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Tom Winter  
Planning and Architecture Division  
The Scottish Government  
Victoria Quay  
Edinburgh  
EH6 6QQ

26 September 2024

Dear Tom,

**Response to Infrastructure Levy for Scotland – Discussion Paper  
(Released June 3, 2024)**

Scottish Renewables (SR) is the voice of Scotland's renewable energy industry. Our vision is for Scotland to lead the world in renewable energy. We work to grow Scotland's renewable energy sector and sustain its position at the forefront of the global clean energy industry. We represent more than 360 organisations that deliver investment, jobs, social benefit and reduce the carbon emissions which cause climate change.

Our members work across all renewable technologies in Scotland, the UK, Europe, and around the world, ranging from energy suppliers, operators, and manufacturers to small developers, installers, and community groups, as well as companies throughout the supply chain. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can provide solutions to help sustainability heat and power Scotland's homes and businesses.

SR welcomes the opportunity to contribute our members' views to the Scottish Government's discussion paper on an Infrastructure Levy for Scotland.

While a question has been raised in this paper about whether renewables should be included, we encourage you to determine that they should not be. Levying an additional tax on renewable projects—any onshore renewable development such as onshore wind, solar, or heat networks—would be contrary to the Scottish Government's ambition in achieving net-zero targets, a just transition, and addressing the twin concerns of climate change and the nature crisis. The Scottish Government's goal is to increase renewable development and reduce reliance on oil and gas, and imposing taxes on renewable technology would make it

harder for renewable projects to get built, delay their deployment, and hinder progress toward net-zero targets.

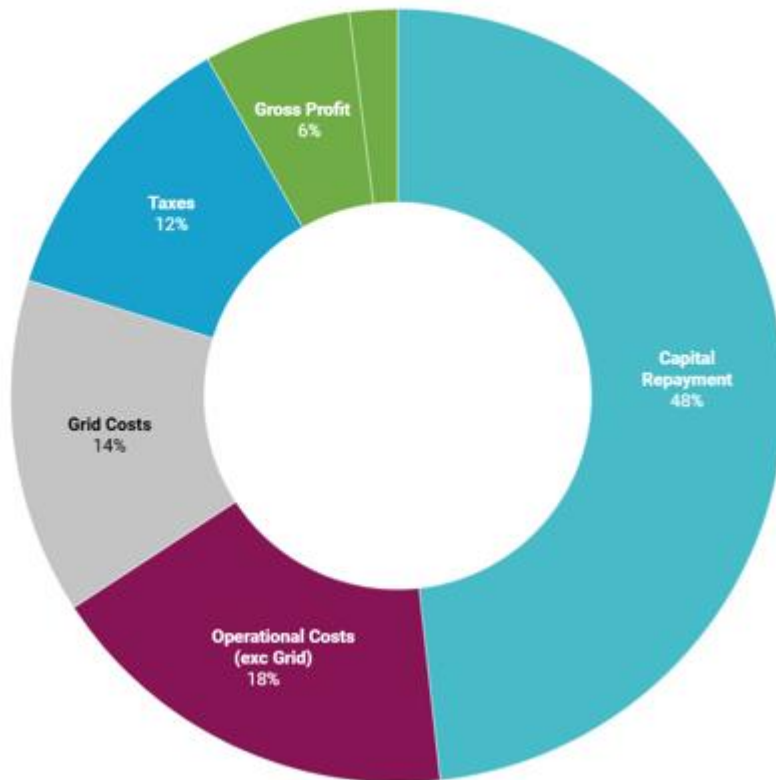
The infrastructure levy discussed in this paper focuses on the infrastructure strain housing development has on communities, and the levy itself focuses on building structures that people live in. Renewable developments, however, are infrastructure creators and do not put additional burdens on infrastructure. Their primary function is to provide renewable energy; if housing is provided, it is ancillary to the primary purpose. When the construction of renewables uses infrastructure such as roads, there are already planning conditions or S75 agreements that developers must comply with to ensure proper upgrades and measures to maintain infrastructure. The developer already pays for this. And in many cases, the infrastructure is improved by it.

We are concerned, too, that there would be unintended consequences should an infrastructure levy be applied to all renewables. Renewable projects span onshore developments such as onshore wind, rooftop and ground-mounted solar panels, solar thermal, hydro schemes, renewable heat pumps, and district heat networks using renewable sources and battery energy storage systems. To tax all these projects will create a huge additional burden, not only for the renewable developers but also for the local authorities. In addition, an extra burden will be added to local authorities already designating heat network zones when designing levy zones. Taxing would not only place an undue financial burden on these projects but also potentially slow down the economic benefits they bring to the regions where they are implemented.

