality, but it is delivery that counts, within the cost envelope. How do you disaggregate that when determining quality?

Jim Anderson: We have a lot of market knowledge and we know a lot of people in the business. That is taken care of at the first stage that Kevin Hobbs described—the single procurement document, which is the old pre-qualification questionnaire.

At the first stage, when we selected the six bidders, we satisfied ourselves that, based on the information that the six bidders gave us and the types of smaller vessels that they have delivered in the past, they have the experience and capability to build those smaller types of ships for us.

Kevin Hobbs: Also, during the invitation to tender period, Jim Anderson and I have visited each of the six shipyards to assess their capabilities. As you rightly say, Mr Doris, what is put down on paper might not be what is there in reality, so we have visited every single shipyard. It is a bit bizarre to walk across the road to a shipyard that you are currently building ships in, but we have been to Cammell Laird in Liverpool and even to Asenav in Chile.

We have visited each of the shipyards and spent between a day and two days assessing their onsite capabilities, looking at the projects that they are currently doing and witnessing the quality of the work that they are doing for others.

10:00

Bob Doris: Just to be clear, a significant hurdle has already been passed by all six bidders that are still in the game, so to speak—those that are about to put in finalised bids.

Kevin Hobbs: Yes.

Bob Doris: So, you are comparing the quality of all six bids, but your belief is that all six bids will be of high quality. Then you have to determine what is best for the public purse.

Kevin Hobbs: Yes.

Bob Doris: I have a final question about that. All the bidders will want to make sure that they are fairly treated. There will be a lot of commercial

confidentiality in relation to each of the bids, because quality relates to the overall financial cost of the bid that they will put in. Are all the bidders getting equal access to all the data, the information, the paperwork—all the things that I can only imagine are really important—to the nth degree to the same extent as one another, so that it is a fair, open and transparent process?

Kevin Hobbs: Nobody has been given any special reliance on that. Basically, there is a package that goes out in the invitation to tender, which everybody gets—it is exactly the same. When questions are asked on the PCS tender framework, they are visible to all bidders, so that everyone is not asking the same question all the time. If a bidder turns up on day 1 and starts asking about how we want them to deliver the vessels because they are remote from Scotland, or stuff like that, that is very clearly visible, and everybody can see the answers that we give.

Bob Doris: Even at this late stage, if I was acting on behalf of one of the bidders, and I was seeking additional information from you, I could request it, but the answer would be given to all six bidders. Is that right?

Kevin Hobbs: It would be broadcast, yes.

The Convener: We have a series of supplementary questions on that subject. I will turn to the deputy convener, Michael Matheson, first.

Michael Matheson (Falkirk West) (SNP): Good morning. Jim Anderson, I was struck by the point that you made about the small vessels. Given that they are all going to have electric powered propulsion, you said that the real technical aspect is around the battery systems and the electrics that will go with them. Do you specify that as part of the bidding process, or does each of the bidders come forward with their own proposals on how they will deliver it within the vessel specification?

Jim Anderson: We do not specify any particular makers. We set a performance level in the specification for what the ship must achieve every day. We give all the information to all the bidders about the seven vessels, the routes that they will operate on and information on those routes—the time at port and when the vessels will be under way at full speed. The bidders go away with that information and then they design a ship and work out what the energy requirements for that ship will be.

We have already done some work, so we know where the specification should sit, but we ask the bidders to tell us about the ship that they would deliver for us. For this type of ship, it is all about the energy consumption on board the ship. All the bidders go away and look at that, and calculate how much energy they have to install in the ship—

that equates to batteries. They then have to think about the type of batteries that they will propose to us—to CMAL and CalMac—that will perform for us over the 10-year lifetime of the ship. So it is for the yards to come back with their proposals to us.

Michael Matheson: How well established in the United Kingdom or the international market is the construction of electrical powered small vessels of this nature?

Jim Anderson: It is very well established now. Away back in time, we had the early experience of the three hybrid vessels: it was 2009 when we embarked on that project. We got a lot of information from the hybrids—they were not fully electric, but they had a battery element. There are now many ships of this type and size that are all-electric, so the technology is well proven now.

I have to remind everybody that there is a price to be paid for all the new technologies that we are looking to use to reduce our energy and carbon emissions. In the case of the batteries, everything now has a lifetime. That is the kind of world that we all live in now. If you maintained it, an old internal combustion engine would last for 30-odd years. Now, these kinds of technologies are forever changing, and we just have to accept that.

Michael Matheson: With the Glen Sannox and the Glen Rosa, we had the issues with LNG, new technologies being reviewed and so on. Is it your view that there is a well-established international market for electric propulsion vessels of this size and that there is good international benchmarking on what we need to do to ensure that the vessels work and are operationally effective? From your knowledge of assessing that, are you confident that you have that information and that the yards should be able to bid for contracts with a good grounding of operational information from vessels of this nature that are already operating?

Kevin Hobbs: The broad answer is yes. As Jim Anderson mentioned, the MV Hallaig, the MV Lochinvar and the MV Catriona were hybrids. Unfortunately, we have been overtaken by many fully electric ships in places such as Norway, Sweden and Denmark, so it is a well-known technology. In fact, as a clarification, despite what you probably heard at the Rural Economy and Connectivity Committee and in other areas, LNG is not a new technology, either. Thousands of LNG engines and ships were in operation when the contract was signed in 2015, but there has been a narrative—which, I am sure, you are very aware of—that says, “Well, this is completely new technology, so it is really difficult and really hard.” That is simply not the case. We are not groundbreaking in terms of LNG or battery-operated vessels.

There has been one learning that has come out of what has happened in Norway. The first fully electric ship was called the MV Ampere, which had some sisters. To provide a bit of context, I note that those were electric-only vessels. Where Norway has gone and where we are going is that there will be a small diesel generator on board, because island communities rely on daily services and we are worried about power outages. If there are power outages—which there are from time to time in remote areas—we cannot have a situation in which the crew turn up in the morning to the batteries not having been powered up because there has been a power failure, a storm or whatever. In the context of this particular project, there is an element of diesel, but it will be used only in extreme circumstances when, on a given day, the lifeline ferry service would fail if the power to the vessel overnight had failed.

Michael Matheson: That seems a sensible approach to take, particularly if that is the lesson that has been learned from the situation in Norway.

On your point about LNG, it is also my understanding that it is not a new technology. It might have been a new technology to some of the people who installed it at that particular point, but it was not a new technology in shipping in general. That is helpful.

Kevin Stewart (Aberdeen Central) (SNP): I will move slightly away from that issue. Mr Hobbs, you mentioned the fact that improvements at harbours will be needed to allow the use of the new technologies, but improvements at harbours will also be needed to ensure that there is shore-to-ship power for diesel vessels. Will you give us an indication of how the project in Aberdeen with NorthLink Ferries is going?

Kevin Hobbs: Very well. We initiated a project about a year and a half ago. One of the big challenges with regard to power is the grid itself; it is not necessarily the technology around it. Broadly, you have to have power at the port, so you need to get cables to the location where the ship will be charged. You then need a bunch of transformers to get the power into an energy that the ship can accept, and, because of the increased energy that is needed compared with our original diesel-electric hybrids, you also need cable management systems at the ports.

As far as Aberdeen is concerned, the power is available at the port side. That has been done. The transformers are there, although they are still waiting for some small items. The piece that is not there at the moment, but which will be delivered during January, is the cable management system, which handles the cables to offer them up to the ship so that the ship can connect.

I was with the team up in Aberdeen the week before Christmas, and we are hoping that we will have a fully functioning shore-side power connection by no later than Easter of this year.

Kevin Stewart: That sounds like good news. The other projects that are at an early stage include the replacement for the two northern isles freight vessels. Can you tell us what stage that project is at, because it is obviously extremely important for Orkney and Shetland?

Kevin Hobbs: We should have all the final concept design ready to go within this month. We have to populate the outline business case, and that will be done within quarter 1 of this year. In the latest budget, although I accept that the Parliament has not passed it yet, money has been set aside for us to initiate that project. We have internal discussions—we had them yesterday, actually—and we would need to go out to tender no later than June of this year to achieve a contract award by March of 2026, or within the next financial year. We are ready to go.

We are talking to Aberdeen harbour, we are talking to Lerwick and we are also talking to the operator, so everything is connected.

Kevin Stewart: That is another good reason to vote for the budget, I would say.

Some of the most put-upon folk in recent times because of ferry movements for repairs have been the folk in Uist, particularly those at Lochboisdale with the MV Lord of the Isles. A replacement is also due for that. What stage is that at, please, Mr Hobbs? Can you offer any good news for folk in Uist?

Kevin Hobbs: Again, the outline business case has to be finalised, but the actual concept design was finished in December. The outline business case will run more or less in parallel with how I have described the northern isles freighter flex vessels. That is basically ready to go.

With any of those projects, there are three elements to consider: port A, port B and the ship in between. We have the concept design ready. Some restrictions and changes are required for the MV Lord of the Isles replacement because there is a restriction at Mallaig that means that our common platform of ship, which is the Islay ship, will not fit into Mallaig. It is 95m long and the concept design is for an 85m-long ship. We are talking with Mallaig as we speak and we will carry out a ground investigation this year and make the detailed design to replace the Lochboisdale facility, which is nearing life expiry, and relocate it to a small island called Gasay, which is just opposite the Lochboisdale facility.

Kevin Stewart: Finally—

The Convener: Sorry, Mr Stewart, I will certainly let you ask your final question, but just be careful. You have already stood on the toes of a couple of members who wanted to ask the questions that you have asked out of sequence, which is not clever. I will let you go on with the next question.

Kevin Stewart: Will the MV Glen Rosa and the MV Glen Sannox provide better services for the people of Arran compared to the current situation with the MV Caledonian Isles and the MV Alfred? Are they better ferries?

Kevin Hobbs: They are much better ferries, and I think that people will appreciate that once they come into operation next week. Teaming up the MV Glen Rosa with the MV Glen Sannox was not the original plan of course, but that is what is going to happen and it means that the capacity is increasing. The one area that is still not resolved is the redevelopment of Ardrossan. That is the outlier in that project.

