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- **Meeting of the Parliament 15 March 2016**

## Energy Strategy

- **The Presiding Officer (Tricia Marwick):**

The next item of business is a statement by Fergus Ewing on Scotland's energy strategy. The minister will take questions at the end of his statement, and there should therefore be no interventions or interruptions. Members who wish to ask a question of the minister should press their request-to-speak button now.

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- **The Minister for Business, Energy and Tourism (Fergus Ewing):**

There are few things as important as secure, affordable and sustainable energy provision that delivers the best outcome for Scotland's businesses and consumers. The Scottish Government has a well-established approach to energy: ensuring good stewardship of Scotland's oil and gas resources, while prioritising the long-term development of clean energy sources as part of a varied energy mix and being driven by some of the most stretching legislative targets for emissions reduction in the world.

Today's statement is to update Parliament on the Scottish Government's plans for a new, overarching energy strategy, which I set out when I addressed the chamber last September.

On 1 March, the First Minister and Professor Sir Jim McDonald chaired a meeting of the Scottish energy advisory board and proposed to its members a new approach to energy and a better deal for Scotland. I am pleased to say that there was a very clear consensus in that meeting on the priorities of a new energy strategy. Three things must be achieved. First, there must be a stable, managed energy transition. We must ensure that Scotland has secure and affordable energy supplies in future decades as we address the need to decarbonise our energy system in line with this Parliament's Climate Change (Scotland) Act 2009. The Scottish Government must also continue to support innovation and expertise from our oil and gas industry, the deployment of renewable energy technologies and the development of more innovative and low-cost ways of producing, storing and transmitting energy.

Secondly, we must take a whole-system view of the challenge. By that, I mean that there must be consideration of Scotland's energy supply and energy consumption as equal priorities; we must also build a genuinely integrated approach to power, transport and heat. Our success rests on continuing our good work to make our homes, workplaces and vehicles more energy efficient and more affordable to run.

Thirdly, we must embrace a truly local vision of energy provision by promoting local energy solutions, planned with community involvement and offering community ownership of energy generation, and by delivering a lasting economic asset to communities in every part of Scotland.

Developing our new energy strategy is an ambitious programme, but we have many of the building blocks in place. If re-elected by the people of Scotland in May, we will then set out more detail about the new approach, and a draft energy strategy will be published for consultation by the end of this year to accompany the draft third report on policies and proposals, required by the Climate Change (Scotland) Act 2009, which will set out how Scotland can achieve future emissions reduction targets. In formulating the draft energy strategy, we will draw on the expertise of Scotland's industrial and academic communities. We will also embark on a public dialogue with Scottish communities and energy consumers over their energy future.

As I set out the plans to develop a new energy strategy, I would like to reflect briefly on the Scottish Government's commitment to developing a thriving renewable energy sector, which, in partnership with industry, development agencies and academia, has led to major changes to energy provision in recent years. Almost 50 per cent of domestic demand for electricity is met by renewables. That is up from about 10 per cent only 10 years ago.

Scotland has met the 2020 target to install 500MW of community and locally owned renewable generation capacity. The development of onshore wind—in the right places—has underpinned investment in grid upgrades that will enable us to develop our offshore and marine potential through projects such as SSE plc's Beatrice offshore wind farm, which at £2.5 billion will become, subject to final investment decision approval, the largest infrastructure project in Scotland.

With substantial Scottish Government support, we are on the cusp of two record-breaking projects. MeyGen Ltd is developing the world's largest tidal stream array in the Pentland Firth, with the first four turbines being installed this year, and the next stage of Hywind—the world's largest floating offshore wind project—will be in place by 2018.

We should celebrate those successes, but I am sorry to say that we now face stiff headwinds to continued progress across the full range of Scottish energy priorities. Indecision and inconsistency in energy policy from Westminster are now placing Scottish investment and jobs at risk. United Kingdom Government inaction

continues to threaten the prosperity of the oil and gas industry. We are using our devolved powers to provide support where possible, but I have repeatedly called on the UK Government to do more with its powers over the fiscal regime and over non-tax measures, such as loan guarantees, to support the industry and its highly skilled workforce. I await tomorrow's budget with eager anticipation.

