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Cabinet Secretary for Finance
The Scottish Government
St Andrew's House
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Dear Deputy First Minister

I am writing to you to outline the priorities of Scotland's £5.6 billion renewable energy industry, which supports more than 27,000 jobs, ahead of the draft Scottish Budget 2024/25 in December.

We recognise the challenging economic outlook currently facing Scotland. High inflation and capital costs have been felt by the entire UK energy sector, placing significant pressure on clean energy projects and associated supply chains, notably Vattenfall's halted Norfolk Boreas offshore wind project and Community Windpower's halted Sanquhar II onshore wind project in Dumfries and Galloway.

These increased costs are keenly felt in Scotland, where offshore windfarms are 20% more expensive than those in English waters due to outdated Transmission Network Use of System (TNUoS) charges, with [catastrophic future projections](#) announced in September by the Electricity Systems Operator.

Despite these pressures, renewable energy continues to be the lowest-cost way of generating new electricity, with wind power around half the price of volatile gas generation. More broadly, our industry continues to make an enormous contribution to the Scottish economy. Scottish Renewables' most recent [Supply Chain Impact Statement 2022/23](#) found that, of the organisations featured, 89% believe renewable energy is the largest economic opportunity for Scotland.

In Scotland, offshore wind developers who were awarded almost 28GW of seabed leases through the ScotWind programme have outlined plans to invest £1.4 billion for every project built. This world-leading pipeline is poised to help increase the UK offshore energy workforce by 50% to 225,000 by 2030, with new renewables jobs outnumbering oil and gas roles if a successful clean energy transition is achieved, according to new [research by Robert Gordon University](#).

However, alongside high inflation and capital costs, Scotland's early mover advantage is increasingly under threat from international competition for the supply chains, financing and skilled workers needed to build a net-zero economy. The USA's Inflation Reduction Act and EU's REPowerEU plan both have measures which are pulling critical investments for the clean energy transition away from the UK.

In our [submission to the UK Government's Autumn Statement](#), we reiterated that timely and decisive action is urgently required to create the stable policy environment essential for building long-term, investor confidence and sustainable growth in Scotland and the UK's renewable energy industry.

The First Minister's recent commitment to invest up to £500 million in Scotland's offshore wind supply chain is therefore very welcome. However, in addition to critical action required from the UK Government, there are several steps we can take here in Scotland to further cement our global competitiveness and fully unlock the unrivalled socioeconomic opportunity of renewables across these islands.

Scottish Renewables' submission to the Scottish Budget 2024/25 builds upon the progress we have made so far and centres around three key areas: infrastructure, investment and innovation.

INFRASTRUCTURE — BUILDING AN ENERGY SYSTEM FIT FOR NET-ZERO

New electricity transmission infrastructure is a national economic priority for Scotland.

As Scottish Renewables' report ['Why Investing in Electricity Infrastructure is a Priority for Scotland'](#) outlines, electricity infrastructure is the enabler of the cleaner, cheaper and greener future which net-zero will provide. With electricity demand set to rise by 50% over the next decade, National Grid ESO estimates that five times more transmission lines need to be built by 2030 than have been built in the past 30 years. However, while the deployment of cheap renewable energy generation quadrupled over the past ten years, investments in the UK's transmission grid remained flat.

New power lines, pylons and substations will connect clean energy generation to our homes, communities and businesses while enabling the decarbonisation of heat, transport and many more key industries. Investment in our electricity networks will also be essential to unlocking skills and training opportunities and boosting local supply chains. Fundamentally, new transmission infrastructure will enable renewable projects to connect to the grid at the scale required to achieve net-zero.

The Scottish Government should:

- Provide targeted funding to support [public information campaigns](#), designed in collaboration between industry and government, on the importance of electricity transmission infrastructure for our clean energy transition to net-zero.
- Work closely with the UK Government to deliver the [recommendations of the UK's Electricity Networks Commissioner](#), Nick Winser, and ensure strategic alignment across accelerated transmission and distribution infrastructure delivery and incentivising critical private investment.
- Provide targeted funding to Local Energy Scotland to proactively administer and update the [Community Benefits Register](#) to ensure we have a fuller picture of community benefit payments across Scotland, displaying the enormous socioeconomic benefits of renewables.

