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Claire Baker MSP  
Economy and Fair Work Committee Convenor

11 June 2024

Dear Claire,

## **Economy and Fair Work Committee Report: Just Transition in the North East and Moray**

I am writing to thank the Economy and Fair Work Committee for your report on a just transition for the North East and for the work that has underpinned the inquiry leading up to the report. As with the Committee's inquiry into a Just Transition at Grangemouth, the Committee's work has proven extremely timely. Since announcing the £500 million ten-year Just Transition Fund for the North East and Moray and the broader suite of just transition policy, the Scottish Government has continually emphasised the importance of learning from the latest evidence and adapting our approach as necessary. In that context, the work of the Committee plays a key role in contributing to the just transition process. I have carefully considered your report and have set out reflections below.

### **Just Transition Fund**

The Committee's inquiry rightly focuses on the North East and Moray given the region's strategic importance to Scotland's just transition to net zero and the remit of the Just Transition Fund.

The Scottish Government remains committed to the £500 million 10-year Just Transition Fund programme, with £75 million allocated to date. The reduction in capital and financial transactions funding allocated to the Scottish Government and which the fund relies upon has resulted in a decreased fund budget in 2024-25 in comparison with the previous financial year, however we remain committed to the 10 year programme and to continuing to support existing projects in 2024-25. We will also undertake an evaluation of phase one of the Fund this year, ahead of aiming to commence the next phase of the Fund in 2025-26.

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This financial year then, we will focus on maximising the impact of our investments in the region to deliver benefits for businesses and communities. Our active projects in 2024-25 include:

- Research designed to enable the offshore production of green hydrogen;
- The construction of a Just Transition Hub with a focus on land use and agriculture at the James Hutton Institute in Aberdeen,
- Providing direct support to businesses and the energy supply chain through our Energy Transition Challenge Fund,
- Providing direct support to communities through our Participatory Budgeting Fund which we will continue every year over the lifetime of this parliament.

A full list of projects supported by the fund can be found here: [Just Transition Fund: year one projects - gov.scot \(www.gov.scot\)](https://www.gov.scot/projects-just-transition-fund-year-one). As outlined in the 2024-25 Budget, we are undertaking a review of the Fund this year, the key results of which will be communicated in due course. Some examples of key outputs delivered as a result of the Fund's support so far are outlined below:

#### Skills:

- The recent statement (23 May 2024) from key industry delivery bodies, Offshore Energies UK and Renewable UK, sets out progress and next steps on the Offshore Energy Skills Passport (supported with £3.7 million from the Fund over 2022-24) and signals launch of a final version "later this year".
- 15 new courses were developed and delivered through the NESA Pilot Energy Skills project between July 2023 and March 2024 across 2 universities and 1 college in the North East, in addition to the delivery of 22 existing courses, to address the identified skills gaps throughout the feasibility study. Over 700 fully funded places have been provided to date.

#### Green Jobs/Supply Chain:

- The 15 supply chain companies supported in 2023-24 (25 projects have been supported in total since 2022) through the Supply Chain Pathway and Energy Transition Challenge Fund delivered by ETZ Ltd estimate:
  - C.1000 new green jobs to be created out to 2034 and beyond.
  - C. 500 existing green jobs are expected to be safeguarded, out to 2030 and beyond.
- Shell funding leveraged into the Energy Transition Skills Hub project delivered by ETZ Ltd aims to:
  - Support 1000 people into Energy Transition jobs within 5 years as a result of the hub being opened.

#### Communities and Engagement:

- In the first two years of the NESCAN JT Communities project, over 2000 adults and nearly 4000 young people have been engaged in a range of participatory processes across 30 communities in the North East of Scotland. Over 30 new community projects have been developed as a result and over 20 new community action plans.

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- 19,000 people have voted for JT Participatory Budgeting projects in the NE and Moray region. 98 community projects have been supported with £2.5 million in Just Transition Fund capital.

I would also like to take this opportunity to offer further clarification on points throughout the report where the Committee has requested further information or where incorrect information has been published.

**Point 54:** the Committee requests further information on unallocated financial transactions in 2022-23.

As per standard accounting practices unallocated financial transactions are required to be returned to the Scottish Exchequer for processing. Due to the nature of Scottish Government's annual budgets, there is no scope for unallocated budget to be moved or 'rolled over' into future years.

**Point 61:** the Committee notes investments made by the Scottish National Investment Bank with Just Transition capital.

I wish to clarify that the investments referred to in the report are joint investments made with both the Just Transition Fund and Bank capital. For example, of the £20 million invested in Aurora Energy Services, £10 million is Just Transition Fund capital and £10 million is Scottish National Investment Bank capital. Full details of each investment can be found on the Bank's website.

**Point 63:** the Committee notes that in the Scottish Government's 2024/25 budget, financial transactions are the only form of Just Transition funding.

In 2024-25 the Just Transition Fund has a budget of **£12.2 million capital grants**. This budget will be used to support our existing multi-year programme of projects announced in Year 1 of the Fund. There are **no financial transactions** in the Just Transition Fund's budget in 2024-25.

**Point 77 – 79:** the Committee comment on the strategic direction of the Fund.

I note these points and will share further updates on the strategic direction of the Fund in due course, after the pre-election period and once the impact assessment of the Fund has concluded.

**Point 127:** The Committee reiterates its support for calls for some resource funding to sit alongside the Fund.

Last year (2023-24) £100,000 resource funding was available alongside £1.5 million capital grants for communities to bid in to through the Just Transition Participatory Budgeting Fund (JTPBF).