We face an onslaught against renewables from the UK Government with its abrupt and irrational termination of financial support for the best-value technologies, which places Scottish jobs and investment at risk and jeopardises further progress towards our 2020 renewable energy targets. The UK Government has, in effect, chosen nuclear power over carbon capture and storage with its abrupt cancellation of the CCS demonstrator competition, which could have done so much for Peterhead.

Scottish energy consumers—all of our constituents—now face unprecedented risks to the basic tenet of energy provision: secure energy supplies at the best price. Power station closures across Britain—including Longannet, which will close in the next fortnight—continue without the prospect of replacement. The Competition and Markets Authority confirmed last week that consumers are still not getting a fair deal. In a further blow, the UK Government has halved the value of the support that is available to help the most vulnerable in society heat their homes more affordably.

Scotland cannot wait for the Department of Energy and Climate Change and the Treasury to get it right. It would be easier for me to stand here and talk about our intentions for the next session of Parliament, but those issues are too important to wait. We are now acting on some of the programmes that begin to address those major challenges.

The Scottish energy efficiency programme, which follows from the Cabinet's agreement that energy efficiency should be a national infrastructure priority, will provide an offer of support to buildings across Scotland, domestic and non-domestic, to improve their energy efficiency rating over a 15 to 20-year period. It builds upon the success of existing programmes, which, since 2009, have delivered over £0.5 billion to improve energy efficiency and tackle fuel poverty. A new energy efficiency procurement framework, developed with the Scottish Futures Trust, will improve the public sector's energy efficiency to the tune of £300 million.

Our local energy challenge fund last week awarded up to £10 million of funding to nine new projects, all of which explore a new kind of localised energy provision, with innovative technologies and community involvement. Today I am announcing a further £7 million for investment in district heating for the next financial year. That will bring our total investment in district heating to over £17 million.

There is so much economic opportunity and societal benefit for Scotland in that new approach, and securing the benefits must be a shared endeavour. I hope that I can rely on the support of members as this important work to develop Scotland's energy strategy progresses.

- **The Presiding Officer:**

The minister will now take questions.

- **Sarah Boyack (Lothian) (Lab):**

I thank the minister for advance notice of his statement and welcome the Scottish Government's commitment to producing an energy strategy, although we are disappointed that it has taken so long.

We are also disappointed that the Scottish Government's budget contained cuts to renewables and energy efficiency—given the failure to meet our first four climate change targets and the fact that the Government will not have eradicated fuel poverty by the November target. However, I agree with the minister about the short-termism of the Tory Government, which has created massive uncertainty and job losses. Its cancellation of carbon capture and storage projects and the fact that it has put renewables into reverse have cut green energy to the bone.

In advance of tomorrow's budget, will the minister support Labour's proposal for a new public body to invest in North Sea assets, which are strategically important for getting us through the current difficult times in the industry? Will the minister also tell us now whether fracking will be part of the Scottish Government's energy policy later this year?

- **Fergus Ewing:**

I am able to welcome the measure of consensus in what Sarah Boyack said at the beginning of her question. We have worked pretty much together, in many ways, with many of Ms Boyack's colleagues over the past five years, for which I am grateful.

I will answer the questions as follows. First, we have made very clear our position on unconventional extraction. A moratorium is in place at the moment and there can be no developments. It is right, however, that we study the matter using an evidence-based approach; it is fair to say that we have set out extremely detailed plans about what evidence we will take and what will follow. We will then have a national debate. That is very clear indeed.