Renewable developers are already held to a high standard of how they contribute to the communities in which they build and operate, and additional taxes would mean local authorities would receive two incomes from the same source. Recently released [research by BiGGAR Economics](#) demonstrates that developers pay a quarter of their profits to community benefit for onshore wind, which is a voluntary payment. The research also demonstrates that onshore wind developments already pay 12% to taxes—twice the profit developers receive—and 14% for grid connections.

## Distribution of income for an onshore wind farm

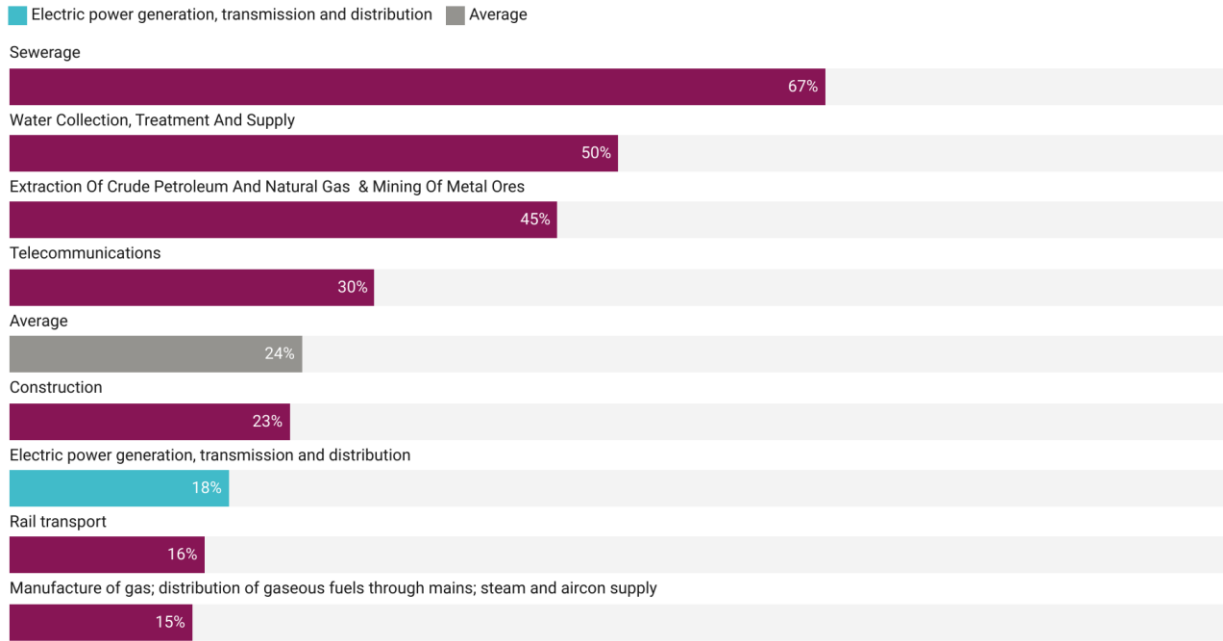
Capital Repayment (48%)   Operational Costs (exc Grid) (18%)   Grid Costs (14%)   Taxes (12%)  
Gross Profit (6%)   Community Benefit Fund (2%)



Renewable developments generally earn significantly less profit (18%) than oil and gas (45%) or even the average profit for a sector in the UK (24%). This makes getting investment for additional renewable projects challenging.

## Operating Surplus as Share of Turnover, by Industry

The percentage of income that is "Operating Surplus" by the ONS Input-Output Tables. This is broadly equivalent to Gross Profits. For electricity generators, such as onshore wind farms, this is equivalent to 18%. This is compared to selected other industries and the UK average in this chart.



In addition to voluntary community benefits, renewable developments are required to comply with NPF4 Policy 11c to maximise socio-economic benefit and fund any decommissioning of assets. The impact on infrastructure is already addressed through the S75 regime. There is no requirement for additional mitigation: renewable energy developments are infrastructure creators, not infrastructure users.