Scotland's ports are the lynchpin to our offshore renewable energy and supply chain ambitions.

Scotland's ports are vital if we are to secure the enormous supply chain and export opportunities of our offshore wind sector. However, unlike their European competitors, Scottish ports are still not fully equipped to provide the supply chain requirements needed to meet our green energy ambitions. Recent damage caused by Storm Babet also demonstrates the vulnerability of some port infrastructure.

As outlined by the [Floating Offshore Wind Taskforce 'Industry Roadmap 2040' report](#), upgrading at least three Scottish ports into new industrial and manufacturing hubs is essential to kickstarting Scotland's floating offshore wind industry. The report recommends developing UK ports as soon as possible by investing £4 billion to ensure they are ready for mass floating wind deployment by the end of this decade.

Scottish Renewables warmly welcomes the First Minister's recent commitment to invest up to £500 million over the next five years in Scotland's offshore wind supply chain, specifically to leverage private investment in ports, manufacturing and assembly work. This will ensure Scotland benefits from the fresh economic investment and regeneration opportunities a home-grown clean energy supply chain brings. We believe this investment should be spread across all strategic Scottish ports to attract inward investment, stimulate economic growth, foster export opportunities and expand green skills.

The Scottish Government should:

- Establish a £10 million Net-Zero Ports Consenting Seed Fund, as part of the £500 million commitment, to close existing investment gaps and enable potential port and manufacturing development projects across Scotland to progress through consenting at the pace required.

- Establish a Net-Zero Ports Guarantee Scheme, complementing the £500 million commitment and Strategic Investment Model, to secure crucial CapEx funding and unlock wider private investment into port infrastructure.

Scotland's planning and energy consenting system need proper resourcing to facilitate net-zero.

We welcome the ambition outlined in the Programme for Government 2023/24 to further streamline offshore wind consenting processes, ensuring the most efficient management of both pre-application and post-consent processes and shortening timeframes where possible. In addition, we welcome the agreement reached with industry in the [Scottish Onshore Wind Sector Deal](#) to halve the average determination time for section 36 applications to 12 months where there is no public inquiry and two years with an inquiry.

Achieving this ambition, however, will only be possible if our planning and consenting systems, and government agencies and directorates, are properly resourced to handle the scale and complexity of renewable energy applications required to meet net-zero. This is felt acutely in our local authorities where [Scottish Renewables research](#) found that the number of planning department staff employed fell by 20% between 2011-2020, from 1,515 in 2011 to 1,216 in 2020.

Creating an efficient planning and consenting system will bolster Scotland's competitiveness amidst increasing global competition, as well as benefit the expansion of community owned projects. This is vital as the average offshore wind farm currently takes 12 years to deliver and major transmission network infrastructure such as Beaulieu-Denny took 14 years to complete: timelines which are incompatible with the pace required by a climate emergency.

In addition, many onshore wind farms in Scotland which started to be developed in the late 1990s are now of an age where decisions are being taken about their future. Many of these sites will need to go through the planning process again before they can be [repowered](#). Again, this is vital as by 2040 we are in danger of losing almost 9GW of our total generating capacity of 14GW as it reaches the end of its life.

The Scottish Government should:

- Deliver immediate funding to all local authorities to build additional capacity and capabilities for processing the growing volume of energy applications in the full spirit of the National Planning Framework 4. This should be complemented by an urgent drive to train and recruit more planners as well as encouraging cooperation between local authorities to share expertise and resource.
- Deliver the [Scottish Onshore Wind Sector Deal](#) commitment to provide additional resources, funded through an agreement between government and the onshore wind sector, to support statutory consultees when they are responding to onshore wind applications.

INVESTMENT — UNLOCKING THE FULL POTENTIAL OF PUBLIC AND PRIVATE INVESTMENT

Supporting the growth of clean energy SME suppliers will bolster Scotland's competitiveness.

A thriving domestic supply chain of renewable energy businesses, both small and medium enterprises (SME) and larger, will be the backbone of Scotland's net-zero ambitions. Scottish Renewables' [Supply Chain Impact Statement 2022/23](#) found that, of the organisations featured, 89% believe renewable energy is Scotland's biggest economic opportunity, with 94% investing in upskilling and 83% recruiting new employees as a result.