10:15

Monica Lennon: I want to ask about phase 2 of the small vessel replacement programme, which was recently launched by CMAL. Can you outline the key stages of the process and any timelines and details, as well as the expected budget requirement?

Jim Anderson: If you go to our website, you will see that we are going to carry out a series of public engagement events near the Sound of Barra and the Sound of Harris in the week commencing 20 January, when we will be kicking off more formally. That will be the start of the project. Our internal planning has us completing all the work—gathering information on service requirements, service needs, and so on, which will lead to a concept design and a business case—by the end of the year. From then, we will be looking at what the available funding might be.

Kevin Hobbs: At the moment, the funding for the small vessel replacement programme is not in place. As I said earlier, there is white smoke for the northern isles freighter flex vessels, the MV Lord of the Isles and some port projects, which have been brought forward from the next, say, five years. The programme was due to start on 1 April 2026, but it has been brought forward into 2025. If the budget is passed, those projects will go ahead. The small vessel replacement programme is logically outside that, because we will not be ready to go out to tender until the financial year that will start on 1 April 2026.

We will be pushing hard for any of our projects for which concept designs are in place, and for which we want to present outline business cases, to be the prompt for the money to be available—or

not, as the case may be. As the asset-owning agency, we push every day of the week to get as much money as we can to replace the current fleet and upgrade the harbours.

Monica Lennon: What kind of estimates are you working to? I appreciate that you are still at a very early stage with the concept and building the business case, but could you give a rough idea of the budget requirement and put a figure on that?

Jim Anderson: We would really like to have the business case completed by the end of this year. If funding is available, that would allow us to move into the procurement phase, which typically takes 10 to 12 months. That would take us towards the end of 2026 before we could be in a position to put in place a contract.

At the moment, from a budgeting point of view, we are looking at somewhere in the region of £60 million for phase 2 for the vessels. We still have some work to do, because we are just commencing with phase 2, on what the shore infrastructure costs might be for the shore power for the routes. We are really just kicking off, but the cost for the vessels is in that kind of area.

Kevin Hobbs: I imagine that we do not have the numbers for the port side of things and power. I speculate that the cost would be in the region of £80 million to £100 million for the overall project for the three vessels and the associated works.

Monica Lennon: That is helpful for today. Could you say a little more about the public engagement work that is about to get under way and engagement with the trade unions? What consultation will there be about crewing levels and shore-side infrastructure? I remind the committee that I am a member of the National Union of Rail, Maritime and Transport Workers parliamentary group and of Unite the union.

Jim Anderson: We do not have any dates in the diary yet, but we will deal with the trade unions very early in all this. We have done that with all the other previous projects—we have had pretty regular discussions with the unions. We do not have dates yet, but that will happen in the very near future.

Monica Lennon: That is good to know.

I have a question about the four large vessels that will be built in Turkey. What actions will be taken by CMAL and Cemre to ensure that the four large vessels that are being built in Turkey do not slip and cost increases are minimised?

Jim Anderson: As we advised the committee in our update at the end of last year, delivery dates for the ships have been extended. Our current assessment is that the four vessels are about four months apart in production.

I will fly to Turkey this evening and will be back next week. We have a regular on-site presence there. Our site team includes people who are working on the electrical and mechanical elements, outfitting people, steel workers, the CalMac crew and the chief engineer. We have seven people involved daily in all aspects—including technical aspects and inspections.

The next big milestone for the Isle of Islay will be sea trials—the yard is heading towards that. At this point, I do not want to give a definite date for the trials, because there are so many systems that we still have to get over the line. Everything has to go smoothly, and I want to come back and report that we have all the systems over the line and that everybody is working hard together on the ships. A successful sea trial would give us an indicator of how much work is still to be completed on the ship.

Everybody is working very hard on the vessels. Yes—the dates have been extended from the original dates, but we are looking forward to getting some much-needed tonnage into the fleet this year.

Kevin Hobbs: Some rather extraordinary outlying events have hit during the past couple of years, which has not been helpful to anybody in the shipping world. I will go through them.

There is war in Ukraine and the steel plant that used to service the whole of Turkey with marine steel, which was in Mariupol, was blown to pieces.

There was also an earthquake in Turkey, and unfortunately tens of thousands of people died as a result of that. A lot of people had relatives in the area, and although the shipyard there was not officially closed, there were a lot of people missing for a long time, recovering their loved ones.

Then, of course, there is the Red Sea situation that has turned the whole container market on its head. Instead of everything coming through the Suez canal and being delivered to Israel, Egypt and Turkey first, everything is coming round Africa now. The ships are starting their milk rounds of deliveries in northern Europe then going back into the Mediterranean, which is unhelpful.

There is a series of issues that are indicators for why the project is running late. It is very difficult to criticise people on the back of external factors and geopolitical problems.

Monica Lennon: Thank you, Kevin. It is important to put that on the record. You have certainly outlined some significant challenges.

Can you say a word about the future of the project? Jim—you outlined the importance of having an on-site presence, so good luck with your travels today. What are the main tickets on the risk

register that could put projects at risk because of delay and cost?

Jim Anderson: The smallest of items can set back a project—for example, unavailability of specialist engineers from the major equipment suppliers. Everyone is so busy with shipbuilding projects, and only a small number of companies supply propulsion systems, engines and batteries.

With all the madness that is going on in shipbuilding around the world, when one project slips somewhere, that has a knock-on effect throughout the shipbuilding industry. We see that as a challenge for all shipyards, not just Cemre. A yard might have planned to have an engineer to come in in week 2 of this year to do some activity, but the engineer might say that it will be week 4 before they can get people there. Despite all the best planning, such challenges can be thrown up.

We might get to a point where there are some small issues with the Marine and Coastguard Agency and the classification society, although there is an almost permanent presence from a classification society—in this case, Lloyd's Register. The MCA makes regular visits to the shipyard in Turkey, and our site team is there all the time.

One small thing can add four weeks to a project. The ship could be pretty much finished in its entirety, but the toilet system could suddenly develop an issue late in the day. We track all the risks, but there could be just one small thing out of tens of thousands of things in a shipbuilding project that need to be considered. A ship is pretty complex when you think about it—almost like a floating village or a floating city.

We are aware of most of the risks that we have to look out for, and we think ahead. We have a really good working relationship with the shipyard, the classification society, the MCA and CalMac. Without doubt, I say that all the best efforts are being put into the project.

Monica Lennon: Thank you. I am sure that we will return to the themes of risk and resilience many times, but I will hand back to the convener.

The Convener: Thank you. Mark—you have the next questions.

Mark Ruskell (Mid Scotland and Fife) (Green): I have a follow-up question. I think that you have allowed a 3 per cent contingency for the four large vessels that are currently being constructed in Turkey. It was good that you put on the record some of the pressures and strains that exist at the moment. Is that 3 per cent figure adequate, or do you expect that it might need to go up? Will you need to use it?

Jim Anderson: I updated my budgets over Christmas and new year, and we are still well

within that figure. We are still feeling pretty good about the overall budget cost.

Mark Ruskell: When will you next be able to update the committee? You are flying out tonight. In your letter of 18 December, you talked about the

“Risks and uncertainties”

around the

“supply of equipment and ... specialist contractors”.

You will have a clearer picture of that when you come back.

Jim Anderson: Whether or not I am in a position to update you after this visit, I will be making another visit on the 27th of this month for a longer period. Around that time, I will be able to give a clearer indication of a sea trials date. It is not quite at that stage yet.

Kevin Hobbs: We have said before that if there is any significant movement—positive or negative—we will let you know. It is not simply that you will get an update only every three months; when we know that something has gone very well or catastrophically wrong, we will give intermediate updates, as and when required.

Mark Ruskell: We will look forward to the good news.

You have already indicated that you are going out to public consultation. Would not it have been better to consult the unions in advance of that, particularly around aspects of crewing, when it comes to the Islay vessel?

Jim Anderson: The first part of the process is to go out and meet the ferry users. We will communicate with them and have an open discussion about needs and about the assessments that have been carried out by CalMac and Transport Scotland of the level of service that is required. The initial discussions are about numbers of passengers, the number of vehicles and the timetable. It is a very early discussion that is the first building block in all this. We will take that, then move forward on discussions with the unions. We will not really have anything to discuss with the unions until we have an idea of the type of vessel that we have to provide.

Mark Ruskell: The unions represent the workers who will be running the boats and the services. Would you not expect them to have insight into how services could better meet the needs of communities? That is their job—it is what they do every day.

Jim Anderson: We are in dialogue with the people who operate the ships day to day, and we are informed about the things that they see. That

work feeds into the public engagement events. That is not a discussion directly with the unions, although people will be union members, but we do consult the people who are operating the ships and are there every day. They are the most important people.

10:30

Mark Ruskell: I will briefly go back to the question about liquefied natural gas propulsion. There has been a lot of discussion in the press about whether the carbon emissions are higher or lower, and there was a discussion earlier about the weight of the vessel and everything else. I take it that neither the Glen Sannox nor the Glen Rosa will be part of the UK emissions trading scheme, because of their weight. Is that right?

Kevin Hobbs: The emissions trading scheme is forever being modified but, at the moment, domestic ferries and lifeline ferries are outside it. That is the situation as it stands today, but that does not mean that it will prevail forever.

Mark Ruskell: If they were in the ETS, there would be MRV—monitoring, reporting and verification of emissions. Should you be doing that anyway, independently, then we could avoid discussion in the press about whether there are higher carbon emissions? Should emissions be independently monitored and verified, as would be the case if the ships were over 5,000 tonnes?

Kevin Hobbs: That happens already in the annual accounts and the environmental, social and governance reporting. Basically, every ounce of carbon is already measured in respect of emissions. What we are embarking on at the moment is an attempt to understand the carbon footprint of building ships and ports, over and above what is, in effect, blown up the stack. We are in that process. We employed somebody last year specifically to look at all that stuff for us. The answer is that we are doing it and it is measured—CalMac measures it.

Mark Ruskell: Is that done independently and is it independently verified?