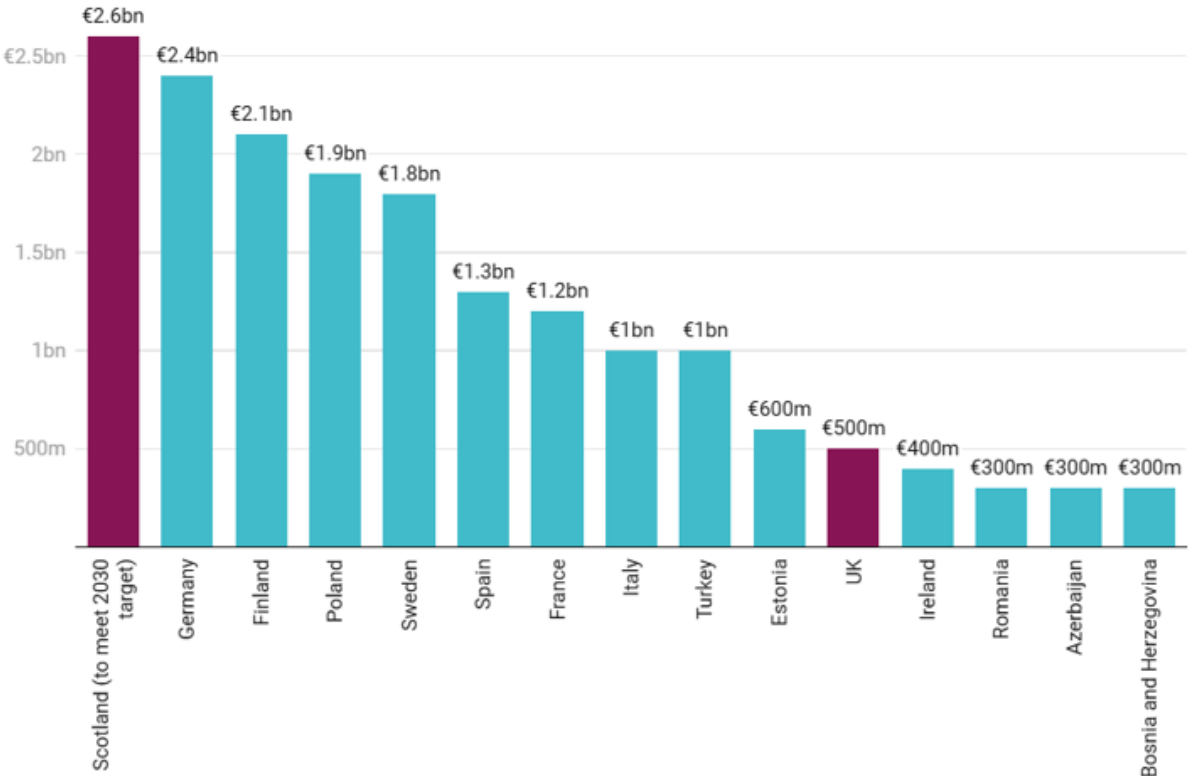
Further taxing renewables would impact the just transition the Scottish Government aims to achieve. Oil and gas jobs are decreasing, and alternative energy sources must come forward quickly. Creating a tax on renewable energy, even just considering a tax on renewable energy, would harm the speed of development and projects' ability to be commercially viable and economically competitive, even with the rest of the UK. With Scotland's ambition of 20GW of onshore wind by 2030, we need to develop an additional 10GW of energy in the next 6 years, which we cannot achieve if renewable developments cannot reach commercial viability because of additional taxes imposed.

Onshore wind developments have a hurdle rate (the minimum profit a developer needs to build a development) between 6% and 8%. In Scotland, projects are barely hitting a 6%

hurdle rate due to the high cost of development. This makes the UK, and Scotland in particular, less desirable for investors.

### Investment in new wind farms by country in 2022

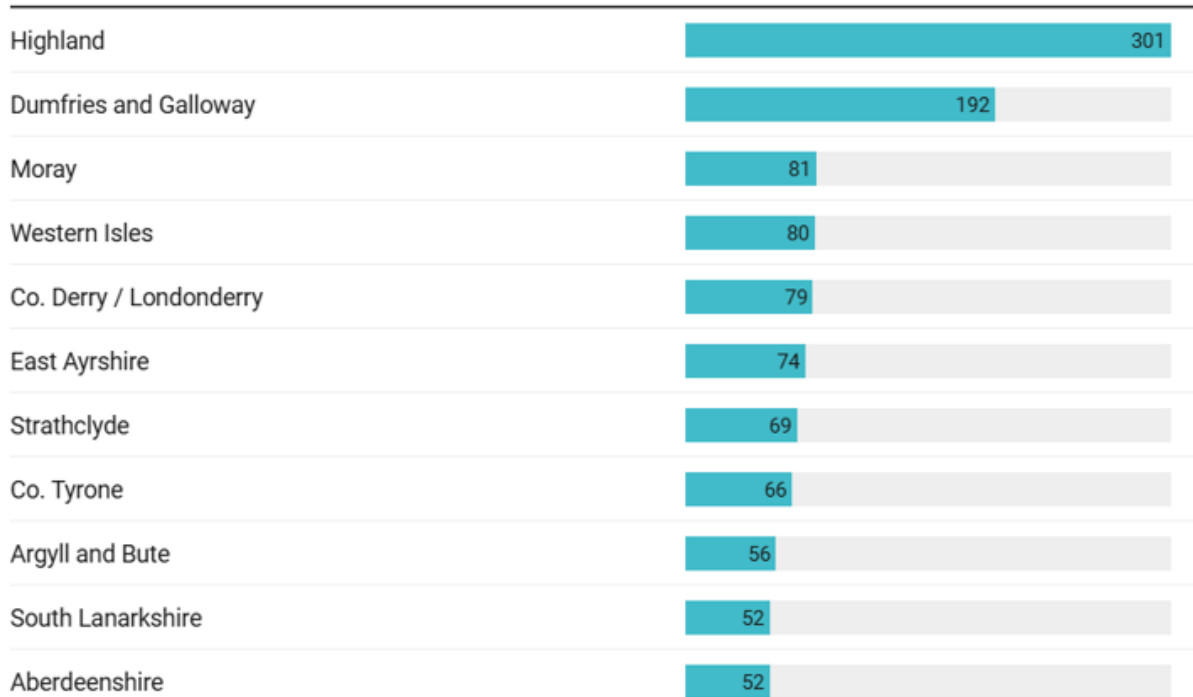
In 2022, the UK attracted significantly less investment in onshore wind farms than other European countries.