As an example of opportunities for the supply chain, building the capabilities to refurbish wind turbine parts in the UK could generate more than 20,000 full-time equivalent jobs by 2035, preventing more than 800,000 tonnes of parts from being scrapped, [according to the Coalition for Wind Industry Circularity](#).

Increasing the innovation, capabilities and capacity of Scottish suppliers will secure economic benefits, create new green jobs and maximise our export opportunities. However, many businesses are struggling to invest in the facilities, skills and equipment they need to scale-up at home and expand abroad.

The Scottish Government should:

- Establish a £2.5 million Net-Zero Scaling-Up Fund to support SME suppliers working on near-term clean energy projects to enhance their capabilities, competitiveness and capacity by investing in the facilities, skills and equipment needed to grow in the renewable energy industry.
- Establish a £10 million Offshore Wind Supply Chain Development Scheme to offer immediate tiered support for SMEs over the next five years to secure clean energy supply chain opportunities, such as ScotWind and INTOG. This should seek to build upon the success of the Offshore Wind Growth Partnership's [Sharing In Growth Programme](#), which offers up to £200,000 per company, per year for a full holistic business improvement programme.
- Work with industry to establish a circular approach and national targets for replacing onshore and offshore wind components to cement Scotland's commitment to the circular economy, supporting home-grown job creation and easing supply chain pressures.

Scotland must invest in skills to secure the home-grown workforce required to achieve net-zero.

It is imperative that Scotland prepare its workforce to capitalise on the enormous opportunities presented by the clean energy transition. From peatland restoration professionals, planners and landscape architects to a plethora of skilled professions including electricians, welders, fabricators, retrofit coordinators, plumbers, and engineers, achieving net-zero will rely on a huge range of skills and expertise.

The establishment of the [American Climate Corps](#) by President Biden demonstrates the critical need to invest in skills-based training and streamlined pathways into public and private sector careers for anchoring a home-grown workforce that will enable delivery of clean energy, nature restoration and climate resilience projects. Ambitious initiatives such as these should also be supported by embedding the skills needed to support net-zero and climate resilience into our education and STEM curriculum.

Scottish Renewables welcomes the steps taken to date to support skills development and a just transition including the Green Jobs Workforce Academy, Green Jobs Fund, National Transition Training Fund and Just Transition Fund. Encouragingly, [research by Scottish Renewables](#) earlier this year found that almost 22,000 students in Scotland are taking courses relating to renewables - up more than 70% on 2019.

However, separate research [commissioned by Scottish Renewables](#) has also shown that 86% of oil and gas professionals would welcome government support to assist their transition to employment within the renewable energy sector. The stakes are high to seize this opportunity, with Robert Gordon University's [UK Offshore Energy Workforce Transferability Review](#) showing that approximately 100,000 of the 130,000 people required to underpin development of the offshore wind, hydrogen and energy storage sectors will need to be filled by people transferring from existing oil and gas jobs to offshore renewables roles, new graduates and new recruitment from outside the existing UK offshore energy sector.

The Scottish Government should:

- Provide funding to support public information and marketing campaigns, designed in collaboration between industry and government, to promote the just transition and highlight available opportunities in the renewable energy industry.
- Establish a nationwide Just Transition Tuition Fund for individuals seeking to upskill or enter work in renewables, providing a grant to cover certification or tuition fees. We want to see a whole

industry version of the [MCS Certification Fund](#) which supports the certification of heat pump installers to remove barriers for all workers looking to secure high-value, green jobs.

- Fully utilise the opportunity of private-public partnership models to enhance existing upskilling, trainee and apprenticeship initiatives. That should include extending funding available to employers, universities and colleges to target skills shortages, fostering collaboration and promoting opportunities to all ages to enter renewable energy professions.

INNOVATION — ACCELERATING DELIVERY ACROSS ALL RENEWABLE TECHNOLOGIES

Decarbonisation of heat demands a redoubled drive to tackle fuel poverty and climate change.

With homes accounting for 30% of all energy used in Scotland, and with 90% of that heat still coming from fossil fuels, the switch to renewable heat is critical for reaching net-zero. However, last December the [Climate Change Committee](#) said progress on cutting greenhouse gas emissions in Scotland has "largely stalled" in recent years and that its targets, some of the most challenging in the world, were "increasingly at risk".