Kevin Hobbs: No.

Mark Ruskell: Why not?

Kevin Hobbs: It does not really need to be, as far as I am concerned, because CalMac knows what it is buying and what it is using.

Mark Ruskell: That would avoid all the conjecture about whether carbon emissions are higher or lower.

The Convener: It appears that you are not getting an answer.

Kevin Hobbs: I am not trying to be rude but, you know, I mean—

Mark Ruskell: CalMac has a target for reducing carbon emissions, and that will be part of the national carbon accounts for transport and reduction of emissions. At some point, all this stuff has to be verified.

Jim Anderson: The fuel consumption on board the ship is logged, so there is an actual verifiable figure on board the ship that lets us know how much fuel it is using per day and what the operation was that day, as well. The figures are all built into the system.

Kevin Hobbs: What is slightly irritating for us is that, whether we are talking about LNG or just general carbon, there are many ways of measuring emissions. With ships, you can go from well to wake, or you can go from refinery to wake—there are lots of ways of doing it. As far as I can see, the narrative at the moment involves a belief that marine gas oil turns up in the UK as if by magic. Nobody is measuring that. Yes—20 or 30 years ago, a lot of it would have come from the North Sea, but it absolutely does not any more. People have started quoting that stuff is coming from Qatar, but where do you think the fuel in your car comes from? It does not come from the North Sea any more, that is for sure. It probably comes from Nigeria, South America or America, but nobody is calling that out.

Mark Ruskell: Surely that is the point of the emissions trading scheme—you have a verifiable and monitored system in which there is agreement on what the emissions are, and you take into account not just what you are burning on the ship but where it comes from. If it comes from Saudi or wherever, you might have a higher carbon footprint.

Kevin Hobbs: Yes—that is what is done.

Mark Ruskell: Right.

Kevin Hobbs: It is not done independently because CalMac knows what it is buying and what it is burning every day.

Mark Ruskell: Okay.

The Convener: Before we move on, I will just comment on the reports that the committee gets. I know that the committee is thankful for those, and they seem to be quite fulsome. From a personal perspective, I am grateful, and I am also grateful from the committee's point of view that you will update us if things are going right or wrong. That is welcome news. I will leave it there.

Douglas Lumsden: I have a quick follow-up to Mark Ruskell's question. There was a recent report about MV Glen Sannox's carbon footprint. Can you, today or later, provide us, in writing, with

carbon footprint figures including per passenger, per car and per HGV and make a comparison with the other vessel that it is replacing?

Kevin Hobbs: We could provide that to the committee later. That is a bit of a difficult one, because a lot of the ships go round more than half empty in winter, so how do you make the calculation? The best way to calculate that is, I think, to look at the carbon footprint of the car-carrying capacity of the MV Caledonian Isles versus that of the MV Glen Sannox, for instance. That can be calculated.

Douglas Lumsden: That would be useful, because we have heard details about how methane slip might add to emissions for example. It would be good if you could provide that to the committee.

We have touched on port infrastructure, which I want to return to. On the battery vessels that will be procured, how much work will have to be done to get the port infrastructure ready? What assurances can you give that that will all be in place before any new battery vessels arrive?

Kevin Hobbs: In simple terms, we cannot give such assurances at the moment. We engaged about two and a half years ago with Scottish and Southern Electricity Networks and grid capacity is a problem. It does not really matter whether we are talking about ports or service stations. Grid capacity is a major issue in the UK.

We are aware of—let us call it—issues in relation to some of the ports that will have the small vessels and whether electricity will be available. The transformers, the cable-handling devices and all the rest of it can certainly be provided, but getting the prerequisite amount of power from the grid to the port is a problem.

I will take one example, which is a complete outlier. Lochaline has a potential problem. The grid is not getting the power to the port. I believe that 100 miles' worth of new pylons are needed all the way through Scotland up to Fort William to enable that to be reinforced to give Fort William, Lochaber and Skye the amount of power that is needed in the future, and we are part of that mix.

In all honesty, I cannot give you a 100 per cent guarantee that, when every one of the vessels turns up, they will be able to connect to the grid.

Douglas Lumsden: Is it really wise to advance the procurement of battery vessels when the infrastructure is not there to support it? You cannot give us any assurance that the infrastructure will be there. You mentioned diesel generators. I guess that there is a risk that it might be diesel producing the electricity to charge the batteries.

Kevin Hobbs: Or Aggreko generators or something.

We have to face into that. We are doing everything that we can with SSEN to make sure that the power is there. We have seven different ports, and because all those ships have a broadly common platform, we can make sure that we can modify where the electricity will be earlier versus later, but I cannot guarantee that all seven will have the power.

Structurally, the vessels are being designed to last 30 years. Jim Anderson alluded to the fact that current batteries have a lifespan of up to 10 years, whereas for traditional propulsion systems, a main engine would be put in the vessel for the full 30 years. We are, within the business cases, having to say to the Scottish Government and Transport Scotland that, basically, we need to allocate funds every 10 years to replace the batteries on the vessels.

Ultimately, if we do not have power at a particular port for the first year or 18 months of the vessel's life, that is a very small percentage over that 30-year period in which it might be carbon burning as opposed to electric. A year and a half of 30 years would be 5 per cent of its life. One or two of them might need to have an alternative fuel source.

Douglas Lumsden: What cost estimates have been done in relation to how much will be required to get the ports electrified to support the new vessels?

Kevin Hobbs: We have all the numbers.

Douglas Lumsden: You have all the numbers.

Kevin Hobbs: Yes. There are quotes, as well as what are called firm quotes and non-firm quotes. How can I explain this without getting told off by Mr Doris? [*Laughter.*]

A quote is when SSEN gives an outline of when it thinks that the power could be there and how much it would initially cost. A firm quote is the most expensive, because it involves feeding in power from two or three different directions, so that if there is a problem with the grid—for example, if the power cables go down due to a storm—there should hopefully be another source coming in. That is very expensive, because it demands whole new pylon systems coming into ports. A non-firm quote is when there is only one source coming in, and that is what we are going for. That is the middle road, really.

There is the platinum standard, and we are going for the gold standard. We are not going for the bronze standard, because the bronze is nothing.

Douglas Lumsden: How much is it going to cost, then, to get the ports up to what is required?

Kevin Hobbs: We will write to you separately on that, because it is a different amount of money for each one of them. Basically, there is the port infrastructure itself and how much it takes to get the power to the port; I do not have those numbers in my head times seven—for the seven locations.

Douglas Lumsden: Okay—it would be good if you could write to the committee with those.

Kevin Hobbs: We should bear in mind that it is not just the small vessel replacement programme—over and above that, all the major ports were asking to be electrified overnight for when the ships are actually alongside, as in Aberdeen, which Kevin Stewart asked about earlier. In the future, we want every port to have the prerequisite power so that, instead of having diesel generators running close to the shore overnight, which gives out emissions and noise pollution, we can plug in all our vessels, big or small.

The Convener: Just for simplicity, it would be helpful for the committee to know, for those quotes, which ports will have overnight power supply, and which are mandatory—that is, the boats that use those ports will need that power supply to charge their batteries. That would be a useful breakdown. I am sorry to jump in there, Douglas.

Douglas Lumsden: No—thank you, convener.

Kevin Hobbs: That will be the seven plus the three in phase 2.

Douglas Lumsden: Moving on slightly, but still on port infrastructure, I turn to LNG storage. Is there any budget anywhere to provide LNG storage for the Glen Sannox and Glen Rosa?

Kevin Hobbs: Yes, but we cannot install it at the moment, until we know which port we are going to.

Douglas Lumsden: Yes—whether it is Ardrossan or Troon.

Kevin Hobbs: It is a mainland port, but the way that these things are constructed means that, once we construct and install them, and get them down to the temperature, we cannot move them anymore. It is not as simple as saying, “Let’s get something, put it in Troon and then move it to Ardrossan later.” At the moment, we are in a bit of a catch-22 situation.

Ultimately, what was envisaged was that if Ardrossan was our port—obviously Ardrossan is not our port, and neither is Troon, for that matter—we would be putting the permanent port solution in place there now. However, we cannot have a situation in which we put in a permanent solution and then we have to scrap it all and replicate it a second time in several years’ time.

Douglas Lumsden: When will the decision be made on where the permanent port will be?

Kevin Hobbs: When there is a solution to Ardrossan.

Douglas Lumsden: Are you responsible at all for that, or is it down to Transport Scotland or someone else?

Kevin Hobbs: It is owned by Peel Ports Group—it is the one private port in the lifeline ferry service network.

Douglas Lumsden: I understand that bit, but who is negotiating with Peel Ports to see whether the permanent solution is going to be there or somewhere else?

Kevin Hobbs: We are the eyes and ears, and the advisers, for Transport Scotland.

Douglas Lumsden: When will you be making that decision, then? When will you be advising Transport Scotland of when—

Kevin Hobbs: We cannot force Peel Ports to sell a port, so I cannot give you a date, but there are active discussions on-going.

Douglas Lumsden: I am just trying to get back to when there will be a decision on LNG storage, and of course that decision is not going to be made until that is done, but there seems to be no timescale in place.

Kevin Hobbs: It is frustrating for you and it is frustrating for us—and, I guess, it is frustrating for the communities.

Douglas Lumsden: It is frustrating for the users.

Kevin Hobbs: Absolutely. I am sorry that I cannot be more definitive. Again, we could write to you if there is any white smoke on that front in the future.

The Convener: It has been on-going probably since 2018, when it was identified—

Kevin Hobbs: No—since 2014. A mere 11 years.

The Convener: Since 2014—that is even longer. So there we go; we are into 10 years of long and protracted negotiations.

I am looking around to see whether there are any other committee members with questions.

As there are not, I go to Sue Webber. Good morning, Sue.

10:45

Sue Webber (Lothian) (Con): Thank you very much for the invitation to attend. Before I come to my other questions, I will pick up on what Mr

Lumsden was talking about. As far as I am aware, the Ardrossan port project is trying to get agreement between Transport Scotland, which you have said you are advising, North Ayrshire Council and Peel Ports as to the cost apportionment of the tender process. Where are we with that element of those discussions?