The second question was specifically about oil and gas. I await with interest learning precisely what the Labour Party proposes: what sum of money is proposed and for whom, what will be invested in, on what advice, and when and how that will take place. I say to Ms Boyack that it has appeared to me for quite some time—I have put this on the record in the chamber—that the immediate risk that is faced by the industry is that some operators are under considerable financial pressure, and that the immediate action that is required is for the banks to keep faith in those operators. That point has been well made by Sir Ian Wood in the past couple of days, and that is the most immediate issue that must be dealt with. I have written to the major banks and I am in dialogue with them to urge them to keep faith in the oil and gas industry through these toughest of times, and

to avert the risk, which is well recognised in the industry and which I have discussed with Andy Samuel, the Oil and Gas Authority chief executive, of financial contagion or—as it is otherwise known—the domino effect.

Those are answers to the two questions that Ms Boyack asked. I will check to see whether I have missed anything, and if I have I will revert to her.

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

I thank the minister for the advance copy of his statement, although his text was rather long on criticism of others and remarkably short on concrete proposals about Scottish Government policy.

The minister's criticism of the UK Government's policy sits rather at odds with comments that I read in The Herald just two weeks ago from Keith Anderson, who is chief corporate officer at Scottish Power and whom I am sure the minister knows well. He announced plans for his company to invest £6.3 billion in renewable energy over the next five years,

"reflecting the ... company's confidence in the UK market."

Mr Anderson went on to praise the UK Government

"for providing the stable regulatory environment needed to encourage firms to invest in onshore windfarms", such as the Beatrice project to which the minister referred.

In an effort to get some specifics, I ask the minister two questions. First, now that energy efficiency is a national infrastructure priority, how much of the Scottish Government's capital budget will be allocated to it in future years? Secondly, is not it time that the minister finally got off the fence on fracking? He talks a lot about scientific evidence. The Scottish Government's own expert scientific panel concluded as long ago as July 2014 that fracking could be conducted safely in Scotland if properly controlled and regulated. Why is the Scottish Government not listening to its own scientists?

- **Fergus Ewing:**

I point out that Keith Anderson is not investing in Beatrice, which is an SSE project, not a Scottish Power project. Scottish Power is, of course, investing in renewable energy. Some of that is in Scotland and some is in England, with the benefit of contracts for difference. Keith Anderson expressed very clearly the reason why we are seeing the premature closure of Longannet. Because it operates north of the border in Scotland, rather than somewhere in England such as Surrey, it faces additional charges for the cost of transmission—to the tune, if I recollect correctly, of about £40 million. By mentioning Keith Anderson, Murdo Fraser makes it clear that he has misconceived his point. Mr Anderson has said repeatedly that there is a blockage to a new thermal plant being built in Scotland, as is indubitably the case.

Mr Anderson has also pointed out that what the UK needs in the short term to maintain security of supply is new combined-cycle gas turbines, but there is no means of incentivising that. He wrote an article in the Financial Times making that clear: I am afraid that the UK Government has not responded in any meaningful way.

Turning to the two questions, we will consider very carefully how we can use every means at our disposal to further the aims of a whole-systems approach, a managed transition and more local energy provision with community involvement. Obviously, we have to consult on that, as is right, but I have mentioned already the £300 million investment in the public estate.

I could mention the £50 million investment in the community and renewable energy scheme—CARES—over the past two years. That is more than the whole amount that was invested in community schemes south of the border. I could also refer to the continued investment of funds from the renewable energy investment fund, which have been used to good effect.

Secondly, on the unconventional gas question, the answer is exactly the same as it has been. Unlike the Conservative seats in the chamber, where they are gung-ho for fracking, or the Labour side, where somewhat belatedly and contrary to the position down south they have come out against it, we think that we should take a moderate approach based on analysing the evidence, following which we should have a debate and then come up with a conclusion, after the involvement of, and consultation of, all the people of Scotland.

If I may make one further point, I say that I suspect that quite a lot of people in our electorate—the people of Scotland—would like to know a bit more about fracking. They may not know enough about it, so providing them with evidence on it is an extremely valuable and necessary process if we wish to have a rational debate—which, of course, in Scotland we do.

- **Mark McDonald (Aberdeen Donside) (SNP):**

The minister mentioned in his speech the vision of local and community involvement. Does he see opportunities for much greater community ownership of and involvement in renewable energy provision as a consequence of community empowerment legislation?