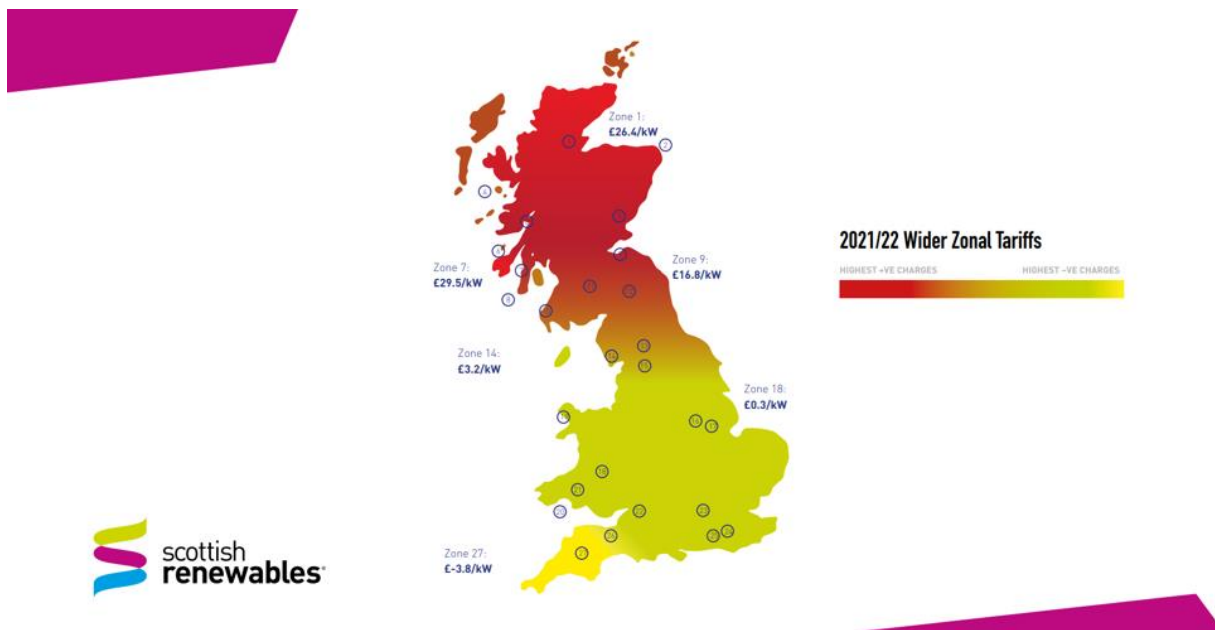
Currently, 40% of onshore wind project proposals that receive consent are never built because the hurdle rate is unmet and final investment decisions cannot be reached.

## Number of turbines awaiting construction

Total number of turbines that have received planning permission but have not progressed to the construction phase. There are more turbines in Highland in this position than anywhere else in the UK.



The cost of grid connections is a significant consideration for renewable developments in Scotland, and this significantly impairs Scotland's ability to be competitive, even within the UK.



It's worth noting that the equivalent infrastructure levies do not, in practice, capture renewable developments in England and Wales. Including renewables in an infrastructure levy in Scotland would make onshore wind and other renewables in Scotland even less attractive and economically competitive within the UK.

Renewables projects supported by the UK Government's CfD mechanism have fixed revenues for 15 years. These revenues are calculated as a function of cost per unit of output at the time of development, leaving projects no room for cost increases. Developers don't have the capacity to take on the price of this proposed infrastructure levy and increasing the cost basis for onshore wind may be passed on to consumers through the higher CfD strike prices required to meet Scottish Government's renewables deployment targets. Ultimately, electricity networks are funded and paid for by bill payers through their utility bills.

Scottish Renewables looks forward to continuing this conversation with PARD should you have any additional questions about why renewable development should be exempt from any infrastructure levy now or moving forward.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Megan Amundson', with a stylized, cursive script.

Megan Amundson

**Head of Onshore Wind and Consenting | Scottish Renewables**