Kevin Hobbs: In the middle of nowhere at the moment. My understanding is that the minister will make an announcement on that in the coming months. I cannot say; I genuinely do not know.

Sue Webber: This is what I am trying to say. You say that you are advising Transport Scotland, so who is driving the timeline and the dragging of the decision or any movement on the project in terms of the tender process and the start time of the project?

Kevin Hobbs: It is slightly tricky. As you say, the tripartite is Transport Scotland providing some money, Peel Ports owning the port and providing some money, and North Ayrshire Council being a partner with Peel Ports and providing some money. At the moment, let us just say that those amounts of money are ebbing and flowing between the three parties, which makes it very tricky.

Sue Webber: We will just have to wait. It seems an awful long time.

I want to go back to something along the lines of what my colleague Bob Doris spoke about. I am from the city, and I find it difficult, as I am sure many people do, to really understand what the ferry services mean to the islanders and how critical they are to their daily lives.

For context, I am the ex-convener of the Education, Children and Young People Committee, so I am deeply concerned to learn that there are 14 young people who live on Iona and go to Oban high school but who will no longer be able to attend school five days a week. They will only be able to go to school three days a week, which is down to the fact that the aid to navigation—ATON—at the Bull Hole is not functioning. That means that the ferry services can operate only in daylight hours. It also means that any Iona resident who needs to go to the mainland needs an overnight stay, whether it is for the dentist, hospital, banking or all sorts of things that I can just get on a bus to go and do. That is having a massive impact.

I gather that the ATON should be inspected every six months, but I have seen the pictures of what it looked like in September, and there is no way that anybody got to the top of that to do that inspection. I am perplexed as to why we are in a position where we are waiting on a suitable work boat to deploy the new buoy. The timelines and those small things make it absolutely catastrophic

for that community. What might you want to say to those families who are living on Iona and to those 14 children who cannot go to high school with their pals?

Kevin Hobbs: None of us in CMAL or CalMac comes to work every day to mess up an island community. That is for sure.

It is true that that particular aid to navigation has failed. We recognised when it failed. We ordered the bits of kit that were needed to replace it. It will be replaced in a slightly different fashion and not sat on top of the rock any more. It will be a buoyed solution. Contracts or orders were placed throughout the world to consolidate all of the prerequisite parts. Those are in the UK now, and I am hoping that, today, they are in or close to Oban, in a place called Gallanach, where one of our long-term contractors is able to assemble what is needed and then look at weather windows to get out there and do what is needed.

We are not sitting on our hands doing nothing. Things go wrong from time to time. It is not the sort of thing that you keep on the shelf. We keep a lot of major equipment on the shelf in case equipment fails, but this type of situation is a bit of an outlier because it is not common. We keep fenders and navigation lights—not navigation buoys—for all our ports in stock, but that particular kit is a complete outlier. I do not want to get into the details of this, but that particular aid to navigation is a category 2 aid, and it is not compulsory.

Sue Webber: That aside, I have seen the images of what it looked like. From what I saw, the six-monthly inspection programme had not been taking place. It is a real shame that we have come to this critical—

Kevin Hobbs: Through freedom of information, we have been asked to show the maintenance records—the inspection records—and that is what we will do. It has been inspected.

As I said, we do not come to work to mess up island communities. Our sole purpose in life, in every respect, is to make sure that, with the money that we are afforded, we give the best possible services that we can to every island.

Sue Webber: As I said, I am just trying to bring the issue alive, so that people can understand what the ferries mean to communities.

Can I go back to some of the procurement decisions? Is that okay, convener?

The Convener: Please say that again.

Sue Webber: Am I okay to carry on with other questions?

The Convener: Yes.

Sue Webber: As someone who is familiar with the PCS system, having worked in healthcare and submitted contracts for 30 years, I am curious. You spoke about quality being 60 per cent and commercial being 40 per cent. Is there a weighting for sustainability in there, at all? If so, what proportion would that be? To what degree are you allowing variations on contracts? You also mentioned that you had visited the six sites. What influence do your visits have on the decisions to award the contracts?

Jim Anderson: The visits were really for us to verify that everything that was presented to us during the SPD stage was the case—that the shipyards were who they said they were and were doing what they said they were doing. We were very comfortable with what we saw at all six shipyards.

What was your other question?

Sue Webber: I was asking about a sustainability weighting. We have heard a lot from colleagues about everything in the net zero space. When I used to submit contracts, there was a question about sustainability, and that was given a weighting.

Jim Anderson: We build that into the technical specification for the shipyard—that is not just about sustainability but about the performance of the vessels. There is a weighting there, too, for the—

Sue Webber: You said that you had everything specifically—

Jim Anderson: We have a breakdown of each weighting for each component.

Sue Webber: You mentioned putting in a spec. Do you allow for variations, or does everything have to be as set out? What degree of variation do you allow?

Jim Anderson: We put in quite a detailed specification, but it is really about performance. If a shipyard wants to deviate from the specification, it has to inform us why it intends to do that, so that everyone is basically on the same page when it comes to—

Sue Webber: Someone could give you something that is better than your specification, if they wanted to.

Jim Anderson: Yes. That is part of our evaluation. Hopefully, we are improving every year as we go forward. We have had a lot of input from procurement specialists, including on the legal side, on how we evaluate and on how we make clear our criteria when we do the evaluation. For example, if someone gets a score of 7 or an 8, that is against a clear set of criteria.

Sue Webber: Do you give them that feedback on award?

Jim Anderson: Yes.

Sue Webber: You said that the deadline is 24 January, but when are you looking to award the contract?

Jim Anderson: By the end of March.

Sue Webber: Okay. Thank you.

The Convener: There are just a couple of final questions from me. Kevin Hobbs, there has been discussion about a member of CMAL who was employed by Ferguson Marine and how that was funded. Specifically, the operations officer was transferred across, I think—or was he still paid? I am talking about Andy Crossan. Will you explain that to me? I am not sure that I followed what the Auditor General for Scotland said about that or what has happened.

Kevin Hobbs: I can tell you what we know but, for obvious reasons, I will not go into specifics in relation to people and human resources in CMAL.

When David Tydeman arrived at the yard—in February 2022, I think—he approached Jim and me quite quickly and said, basically, that he did not think that his team was strong enough and that he wanted to second someone. Originally, he asked for Jim, and I said, no, thank you very much.

Without going into specifics, we agreed to second a person over to Ferguson's and a formal secondment agreement was signed at that time, which was towards the end of February or early March 2022. Effectively, the agreement was for CMAL to continue paying that person. We are part of the pay policy unit, so we cannot give people bonuses or vary outside of pay policy, but the arrangement was that, because that person was being seconded, Ferguson's would, through its payroll, give them an uplift for the work that they were going to undertake. That was very clear and laid out in a secondment agreement.

Everything basically went pretty quiet from that point onwards. There was a point in the middle of the secondment contract when there were some hefty accumulated holiday periods. Those holiday periods have to be taken within our own HR world within CMAL. That person took about five weeks' holiday. My understanding is that that was paid separately for that person to continue working within Ferguson's.

The Convener: Just help me out here. If you second somebody, they are still employed by you. Is the money that that person cost paid to you for you to pay it to them or is it paid directly to them from Ferguson Marine?

Kevin Hobbs: No, it is paid directly from us. The original contract is paid from us. There was a top-up, which was paid through the Ferguson's payroll, which was noted in the secondment agreement. If you look at the section 22 report, which is what you are referring to when you say that you are confused, that is the £36,000 annually, which is the first line of that section 22.

We then fast-forward to David Tydeman being dismissed. I was approached by David Dishon, who was at the committee before Christmas, as the accountable officer. He came to me and said, "What do you know about the arrangements that were made in regard to Andy?"

The Convener: Sorry, I missed that. Was that before Christmas this year or last year?

Kevin Hobbs: No. It was in the summertime of last year—2024—when David Tydeman lost his job. A week or so later, I was approached by—

The Convener: Sorry, I thought that it was earlier than that.

Kevin Hobbs: When was David—

The Convener: Andrew Miller told us that the search for a new chief executive started on 30 November.

Kevin Hobbs: I do not have a clue.

The Convener: That was 2023.

Kevin Hobbs: Maybe.

The Convener: Just to clarify, before Christmas 2024, you were approached by David Tydeman. However, he had gone by then. Is that correct?

Kevin Hobbs: No, no, no. Basically, David Tydeman asked for a secondment agreement in February or March 2022. That was a formal agreement between CMAL, Ferguson's and the individual. If there was a variation to that, it should have been brought forward by Ferguson's, which should have said that it wanted to change the arrangement. That never happened.

David Tydeman lost his job some time in the middle of 2024, I think. A couple of weeks after that, I was approached by David Dishon, who was the chief financial officer and then became the accountable officer. He asked whether I could tell him what arrangements had been made in relation to that secondment agreement. I just got the secondment agreement from a file, printed it, handed it to him and said, "That is what it was." Then he asked whether there were any formal variations to it and I said, "No, never." That is when, effectively, I found out that private arrangements had been made between CMAL's employee, Ferguson's and, I think, probably personally, David Tydeman.

The Convener: Was that agreement to pay money to a company?

Kevin Hobbs: No, the secondment agreement said that we would continue to pay Andy Crossan his full salary and that there would be a top-up that was paid through the payroll of Ferguson's for IR35 purposes.

11:00

The Convener: You were surprised when you heard that he was getting more money than you thought that he was getting.

Kevin Hobbs: I was surprised, yes, and there were other emotions. Let us just say that I was not very happy, and I do not think that Jim Anderson was very happy either.

The Convener: Where is Andy Crossan now?

Kevin Hobbs: I do not know. When he left Ferguson's, he basically decided to retire. He was on the cusp of 67.

The Convener: Did he end his secondment or did Ferguson Marine end it?

Kevin Hobbs: Ferguson Marine ended his secondment and he came to us and retired.

The Convener: He came back to you and then retired.

Kevin Hobbs: Yes—well, I say that he came back to us, but he did not ever set foot in the office to work again. He retired.