- **Fergus Ewing:**

Yes, I do. We have reached our target of 500MW by 2020. Let me give you a practical example: The Point and Sandwick wind farm in the Western Isles is the largest wholly community-owned wind project, at 9MW. The revenue from that project is £1 million a year. What a tremendous contribution to communities for future generations—£1 million a year! What a tremendous achievement.

To answer Mark McDonald's question, of course we want the opportunities of the Community Empowerment (Scotland) Act 2014 to be maximised. That act encourages and supports enterprising community developments. The problem is that the UK Government's abrupt and savage cuts to fixed tariffs make that

project much more difficult. That was the very clear message from the CARES conference at which I spoke earlier today.

- **Claudia Beamish (South Scotland) (Lab):**

The minister will rightly draw on expertise and have public dialogue in formulating the energy strategy, but he failed to reference unions in his statement. Why? Also, surely the strategy needs to come as a result of the forthcoming “Third Report on Proposals and Policies”, not to accompany it, in order to address future emissions in a targeted and effective way.

- **Fergus Ewing:**

We routinely engage with unions; I did not mention bosses either. I cannot mention absolutely everybody.

Of course we engage with trade unions. I can inform Claudia Beamish that I met, for example, several senior union representatives from the oil and gas industry just a couple of weeks ago. I meet them at least twice a year because we want to learn what they have to say about how we can best shape our policy on oil and gas. That has a great effect, because the people who work in the industry very often know how to do things better and more efficiently. Indeed, some of the enlightened companies in the sector have already used that to best effect. Of course we will fully consult trade unions; I am very happy to give an assurance to that effect to Claudia Beamish and other members.

- **Liam McArthur (Orkney Islands) (LD):**

I welcome the plans to develop a revised energy strategy, particularly an approach that integrates power—on which good progress has been made by successive Administrations since 1999—with transport and heat, on which I think that a great deal more needs to be done. In that respect, I would be grateful for more detail on how the £7 million will be used to support district heating projects, such as the one in Shetland, where I understand that infrastructure remains a stumbling block.

Sticking with infrastructure, although I agree that confidence in the renewables sector has nosedived since my colleague Ed Davey left office and the Conservatives were left to their own devices, will the minister outline the next steps for securing the grid connections to Orkney and the other island groups that are essential if we are to harness the full potential of our wind, wave and tidal resources?

- **Fergus Ewing:**

I am happy to write to Mr McArthur with details about the expenditure of the £7 million in due course. The announcement has just been made, and I will furnish him with the details.

At the convention of the Highlands and Islands—COHI—last Monday, I had the opportunity to discuss the issue in Mr McArthur’s second question with representatives from Orkney Islands Council: Steven Heddle and colleagues were represented. As Mr McArthur knows, it is my top priority to connect the islands of Scotland to the grid. The reason for that is the tremendous benefits that connecting to the UK grid would have for the people in Orkney, Shetland and the Western Isles. The Baringa report estimated those benefits to amount, if I remember correctly, to £725 million. Mr McArthur and I have worked on the matter for some time. Those benefits would be game changing.

We are concerned—and those concerns were expressed at COHI—that, although Andrea Leadsom told us last September that the process of obtaining European Union approval for the state aid procedure would take two months, the UK Government has still not put in the application, even though it is our understanding that the application is put in after the substance has been agreed. We are extremely concerned that the UK Government has not taken the necessary steps to make progress with the island connections, and we are, of course, pressing it on that point.

- **Roderick Campbell (North East Fife) (SNP):**

Will the minister advise me how biomass energy centres, such as the new biomass plant in Guardbridge in my constituency, help the Scottish Government to achieve the target set out in the new energy strategy? Will he also clarify the Government’s position on independent emissions monitoring of such centres?

- **Fergus Ewing:**

I have had the benefit of visiting the Guardbridge development and discussing it with colleagues, including the University of St Andrews. Scottish partnership for regeneration in urban centres—SPRUCE—funding, which is an innovative funding model, of £11 million was provided for the development, which is very important and will transform the energy provision in the University of St Andrews.