Our reliance on oil and gas boilers, and indeed coal, is not only worsening the climate crisis but also driving up energy bills. Volatile gas prices were the main cause of the unprecedented energy bills increases which rocked our economy in 2022 and we remain one of "the most gas-dependent economies in Europe" according to the [Office for Budget Responsibility](#). Rolling out heat pumps, low-carbon district heating and energy efficiency is the best way to minimise fuel poverty and tackle the climate crisis.

We support the Scottish Government's Heat in Buildings Strategy and welcome recent developments such as the expansion of Warmer Homes Scotland, as advocated by Scottish Renewables. Moving forward, however, we need to pick up the pace on the ambition that has been set. Accelerated action is particularly required for existing buildings, non-domestic properties, and in our island and rural communities which suffer from some of the highest levels of extreme fuel poverty.

The Scottish Government should:

- Increase the funding available for renewable energy systems in the [Home Energy Scotland Grant and Loan Scheme](#) to £20 million.
- Make a firm commitment to establishing city and town-wide district heat networks across Scotland which includes providing £2.5 million additional funding across all Scottish local authorities for the recruitment and resourcing required to support Local Heat and Energy Efficiency Strategies. This will help accelerate the rollout of energy efficiency measures and the critical low-carbon technologies of heat pumps and heat networks across public and private buildings.
- Provide grants, not loans, for heat network connection costs shortfalls (where demand is not secured prior to investment), equivalent to the £7,500 already available per household, for all tenures. A funding mechanism should also be developed, in collaboration with industry, to help developers with heat network connection costs for larger-scale connections.
- Continue to expand the size and scale of interest-free loan and grant programmes for energy efficiency measures (including solar energy) and heat pump installations, particularly for smaller properties and rural fuel-poor households. The facilitation of new private lending mechanisms should also be investigated.

Scotland must grasp the export and storage opportunities of green hydrogen.

Scottish Renewables supports the Scottish Government's ambition for hydrogen production of 5GW by 2030 and 25GW by 2045. This has been complemented by the publication of the [Hydrogen Action Plan](#) last year and the announcement earlier this year of the £10 million Hydrogen Innovation Scheme.

National Grid's [Future Energy Scenarios forecasts](#) that the UK will need at least 190TWh of electricity for hydrogen production in all net-zero scenarios. The Scottish Government's most ambitious export scenario, detailed in the [Hydrogen Assessment](#), estimates that a £25 billion annual gross contribution to Scotland's Gross Value Added could be expected by 2045, with more than 300,000 jobs supported.

To seize this opportunity for technologies such as marine and wind energy, as well as the co-benefit of using hydrogen to boost Scotland's energy storage capacity, we believe enhanced policy support is required to facilitate a route to market for commercial projects and to create a more consistent investment environment, ensuring a smooth, cross-sector transition.

The Scottish Government should:

- Provide a firm commitment to transitioning directly to green hydrogen (without the interim step of blue hydrogen) by setting a specific green hydrogen target of 3GW by 2030 and tripling green hydrogen [funding](#) to £300 million to send a powerful, unequivocal signal for investors and a stimulus for green hydrogen market creation.
- Deliver a Hydrogen Strategic Infrastructure Plan outlining the development and delivery pathways needed to fully unlock Scotland's enormous green hydrogen production and export potential.
- Ensure the planning system is equipped to deal with hydrogen projects in a way that reflects the importance of hydrogen infrastructure as nationally significant developments and allows decision-makers to expedite project planning submissions.

Amidst a challenging economic outlook, we cannot lose sight of the unrivalled socioeconomic opportunity which our world-leading renewable resources present. To fully unlock this potential, a clear and stable policy environment is critical to building business confidence which in turn will allow for positive investment decisions in Scotland that lead to sustainable, economic growth.

Above all, Scottish Renewables wishes to emphasise that Scotland's renewable energy industry urgently needs the clear direction which the Energy Strategy and Just Transition Plan should provide. We call for this to be published early in 2024, setting out a clear delivery plan with targets, interim milestones and how public and private investment can be maximised on the journey to a greener, wellbeing economy.

In the meantime, Scottish Renewables looks forward to continuing close working with the Scottish Government and we would be pleased to meet to discuss our priorities in more detail.

Yours sincerely



Claire Mack
Chief Executive