The Convener: It just seems a bit strange. I cannot really follow what happened or how it all happened without anyone knowing about it, or how an organisation has allowed somebody to move across so that they do not have to form part of the public pay awards process. It seems odd.

Kevin Hobbs: It was all completely documented and legally checked, so, for me, it is not odd. It is a secondment agreement. However, if individuals, whoever they are—whether they work for a company or are employed as individuals—do not say what is going on, I cannot know what is going on. I have not got a crystal ball. If I did, I would not be sitting here because I would win the lottery every week, wouldn't I?

The Convener: I understand that, but what I would say is that, if someone is seconded, and additional money is being paid to that person by the person that seconded them, and the secondee's company does not know about it, I think that that is quite odd.

Kevin Hobbs: So do we. I am not saying that it is anything other than odd, but I do not have a crystal ball. The contract says that any variations need to be exposed, but that did not happen.

The Convener: My final question is for Jim Anderson. I accept Kevin Stewart's point that we have ended up with a better boat than we had before in terms of serving Arran. However, as I understand it, we now have a heavier ship that is carrying less cargo and fewer passengers—although it is able to carry more cargo and passengers than it normally does, but that would mean that it would sit deeper in the water, which would mean that it could not get into other harbours—and is using more fuel, with a greater carbon output. Is that an accurate summary, or have I got that wrong?

Jim Anderson: That is not completely accurate.

The Convener: Not completely.

Jim Anderson: We have achieved a vessel weighing 791 tonnes, which is more than adequate for the needs of that route and other routes. If we take what that ship can carry in the way of HGVs and fuel, it more than covers the worst case at 3.45m draft. The original dead weight of 877.95 tonnes was not achieved, but that included a degree of margin, which is always quite a sensible thing to put in.

The ship does everything that it needs to do at the 791 tonnes.

The Convener: Okay, so my comment is, if that had been known and designed in as part of the original contract specification, other yards could have been considered in the tender. However, that was not the case, and they had to work with that tender, and you have accepted a compromise.

Jim Anderson: When the original ITT went out, it asked for that same dead weight. We do not know what we would have ended up with if we had gone to another shipyard. Again, estimating the weight of a ship is critically important, and probably the hardest part of the job of a naval architect is to estimate the weight precisely to the kilogramme, which is why you always allow a margin.

The Convener: I think that the margin was 10 tonnes. I look forward to seeing whether the ones that are being built in Turkey are given the same leeway as the Glen Sannox has been.

I thank you for attending for this session—which has been slightly longer than we anticipated—and for agreeing to come back to us on various bits of evidence.

We will have a five-minute suspension before the next item.

11:04

Meeting suspended.

11:11

On resuming—

Great British Energy Bill

The Convener: Item 3 is an evidence session on the Great British Energy Bill. The Scottish Government has provided a legislative consent memorandum on the bill, which is a UK Government bill at Westminster. The memorandum, which was lodged on 8 August 2024, set out a holding position on whether the Scottish Government supported provisions in the UK bill that are in areas of devolved competence. The memorandum did not go into much detail at that stage, which was fairly understandable because the bill was in its early stages. The Scottish Government has not provided the substantive update that the committee and the Parliament need to properly engage with the questions of consent in relation to the bill.

Meanwhile, the bill has been proceeding through the UK Parliament. Time for the committee to report was beginning to run short, so, with that in mind, I invited the Scottish Government to give evidence today, despite the fact that we do not have the supplementary memorandum. However, I am very grateful to the acting cabinet secretary for providing an update on the Government's position on the bill by letter after the invitation was sent.

I would like to put on record that I am sorry that we kept you waiting slightly, cabinet secretary, but the last evidence session ran on. I welcome Gillian Martin, the Acting Cabinet Secretary for Net Zero and Energy and, from the Scottish Government, Emma Shepherd, the unit head of public and community energy; Norman Macleod, senior principal legal officer; and Natalie Hakeem, the energy engagement team leader. Cabinet secretary, I think that you want to make a short opening statement.

The Acting Cabinet Secretary for Net Zero and Energy (Gillian Martin): Thank you very much, convener. Happy new year to you all. I thank you and the committee for inviting me to discuss our approach to the UK Government's Great British Energy Bill as well as our reaction to the bill and some of the discussions that we have had with the UK Government on aspects of the bill.

The UK Government has said that GB Energy has been designed to do four things: the production, distribution, storage and supply of clean energy; the reduction of greenhouse gas emissions from energy produced from fossil fuels; improvements in energy efficiency; and measures for ensuring the security of the supply of energy. Many of the bill's objectives, particularly the

production of clean energy, are already commercially under way in Scotland, and I am keen to investigate how Scotland can benefit, given our current advanced status as a green energy-producing nation.

We already have a strong pipeline of clean energy and a growing supply chain. We are at the forefront of floating offshore wind development, and we have a depth of knowledge and experience of community and local energy.

11:15

To date, I have had very positive discussions with the UK Government about the role of GB Energy and how it will dovetail with our already well-established activity, communities and sectors. Those positive discussions have been framed by the joint vision statement that I signed with the secretary of state in late summer last year, which commits the Scottish and UK Governments, alongside our public bodies, to working together to maximise the public benefit of GB Energy's activities in Scotland.

The bill will provide a statutory basis for Great British Energy as a publicly owned and operationally independent energy company and will give the UK secretary of state the ability to provide financial assistance to GB Energy to enable it to become operational.

Since our legislative consent motion was lodged in August, my officials and I have taken part in many discussions on the bill with the UK Government. I am grateful to my UK Government counterparts for the positive tone of those discussions.

The Scottish Government is broadly supportive of the bill, and we have been working closely with the UK Government to ensure that it delivers for the people of Scotland. However, there were issues with two clauses that we wanted to iron out. Our negotiations on the bill focused in particular on clause 5(4), which concerns the level of engagement that the UK secretary of state would have to have with the Scottish ministers when preparing a statement of strategic priorities for Great British Energy. I am keen to ensure that the bill contains proper recognition of devolved interests and that the Scottish Parliament has opportunities to scrutinise matters within its competence.

I am pleased to say that discussions have progressed well, and I have emphasised to the UK Government the importance of tabling the relevant amendment in a timely manner, so that we are in a position to give legislative consent to the bill. That will allow the Scottish Parliament and this committee to have sufficient opportunity to scrutinise the bill. We will lodge a supplementary

legislative consent memorandum once the UK Government has tabled the amendment that we have been negotiating on.

I will continue to work with counterparts in the UK Government as its plans for GB Energy progress, not only in relation to the bill but once it has been passed. I look forward to answering the committee's questions.

The Convener: Thank you. I should point out that the committee has written to the UK Government to ask whether it would like to give evidence to the committee. I am sure that someone will be listening to today's session on its behalf, and I am sure that, when you speak to the UK Government, given the cordial relationship that you have with it, you will suggest that that would be an excellent idea.

I will ask the first question. The LCM sets out that a supplementary LCM will be lodged—you have referred to that today—following further analysis. Can you provide the committee with more detail on the analysis that is being carried out by the Scottish and UK Governments? Can you clarify what each Government will be responsible for?

Gillian Martin: The main issue that I had to bottom out with UK Government ministers was the fact that, initially, Scottish Government ministers would be consulted only on the strategic priorities of GB Energy and would not be asked to give consent.

Given that much of the bill and the activity of GB Energy would be in devolved areas in which we have powers, we thought that it was particularly important that consent had to be given. It took us a wee while to go back and forth on that, but I am confident that we have reached a point at which the UK Government is satisfied that it should table such an amendment. I have not seen the amendments to the bill, as they have not been tabled, but should things go in the direction that I hope they will—I have had an exchange of letters with the relevant UK minister, Michael Shanks, which indicates that our concerns are being dealt with—we will be happy to give our consent.

We discussed that issue as part of our constructive engagement on the bill. There is now an understanding that it is important that we are asked to give consent, for two reasons. If we are asked to give consent, the committee will have the opportunity to scrutinise us on why we are giving—or are not giving—consent to certain things.

The Convener: That is where I have slight concerns—it is about the timescale. Even if you decide not to give consent, if the bill is going to have an effect on the powers of the Scottish Parliament, the committee has a right to look at it.

Can you assure me that the committee will have more than enough time to consider the supplementary LCM before the bill is rushed through the UK Parliament and we get sidelined?

Gillian Martin: There are two elements to that. First, the issue in the bill that we want to bottom out is about consent for strategic decisions on GB Energy's operations in Scotland—there should be a requirement for consent, not consultation. Secondly, there is the legislative consent for the bill. At the moment, I think that the bill is with the Lords. Once it has come through the Lords, we will see what the UK Government is putting forward by way of amendments to clause 5 and to clause 6, which I might come on to talk about, because that is another issue on which we have had discussions.

We will put in place our supplementary LCM as soon as we see those amendments. If they are in the shape that we hope they will be, that will be a very quick process, because we want to give you as much time as possible.

The Convener: You will no doubt have gamed this out to work out how much time you will give us. How much time will you give the committee to look at the LCM and the supplementary LCM once the amendments have been laid? Will it be a week, two weeks or a month?

Gillian Martin: It depends on parliamentary timelines as well. As soon as we see the amendments, we will be able to produce an LCM. We will do that as soon as we can. It looks like we will be supportive of the bill and will want to give consent. The negotiations have come to fruition and, if the amendments are the way that we hope they will be, we will produce that LCM immediately.

The Convener: I accept that. I am trying to make it clear that the committee wants and needs proper time to consider the matter. Even if you are happy to give consent, there is a procedure to go through. Part of the reason for having this evidence session today is that I am slightly frightened, as I guess the rest of the committee will be, that we might get bounced, given that the bill is making such quick progress through the UK Parliament.

Gillian Martin: My understanding is that the bill will be out of the Lords within the next couple of weeks, and there may be amendments made by the Lords. At that point, there will be amendments from the UK Government. As soon as the UK Government tables its amendments, that will effectively be the starting pistol being fired for us to look at those amendments and give our consent.