The project is terrific. It will deliver enormous benefits, and I have been pleased to work closely with the university and others to deliver it. Such projects can make a substantial contribution towards emissions reduction. We will wish to analyse that contribution carefully once the Guardbridge development is installed.

- **Chic Brodie (South Scotland) (SNP):**

I welcome the range of planned energy initiatives mentioned by the minister, particularly those on energy efficiency. Given the possibility that EDF will face major difficulty in obtaining the funding to

progress the Hinkley Point nuclear facility, will the minister advise me what discussions he has had with the Department for Energy and Climate Change and the National Grid regarding imminent security of supply issues? Do not recent funding actions and strategic decisions that the UK Government has made regarding renewables in Scotland, Peterhead and Longannet smack of petty, post-referendum reactions and have little meaning for a thriving, stable and secure electricity supply?

- **Fergus Ewing:**

I have raised extensively with the UK Government our concerns that its energy policy is putting security of electricity supply in the UK at serious risk. I have raised our concerns with Ed Davey and Amber Rudd. The First Minister raised them with the Prime Minister in a letter urging him to intervene to avert the premature closure of Longannet.

I am afraid that the Prime Minister would not lift a finger. To justify his inertia, he alluded to the stance taken by National Grid. At that point, National Grid had a very optimistic view about what was going to happen on the grid. I put the argument to National Grid that the coal-fired power station was going to come off the grid more quickly than it anticipated. The power stations that will close reasonably soon include not only Longannet but Fiddlers Ferry, Rugeley, Eggborough and Ferrybridge. That amounts to about 15 per cent of peak energy demand in Great Britain.

We believe that that is a very serious issue and that, frankly, the UK's approach of introducing a new nuclear power station, some time towards the end of the next decade, does not cut the mustard.

- **Elaine Murray (Dumfriesshire) (Lab):**

The minister mentioned grid upgrade, and he may be aware that Scottish Power Energy Networks proposed a pylon network in the style of the Beaulieu to Denny line across Dumfries and Galloway. As far as I have been made aware, local people consider—to a person—that that would benefit large multinational power generation companies, rather than the local economy.

Will the minister assure my constituents that the Scottish Government, when considering any planning application for a new transmission line in the region, will give top priority to consideration of factors such as the landscape, environment and tourism and that, where possible, it will encourage underground and undersea cabling?

- **Fergus Ewing:**

I can say only that, in determining any application under section 36 of the Electricity Act 1989, I have to act in accordance with the procedure that is set out, consider each application on its merits, and consider them safely. It would be wrong of me to ascribe weight or importance to some criteria over others. Elaine Murray has, as a constituency MSP, raised the issue with me, and I can assure her that I will look at it very carefully.

To conclude, we cannot have more energy schemes—renewable or otherwise—unless grid connections are in place. We now see the possibility of wave and tidal energy precisely because of the robust approach that we have taken and because of the support for onshore wind. That would not happen if we did not have the Beaulieu to Denny line, and nor would the Beatrice project. This is all one of a piece; we cannot pick and mix. Grid upgrades are part of the process that is necessary to ensure that Scotland realises her renewables potential.

- **Rob Gibson (Caithness, Sutherland and Ross) (SNP):**

Given the urgent need to better serve Scottish consumers with clean power, and the minister's welcoming of the deployment of the Hywind floating turbines off Aberdeenshire by 2018, will the minister give us an update of the large-scale deployment of those floating structures? Will they take less time to build, and be less expensive, than sea-floor based offshore wind turbines in areas such as the Pentland Firth and the Moray Firth?

- **Fergus Ewing:**

Scotland is about to have two world firsts: the first largest tidal stream in the Pentland Firth—by Atlantis and MeyGen—and the first largest floating offshore wind farm—by Statoil—off the north-east coast of Scotland.