The Convener: Okay. I think that I have made my point. I will go to the deputy convener for his questions.

Michael Matheson: Good morning. I want to stick with clause 5 and your concern about the requirement to consult the Scottish ministers in setting the strategic priorities for GB Energy. I take it from what you have said that your request to the UK Government is that there should be a requirement to get the consent of the Scottish ministers. Is that correct?

Gillian Martin: Yes.

Michael Matheson: Can you give a practical example of the type of policy implications that there could be if clause 5 was not changed from a requirement to consult to a requirement for consent in areas of devolved competence?

Gillian Martin: As Mr Matheson will know intricately, Scottish Government ministers have powers to consent to developments of all types in the Crown estate, the sea bed and the landmass of Scotland. If we were to merely be consulted on things that were happening with GB Energy, that would take away from that power. A requirement for consent would dovetail with the consents that come to us.

The issue is really important when it comes to the strategic goals of GB Energy. Initially, when GB Energy was floated as an idea before the election, we all asked about what it would be. I am keen that we are an equal partner in the strategic actions that GB Energy takes. It is not there as a competitor to other operations; it must add to what we already have in Scotland. Having "consent" instead of "consult" would mean that, whatever those strategic priorities end up being, we would be consenting to them.

As the company develops, I want to see those strategic priorities provide additionality to what is already in the energy sector in Scotland and increase capacity in areas where required. For example, I am keen that whatever GB Energy is doing in the community energy space does not reinvent the wheel. We already have Local Energy Scotland, which is an organisation that was set up by the Scottish Government. I do not want to see another body—it would be confusing for the public and I do not think that there is any need for it. I was able to discuss with Michael Shanks how we could work together so that, if we already have vehicles in Scotland for activity that GB Energy is carrying out, we would be able to use those organisations and add the funding to their capacity, rather than have separate entities set up and badged with GB Energy. Those are a couple of examples.

If the strategic priorities require our consent, it means that, as it develops—I do not think that GB

Energy is fully developed yet, but that is the point—we have the proving part in place such that, whatever direction it goes in, it must be with the consent of the Scottish ministers. It is very early days in relation to what GB Energy will achieve.

Michael Matheson: I will pick up on that, so that I am clear in my understanding. I agree with you that, notwithstanding GB Energy's four strategic objectives, there is still some uncertainty about what exactly it is trying to replace or add value to in the existing market. That is still somewhat confusing to me.

I am taking from what you say about the setting of the strategic priorities that there is a danger that, if the Scottish ministers are only consulted, GB Energy could set strategic priorities that run counter to the priorities that the Scottish Government has set; for example, in how it wants to use the Crown estate or in how it might want to go about setting out good practice for community benefits. There is potential for those priorities to undermine some of the things that we already have in place or to work counter to what we are trying to achieve. Is my understanding correct?

Gillian Martin: Yes. There are those examples, but there are other examples as well.

Given the maturity of the sector in Scotland with regard to renewable energy and, in particular, community energy, it is important that we are able to work as a helpful partner. We have already done quite a lot of the things that are being tabled, which are not as mature in other parts of the UK. It comes back to the point about not reinventing the wheel. We already have organisations, strategies and priorities here.

I will give another example. It was in my mind that I did not want a situation in which GB Energy projects would be able to leapfrog any commercial projects in getting grid connection. I asked about that very early on, because we have organisations that are waiting for grid connection, which is the major investment driver for projects that are already under way. I was given the assurance that that would not happen. I want developments to have parity. That is another practical example.

On the types of energies that are happening in Scotland, some areas, for example wave and tidal, are quite nascent technologies. I see GB Energy potentially helping the Scottish Government to close the gaps in nascent technologies that need Government support as they come to commercial fruition.

11:30

I do not think anyone is saying that there are not enough wind opportunities in Scotland. We have the commercial round of ScotWind and we have

onshore wind. However, in wave and tidal, which are still at an early stage—not in technology terms, because the technology is proven, but in commercial and scaling—there is a real opportunity for Scotland to concentrate on areas that we would expect a public body to lift up and assist to reach commercial maturity, in the way that wind has been assisted.

For me, the notion of consent is important in that equal partner relationship. It is a good thing for the UK Government to have our consent. Scotland is so far ahead in the renewables sector and in the work that the Scottish Government has done that we know where the gaps are and where we need added value. We can therefore work as an equal partner in helping GB Energy to set out its strategic priorities when it is operating in Scotland.

Michael Matheson: It is clear that GB Energy, as a body or organisation, is evolving. As it stands, we already give some support to wave and tidal, but commercialisation is a challenging environment for wave and tidal because of the cost base associated with that area. I would be interested to see whether GB Energy eventually has the objective of helping to commercialise some of those emerging technologies. Do you have a formal agreement with the UK Government that it will shift from “consult” to “consent” in clause 5 of the bill?

Gillian Martin: I will wait to see the wording of the amendment before I lodge an LCM, but we have an agreement that that has been taken on board.

Michael Matheson: So, in principle, it has been agreed to.

Gillian Martin: In principle, yes.

The Convener: I think that we are being told that it has been agreed to without that being in writing.

Bob Doris: I just want to check something. Clause 5(3) of the bill says:

“The Secretary of State must lay a copy of the statement, and of any revised or replacement statement, before Parliament.”

That got me thinking about whether we could get agreement from the UK Government about the current set of strategic priorities. The Scottish Government has to agree to those priorities as they relate to devolved matters. However, the deputy convener talked about an evolving situation. In 18 months' time, or in two or three years' time, the UK Government may reset its strategic priorities. Is it the Scottish Government's position that this is not a one-off consenting process for strategic priorities but that, under clause 5, it is an on-going process?

Gillian Martin: That is effectively what I mean by future proofing. GB Energy will be a publicly owned company. It has highlighted its five strategic priorities, but they are very wide, and we want to give our consent to them as they evolve.

Clause 6 enables the secretary of state to give direction to GB Energy. At the moment, clause 6 says that the secretary of state should consult GB Energy and

“such other persons as the Secretary of State considers appropriate.”

We have asked for an assurance that the Scottish Government will be specifically included in that list, so that is another area where we have reached agreement.

Bob Doris: I do not doubt the good will on both sides. However, you talked about future proofing. The strategic priorities are set out at a very high level, and then they will become regionalised, localised and sector specific. They will be realised and have practical implications on the ground across a range of devolved areas—in a positive way, I hope. Agreement to high-level strategic priorities may become detached from the decision making and what happens on the ground. What confidence do you have that the Scottish Government will remain an equal partner in the process, when agreement has been sought and secured from it in relation to the high-level strategic priorities?

That brings us back to clause 6, which talks about directions to GB Energy. In the future, the Scottish Government may think that those directions are at odds with the high-level priorities that it has signed up to. Will you seek to give consent to, or to be consulted on, any directions that are given to GB Energy or its partners under clause 6?

Gillian Martin: The concerns that you have just outlined are the same as my and the Government’s initial concerns when the draft was put in front of us. That is why we have worked so hard to ask for a change to the wording in clause 5 and to get agreement in clause 6 that we will be involved in the consultation around the direction that is given to GB Energy.

I feel confident that the change from “consult” to “consent” will allow future proofing to happen. I am also heartened by the willingness of the chief executive officer, Juergen Maier, to engage with me and the First Minister very early on in his appointment, and to talk about working together. There is also the Secretary of State for Scotland. It will be good for both Governments to have a relationship where consent is in statute, because that will ensure that the Scottish Government is treated as an equal partner.

There is a recognition that the Scottish Government is well ahead—particularly with the work that we have done with Crown Estate Scotland on ScotWind and so on, our onshore wind sector deal, our hydrogen strategy and community energy with the community and rural energy scheme. We are not just an equal partner but—I hope—a source of advice on how GB Energy will best operate in Scotland. From speaking to Juergen Maier, I certainly get the feeling that that will be the case. I have also offered that expertise and discussion to ministers, throughout the process of creating GB Energy. That is why I want the amendment to include the word “consent”.

Bob Doris: Does “consent” relate to clause 5 but not to clause 6?

Gillian Martin: No. I wrote to Minister Shanks on 16 December, and we have sought agreement from the UK Government on the wording of clause 6. Discussions on that are still taking place but are very positive. At the moment, clause 5 is pretty much nailed down; we are still in discussion on clause 6, but I am hopeful.

Bob Doris: Your UK Government counterparts should be following this scrutiny session, so—

Gillian Martin: I am being careful, because I do not want to pre-empt anything. It is important that we see the wording of the amendments before we can say that we are absolutely satisfied.

Bob Doris: I will give the briefest preamble to my final question. I do not doubt the good will and common cause in relation to the Secretary of State for Scotland, the Scottish Government or the CEO. I am not trying to be a fly in the ointment either; I am just trying to do my due diligence in relation to scrutiny. However, of course, secretaries of state come and go, cabinet secretaries come and go—

Gillian Martin: That is true.

Bob Doris: CEOs come and go, and what is left is what is in statute—and that is what we have to scrutinise. I would be keen to see the word “consent” in clause 6 as well. I would also be keen to see how the approach will be reviewed in the future in relation to whether the powers that are passed to the UK Government on an operational basis do what it says on the tin and give us the outcomes that we want. It is important for the committee to get a balanced view on the passing of the powers, or on recommending that the powers be passed via an LCM to the UK Government.

Gillian Martin: We have concentrated on the areas that have devolved implications, particularly in clause 5, but not so much in clause 6, which is about the company more generally, rather than about acting in the Scottish space. We have had

those discussions. Clause 5 is the one that we really had to get “consent” into, because that makes the most material difference in terms of things happening in the devolved space and some of the issues that Mr Matheson brought up.

Bob Doris: So, you have on-going discussions on clause 6.

Gillian Martin: Yes.

The Convener: The next questions will be from Monica Lennon. Sorry, Monica. I do not know why I sound surprised—I had lost you on my list.

Monica Lennon: Yes, I am still here, convener. I have a question about the issue of alignment with the European Union, because the LCM stated that the position on EU alignment would be looked at

“as part of further analysis.”

Has that analysis been carried out? Are you able to say whether there are any implications for alignment with the EU?

Gillian Martin: Yes. We look at EU alignment in absolutely everything that we do, both in terms of whether we give consent and in terms of our own bills. Nothing in this bill suggests anything in relation to EU alignment, so I am content in that area. It is a short answer, but effectively there is nothing that is an issue.

Monica Lennon: Okay, that is straightforward.

I have some questions that can be asked later, convener, but that is all that I wanted to ask on that issue.

The Convener: Douglas Lumsden has some questions.

Douglas Lumsden: I want to ask the cabinet secretary about the 200 jobs in Aberdeen that GB Energy has announced. Has GB Energy provided you with any more information on what those jobs will be?

Gillian Martin: No. I am glad to hear that the UK Government has been invited to the committee because that level of detail is for it to provide and those questions are for it to answer. There have been high-level announcements and statements about what it will mean in terms of jobs for the area, where the offices will be situated and so on. We were very pleased that Aberdeen was chosen as the headquarters, but what that means in reality in terms of jobs—forgive me for saying so—is a question for Minister Shanks, as are questions around how the priorities might take shape.

Douglas Lumsden: Would you expect to be involved when that head office is communicating with organisations such as the Scottish National Investment Bank, the marine directorate and Crown Estate Scotland? Would the head office

come through yourselves before engaging with them? How do you see that working?

Gillian Martin: In the summer, the Secretary of State for Energy Security and Net Zero and I signed a joint vision statement, which is in the public domain, specifically about engagement with Scottish public bodies. Work has also been done by the Department for Energy Security and Net Zero on working with Scottish bodies. It does not want to be in a situation where, going back to what Mr Matheson said, anything butts up against any of the priorities or processes of Crown Estate Scotland or SNIB, for example.

The Crown Estate Bill for England and Wales is currently going through the UK Parliament. We passed our own legislation for Scotland—the Scottish Crown Estate Act 2019—about five years ago, so our Crown Estate is a separate entity, but we would expect that GB Energy will be working with it. We are also keen to make progress on ensuring that there is parity between the Crown Estate in Scotland and the Crown Estate in England in their relationships with GB Energy.

11:45

The recognition that GB Energy will interact with Scottish public bodies, and that we will be kept aware of what those interactions are, was set out in the vision statement.

Douglas Lumsden: We have heard that GB Energy will have a role to play in the development of renewable energy in Scotland. What role do you think that it will have to play in carbon capture and storage and in hydro pump storage?

Gillian Martin: That is a good question. I think that carbon capture and storage will be a separate thing. I do not think that the committee will be surprised to hear me say that, in respect of carbon capture and storage, the GB Energy Bill is not the big-ticket item—that would be track status being given. We have been waiting for years now for track status to be given to the Acorn project, which is—I say this without any kind of bias—probably one of the most advanced propositions for carbon capture and storage. I do not think that GB Energy itself is going to provide the momentum—putting that project on the track 2 status will be the mechanism that will allow it to go ahead.

Again, the committee might want to get UK Government representatives in front of it and ask where they see their role with carbon capture and storage. My understanding, however, is that GB Energy is about energy generation rather than carbon capture and storage.

On hydro, however, you make a very good point. I personally believe that we could do an awful lot more on hydro in Scotland. Again, I do

not know whether that would be in a GB Energy space or whether it would be more about looking at how hydro has been supported more generally by the UK Government. Hydro has perhaps not had the support more generally from the UK Government to enable it to flourish and grow in the way that it should have done. Whether that is for GB Energy to pursue, I do not know; I think that GB Energy will be more project based. If there is a role for GB Energy in projects to do with hydro, again, that is a question for the company itself. There is an awful lot more capacity in hydro in Scotland than we are already realising, so that may be an area that it might want to look at, but, again, that is a question for GB Energy.

Douglas Lumsden: With regard to carbon capture, utilisation and storage, do you think that GB Energy has a role to play in setting up a market for carbon? Perhaps that is where it could add a little bit of value.

Gillian Martin: That has not been mentioned in my discussions. Again, I think that CCUS is separate; I have not had those discussions about CCUS. My discussions have been around the priorities that have been laid out, which are about energy generation.

I am glad that you have brought up that point, however, because it gives me the opportunity to say yet again, on record, that carbon capture, utilisation and storage in Scotland has huge potential but we need that track status. CCUS is another real area of economic growth. In addition, it has always been said in all the reports that have come from the UK Climate Change Committee that CCUS is a fundamental part of helping us to get to net zero.

Douglas Lumsden: This is my last question. We know that GB Energy will not supply electricity directly to households, so will the Scottish Government revive its plans to have a public energy company?

Gillian Martin: We looked at what was required in terms of the legislation around that; it is not something that we are able to do under the current devolution settlement.

The Convener: Mark Ruskell has some questions.

Mark Ruskell: You have mentioned the Crown Estate and Crown Estate Scotland. I am interested in exploring what that partnership working might look like. Would it effectively be a carbon copy of the relationship that GB Energy has with the Crown Estate? Would the relationship with Crown Estate Scotland be similar? Is there currently any detail on what that partnership working would potentially look like?

Gillian Martin: The Crown Estate in Scotland is a separate legal entity, so, as you know very well, Mr Ruskell, there would be a separate bill associated with that. The UK Government is looking to modernise the Crown Estate in England and Wales so that it can be in a position to act, I imagine, more like the Scottish Crown Estate. The UK Government has presumably looked at what we have done with ScotWind in that respect, and at what the Crown Estate in England and Wales needs.

My understanding is that the Deputy First Minister has been negotiating with the UK Government on the Crown Estate Bill, and the Crown Estate has asked us to ensure that there is parity. However, we need to look very carefully at what ends up being in the Crown Estate Bill for England and Wales in terms of borrowing powers, because that would have implications for the limit on our borrowing powers. The Deputy First Minister is working on that.

We always look to see whether the Crown Estate legislation in Scotland is fit for purpose, and we review the governance and the operating model to make sure that it is fit for purpose as things progress. We optimise that role in value creation.

At the moment, our view is that we should keep an eye on the legislation on the Crown Estate in England and Wales and see if there is anything in that bill that we would like to adopt when we look to our legislation, but at the moment, we do not know. I think that it is getting a reading tomorrow—is that right? It is definitely upcoming. The Deputy First Minister is leading on that.

Mark Ruskell: Do you anticipate our legislation needing any changes in the short-to-medium term to make sure that there is not a situation where there is a more attractive investment proposition in England because of new powers of the Crown Estate? Crown Estate Scotland would then be playing catch-up due to the borrowing powers limitations that currently exist. I am just trying to understand whether there are risks there, and, if there are, how quickly those could be mitigated.

Gillian Martin: I do not think that there are any risks. I have the programme for government here, which says:

“Reviewing Crown Estate Scotland’s governance and operating model to ensure it optimises its unique role in value creation and growing sustainable wealth for Scotland through helping deliver the supply chain side of the offshore renewable energy expansion. This will benefit communities and mitigate against climate change and biodiversity loss.”

That will not necessarily need any legislative change; it is about governance, the operating model and working with Crown Estate Scotland in that area.

The situation with regard to giving borrowing powers is quite complex. We do not have the powers to give Crown Estate Scotland borrowing powers. If borrowing powers are given to the Crown Estate in England and Wales, we would need to have a discussion about what that meant for Crown Estate Scotland and whether it wanted to go down the same route.

We would prefer that any activity and funding associated with the Crown Estate also came to Scotland. That is what we are looking for in relation to parity. We do not want to lose any funding.

Mark Ruskell: You would prefer a level playing field.

Gillian Martin: It is about having a level playing field, yes. As I say, the Deputy First Minister and Mairi Gougeon, who has responsibility for the Crown Estate, are leading on that. Again, the GB Energy Bill does not have much about the Crown Estate, but the Crown Estate Bill that is going through the UK Parliament does.

Mark Ruskell: Thanks for that. I am thinking about where we are with our energy policy and the energy strategy just transition plan. Is that, in its draft form, well aligned with the objectives of GB Energy? If GB Energy feeds into the energy strategy just transition plan, would there be a need to update it on the back of GB Energy coming into some form of existence, or is everything well aligned anyway?

Gillian Martin: There are other things. GB Energy is a consideration, but there is more than just that. We have a new UK Government that has very quickly become quite active in the energy space, particularly in consultation with us. We have had discussions about things such as community benefits. We have long been calling for the mandating of community benefits and having guidelines associated with consultation with the public. We are doing our own, because we are not waiting for the UK Government, but we want to work with the UK Government on any of its plans in mandating all that.

There has been quite a lot of policy shift from the UK Government, and the impact of that is why we have not published our energy strategy. We are coming to grips with that, and we are involved in it.

GB Energy is not feeding into our energy strategy, but our reaction to the policy shifts from the new UK Government has been taken into account. There is quite a lot there that we have to grapple with, and it is making a material difference to some of the things that we have in the energy strategy. We do not want to publish an energy strategy that goes out of date.

Mark Ruskell: GB Energy will be quite closely aligned with GB Nuclear. Is there an acceptance in the UK Government of this Government's policy on nuclear in national performance framework 4?

Gillian Martin: Yes. There is no agreement. We have a different policy on nuclear to that of the Labour Government, but there is acknowledgement that we do not want new current technology nuclear developments in Scotland.

Mark Ruskell: Consenting planning would be the Scottish Government's role in relation to that. Is it unlikely that we will see GB Energy and GB Nuclear looking at investment models for small modular reactors in Scotland, or eyeing up spaces for new nuclear or extensions?

Gillian Martin: You rightly point out that we have the consenting powers associated with that. Our policy is well known.

Mark Ruskell: Do you think that it is unlikely that GB Energy would be working on nuclear in Scotland?

Gillian Martin: That is a question for GB Energy, but there are things in our policy that mean that consent will not be given for new nuclear with the current technologies, for all the reasons that are on the record.

Mark Ruskell: Indeed. It is highly unlikely.

The Convener: Monica Lennon might have some questions on this, although I cannot see her on the screen. There she is. Monica, I think that you have some questions on this.