In response to the member's question about the offshore floating turbines, research by the Carbon Trust suggests that that concept could reduce generating costs to below £100 per MWh, with larger concepts producing even lower costs by the mid-2020s. Floating offshore turbines can also be deployed wherever the best wind conditions are, and they can take account of different wind directions compared with fixed offshore wind developments. Thereby, they can access the market at a more commercially suitable time.

In conclusion, as Mr Gibson rightly signalled, floating offshore and other technologies offer the potential, through substantial cost reduction, to provide excellent renewable low-carbon solutions for electricity provision over the next several decades.

- **Patrick Harvie (Glasgow) (Green):**

When I saw that we were going to have a statement on a new energy strategy for Scotland, I assumed—silly me—that we would hear some detail about what would be in that strategy. Nevertheless, I thank the minister for the advance copy of his statement, which tells us once again that he thinks that there ought to be an energy strategy in the future.

The minister said:

“It would be easier for me to stand here and talk about our intentions for the next session of Parliament”—and I rather wish that he had done so. Perhaps he can tell us this. If reducing energy consumption is to have equal prominence alongside supply, as he says it should, when is the right time to stop cutting the budgets that perform that work? How much more do we need to spend than is in the current Scottish budget? When will the idea of a national infrastructure begin to be taken seriously? Does he think that it can all be done by wishing?

- **Fergus Ewing:**

I naively thought that Mr Harvie would welcome the new approach of focusing on how we can use energy more efficiently. I thought that he would welcome the approach of cutting energy demand. I thought that one of the Green Party’s basic tenets since it was founded was to use less energy and to use it better.

The cynical, negative and point-scoring contribution that Mr Harvie made serves to advance us not one jot. I thought that he would welcome the emphasis on heat as well as light; I thought that he would be pleased that we are focusing on transport. All that was mentioned in the statement, but he apparently missed it.

Nonetheless, in the spirit of good will to all men, I hope that, in the open and transparent process of dialogue that we will adopt in developing the strategy, we will have the benefit of Mr Harvie’s detailed thoughts.

- **Stewart Stevenson (Banffshire and Buchan Coast) (SNP):**

Can the minister confirm that it is the Government’s view that the proximity of north-east Scotland—and Peterhead in particular—to emptied oil basins creates not only a domestic opportunity for CO2 storage but an international opportunity to take other people’s CO2? In particular, given the engineering expertise in the north-east, has he had any positive indications of any kind that tomorrow’s budget might help to provide employment as well as address climate change?

- **Fergus Ewing:**

I have not heard from Mr Osborne any indications, positive or otherwise, but Mr Stevenson is absolutely right about the opportunity to use depleted oil and gas fields off the shores of Scotland, and indeed of England. That is an enormous opportunity for the environment and for the oil and gas industry. That is the case for the environment because—as the International Energy Agency has often said—in order to cut our emissions and meet climate change targets, carbon capture and storage is a necessity; it cannot be done without it. That makes the Greens’ refusal to support the policy somewhat astonishing.

On Mr Stevenson’s second point, the engineering expertise that was encompassed in the SSE-Shell partnership that was working on the CCS project, which the UK Government unilaterally and abruptly scrapped, was international. The people who were involved, whom I met on a half-day visit to Peterhead, were hugely looking forward to the project and there was a spring in their step. They were looking forward to Scotland and Britain leading the world, but all of that was scrapped in a moment in a short-sighted, venal decision by the UK Government.

- **Patrick Harvie:**

On a point of order, Presiding Officer. I know that there are certain words that we are not expected to use about other members in the chamber, and I certainly do not want to break that rule. For clarity, however, I ask whether Fergus Ewing was, in his last answer, stretching the truth beyond breaking point in misrepresenting the Greens’ position. Would that be a legitimate way to describe his position without using words that we are not expected to use?

- **The Presiding Officer:**

The member is well aware that there was no unparliamentary language used and that any language that is used in the chamber in response to questions is entirely a matter for the member himself. I always expect all members to treat each other with courtesy and respect, and I sincerely hope that, over the next two weeks, every member in the chamber will do so.