Monica Lennon: Thank you, convener. Mark Ruskell has covered a lot of the ground, but I will stick with the energy strategy and the just transition plan, which we all look forward to seeing in its final version. Cabinet secretary, can you give an update on what recent engagement has been had with trade unions and whether it is the Scottish Government's aspiration to see collective bargaining agreements across the supply chain?

I have been speaking to the RMT union and to other trade unions and I am a member of the RMT parliamentary group. There is just a concern that collective bargaining agreements might not be in place for offshore wind and offshore oil and gas supply chain jobs. Is there anything that you can say today on that?

Gillian Martin: I had a meeting on that with the Scottish Trades Union Congress and relevant union heads in St Andrew's house—I think it might have been in July or August. They wanted to feed their thoughts into the draft energy strategy and just transition plan in person, and they also made those points to me. The issue will sit more within the just transition plan space.

Again, I am not going to pre-empt what will be in the plan when it is launched. Given what I have just said to Mark Ruskell, the matter has been looked at, particularly in relation to the energy strategy, given what has been happening in the UK space, not just with policy but with some of the issues that have been brought up and decisions that have been made around legal proceedings, if I can put it that way. All I can say to Ms Lennon is that we engage with the unions all the time on the matter, and I had that specific meeting with them to go through some of the issues that she mentioned.

12:00

Monica Lennon: I appreciate that answer.

Given that we are talking about energy and the just transition, it would be remiss of me not to ask about Grangemouth. I know that you have had close discussions with the UK Government about GB Energy and everything adjacent to that. Now that we are into 2025, are you able to update us at all about the future of the Grangemouth refinery and the jobs and supply chain there? Could anything that has been discussed about GB Energy and related work give some fresh hope to the workforce and community?

Gillian Martin: I had a meeting yesterday with the secretary of state and representatives from Petroineos. The company is going into stage 2 of its consultations with the workforce. It is starting to have one-to-one meetings with members of the workforce, particularly those that it has not been able to redeploy.

I have asked for more detail from the company on the workforce that it is retaining for the import terminal, the shutdown of the refinery and the processes that are associated with that shutdown. I have also asked for information on people who have other employment, whether in other parts of the Grangemouth industrial complex or elsewhere. Petroineos said that it would try to provide that for me, because it is important that we know what is going on there.

I am also due to have a review of the study that has been done. I refer to project willow, which is looking at the various commercial opportunities for the Grangemouth site. It is far advanced. The secretary of state had his discussion with Ernst & Young on that before Christmas. Mine is due next week, so I will be able to have a lot more discussion about it. Once that study is published, it is our aim to work with the UK Government, Petroineos and any potential investors that we have in the UK and Scotland on some of the opportunities that there will be for that site.

Some of those opportunities are exciting. I look forward to hearing more about the detail of project

willow. It says to me that there are, initially, four or five particular streams of opportunity for what that site could become that could be really exciting for Scotland, the rest of the UK and the workforce at Grangemouth.

Monica Lennon: It sounds like you are feeling optimistic for the future. I am not sure whether the workers and their families are feeling excited. I think that they are incredibly worried.

The just transition plan and energy strategy are not ready yet. There are opportunities that can be grasped, but is there a risk that the action and strategy will come too late? We have talked many times in the chamber and in committees about the fact that, if we do not deliver a just transition for the workforce and community at Grangemouth, it will be really difficult to make that real in any other part of Scotland.

What reassurance can you give the committee and the country that we will not miss those opportunities, whether on sustainable aviation fuel or something else? You are having discussions with the UK Government and separate discussions with other stakeholders. How do we, as a Parliament and a country, feel as confident and excited as you feel that we will not miss those opportunities?

Gillian Martin: I do not think that I have worked more closely on anything with the UK Government than I have on the Grangemouth situation. I have also worked with partners in the community of Grangemouth, including the unions, representatives of the workforce, Petroineos, the local council leadership in the area, and the Grangemouth future industry board. I do not think that I have ever been involved in anything that has been so focused on a practical just transition. Both Governments have put substantial funding into project willow but, for us, project willow is not a study; it is a commercial opportunity, and we want to encourage investors to look at it seriously, with a view to the Grangemouth refinery site becoming sustainable, running into the future and bringing massive economic benefit to the country.

The Convener: Cabinet secretary, I have given quite a lot of leeway on this, and I want to try to focus on the legislative consent memorandum. I hope that you will understand that—

Gillian Martin: I understand that, but I do want to answer Ms Lennon's questions.

The Convener: Absolutely. I am sure that you want to take the opportunity, and that people want to know the answer, but I have got to focus back on the LCM. Monica, do you have any further questions on that?

Monica Lennon: No. Thank you for your leeway, convener, and to the cabinet secretary. It

is our first day back, and I think that there is massive interest. We cannot talk about energy and just transition without thinking about Grangemouth, so perhaps the Government will consider making a proposal to the Parliamentary Bureau for a debate in the chamber very soon.

The Convener: I am sure that you have made your advertisement for that well, Monica.

Kevin, I think that you have the last question.

Kevin Stewart: Good morning, cabinet secretary. You said that all of this is early days. I am going to take you back to earlier days—not that much earlier, but to 8 October 2024, when it was stated that there would be 1,000 jobs at the Aberdeen headquarters of GB Energy. Forty-four days later, at a Westminster committee, Juergen Maier said that there will be 200 to 300 jobs. That was on 20 November, and it is a big loss from the 1,000 that was first stated. He also said at committee:

“we have not yet completed what we think the workforce plan is going to be”.

Have you had discussions with GB Energy, the secretary of state, the Minister for Energy Security and Net Zero or Mr Maier, about the workforce plan and what that means for Aberdeen?

Gillian Martin: I have not had discussions specifically on the numbers that you have mentioned. Obviously, they have said that there is going to be employment at the levels that they have projected. Douglas Lumsden mentioned that, too. I think that that is a question for them. Have they overstated the amount of jobs associated with GB Energy?

Given that GB Energy's priority will be the projects, it is quite difficult to put a number on the employment that will come from GB Energy. What were the 1,000 jobs? What were the 200 jobs? Are the 200 jobs associated with the operation of the company or are they associated with the projects? Forgive me, Mr Stewart, but those are questions that I have, too. I really hope that the UK Government takes the opportunity to come and speak to the committee about that kind of detail.

Kevin Stewart: I hope that it does, too, cabinet secretary, because I think that everyone out there—particularly folks in Aberdeen—wants to know that detail. I hope that you will join me in asking those questions as we move forward.

I want to move on to the strategic priorities, which are extremely important. Many of those priorities fall into devolved areas. The Scottish Government has already put hydrogen forward as a priority, and yet I have seen very little from GB Energy or in the bill about hydrogen. Will you give us an idea of what, if any, discussions have been

had about hydrogen and how Scotland will play a part in GB Energy's move forward on that front?

The Convener: Again, I am giving some leeway on the basis that—

Gillian Martin: I can give a concise answer. My discussions with the UK on hydrogen have not been in the space of GB Energy. They have been on the export infrastructure for hydrogen and on how are we going to get hydrogen from Scotland, which is going to be a major producer of green hydrogen, to our customer base, which is largely going to be Germany. We need that infrastructure, and we need to work with the EU on that, as well as on the technical aspects of the standards that are associated with the production and export of hydrogen.

The discussions have not been specifically on hydrogen projects. If GB Energy wants to do hydrogen projects—again, how it might do that is a question for it—I would suggest that there is an opportunity. I do not want to upset the convener by going back to talking about Grangemouth, but there is a big opportunity there for the production of blue, and then green, hydrogen. A lot of that would be made much more commercially viable if we had track status on carbon capture and storage as well.

I have been having those discussions around hydrogen, but not necessarily in relation to my focus on GB Energy, on the bill and on ensuring that we have the consent responsibilities that I want us to have.

Kevin Stewart: Okay. Again on strategic priorities, the national grid is such a priority for GB Energy, and that obviously has implications for infrastructure in Scotland. We have seen elsewhere in the world of late—particularly in Ukraine, with the Russian invasion and attacks—what can happen with the ability to knock out national grids and national infrastructure. With regard to discussions on future consents, have there been any discussions about establishing local grids, rather than there being an overreliance on a national grid?

The Convener: It would help if you could answer that in relation to the LCM, cabinet secretary. We will have another session with you on energy, where I am sure that question can be asked. Without being too much of a killjoy, I would like to try to drive us back to the LCM.

Gillian Martin: GB Energy is not involved in the grid infrastructure. The only discussion that I have had around that is one that I mentioned earlier, in which I wanted to ensure that GB Energy projects would not be able to leapfrog organisations that are in the existing queue for a grid. You raise a very interesting point, Mr Stewart, and I will come

back and speak to you about some of those things—at another session, maybe.

Kevin Stewart: I thank you for that answer.

My final question is about technology development, which will fall into GB Energy's domain. I had the pleasure of attending a meeting with you recently at OSI Renewables in Aberdeen and listening to some of its proposals. What discussions have there been about joint funding for research and development and investment in these projects? Can we be assured that there will be linkages between GB Energy and the Scottish Government's ambitions on that front, and that the resources will follow? Is that part of the discussions that you are having?

Gillian Martin: I want to make sure that a fair share of the investment funding for any technology that goes to GB Energy comes to Scotland, so that we do not reinvent the wheel when it comes to the vehicles that are used to give out that funding. We already have well-established funding streams that have done very well and are oversubscribed. To increase capacity, we need to make sure that the funding that is associated with GB Energy's funding streams in that area is coming to Scotland.

Kevin Stewart: Thank you, cabinet secretary, and thank you, convener.

The Convener: Well done, cabinet secretary, for getting it back to the LCM. I am grateful for that and for your evidence this morning. It slightly extended the area that we looked at, but I am grateful for it.

Before we move into private session, I would like to thank Jenny Mouncer for her service to the committee as she moves on to another job. She will be mortified and embarrassed that I put that on the official record, but I think that the clerks do a huge job of work for us. Thank you.

12:14

Meeting continued in private until 12:37.

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