In Years 1, 2 and 3 an additional £200,000 resource funding has been allocated each year to enable delivery of the JTPBF.

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## Just Transition Planning

I thank the Committee for its considerations on the just transition process to date. In particular, I am in firm agreement with the need for embedding just transition across policy areas and spending decisions. In the April 2024 climate change action policy package, the Cabinet Secretary announced that the Global Climate Emergency Programme Board and the Cabinet Sub-Committee for the Climate Emergency will have a comprehensive and formal advisory role on the climate impact of proposals for both the Budget and the Programme for Government. The remit of these governance bodies includes just transition, which further promotes coherent cross-Government action on just transition. In addition, I invited the Just Transition Commission co-chairs to a recent cross-ministerial meeting (which occurred on 5 June 2024) to focus on mainstreaming just transition across ministerial portfolios, with the potential for further JTC engagement in future. This is in addition to regular quarterly meetings that the Director General for Net Zero has with the Commission's co-chairs.

The Committee rightly identifies community capacity as a key priority for achieving a just transition. We know that it requires significant effort and time for members of the public to be involved in engagement events and this was reinforced throughout the engagement on our just transition discussion papers. As such, we sought to make events as widely accessible as possible, and to engage through a range of means to suit people's circumstances. In line with Scottish Government guidance, and to recognise the value of participants' time and contributions, those attending our place-based events were provided with the offer of a voucher payment. Resources were also made available to third parties leading events on the Scottish Government's behalf, to allow them to pay participants a sum commensurate with the time and effort involved. This delivered engagement that reached different communities and groups gaining unique perspectives and insights on just transition across Scotland, the evidence from which will inform our ongoing just transition planning work.

More broadly, through an expanding network of regional hubs, the Scottish Government is building capacity and supporting communities to undertake the transition in a way that reflects local needs and circumstances. There are now 20 hubs, each seeking to promote collective action, including through joining up and adding value to existing activity, and officials are working with communities in the remaining areas to ensure full coverage across Scotland in the coming months.

Delivering a just transition for Scotland demands that we are ambitious in our aims and actions. This means being clear about what we want to achieve and holding ourselves accountable for staying on track. This is why we are establishing a framework to monitor and evaluate our just transition planning work, which will include outcomes and indicators. This will also complement the Climate Change Plan monitoring framework. The work the Just Transition Lab has taken forward has been very useful and I look forward to continued engagement with them. We are also developing monitoring frameworks for each draft Just Transition Plan in partnership with the Just Transition Commission. These will include a set of data indicators to assess progress against our sectoral outcomes. These frameworks will represent the theory of how each Just Transition Plan is expected to deliver the changes we want to see at a sectoral and national level.

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May I also take this opportunity to welcome the Committee's current focus on procurement. Public procurement in Scotland aims to use collective spending power to deliver sustainable and inclusive economic growth, and a recent [Independent Review](#) examining Scotland's journey of achieving sustainable procurement outcomes indicated that Scotland is leading the way in many areas. The sustainable procurement duty within the Procurement Reform (Scotland) Act 2014 requires public bodies to consider how they can improve the economic, social and environmental wellbeing of the authority's area, and act in a way to secure improvements identified. The 2021/2022 Scottish Ministers' Annual Report on procurement activity shows that 71% of reporting bodies provided evidence of how they were addressing environmental wellbeing and climate change through procurement. I look forward to receiving the Committee's findings on this topic in due course.

Finally, I acknowledge the frustration of delayed publications in the context of Just Transition Plans, particularly the Energy Strategy and Just Transition Plan. Despite our ambitions to publish as early as possible, this has been impacted by the pre-election period for the UK general election.

## **Investment and skills**

The Scottish Government recognises the global transition to net zero offers enormous economic opportunities for Scotland as well as risks to be managed. It is vital that we capture these opportunities. Our Green Industrial Strategy will duly offer a clear view of the economic sectors and industries in which we have greatest strength and most potential, and it will set out what the government will do to support them to thrive. We have huge strengths and potential in sectors ranging from offshore and onshore wind, hydrogen, carbon capture, finance, professional services and advanced manufacturing. The Green Industrial Strategy will also identify cross cutting areas which need to be addressed to create the best environment for growth, and to ensure Scotland is an attractive host country for investment in green projects. We expect to say more about our Green Industrial Strategy following the pre-election period for the UK general election.

The Committee's recommendations rightly highlight the urgent need for a focus on the skills needed to support the energy transition. The Scottish Government supports, and has provided funding over 2022/23 and 2023/24 from our Just Transition Fund towards the industry-led development of a practical Skills Passport that works for the different offshore energy industry sectors, recognising the cross-sector skills of workers, and the importance of supporting a fair and managed transition.

To achieve these aims, it is crucial that the Passport is an industry-led and driven solution. To make sure that no offshore energy workers are left behind, it is vital that a wide range of views from industry experts and trade bodies are considered.

I welcome the recent statement from key industry delivery bodies in relation to next steps on the project and look forward to an initial version of the Passport being available for workers to access soon.

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The Committee also highlighted the importance of the Scottish Government setting out how we intend to support jobs and build skills for the energy transition. This is exactly what we will seek to do, through our Energy Strategy and Just Transition Plan. It will highlight, so far as possible, the current and future skills requirements of the transition, as well as the Scottish Government's approach to ensuring that these needs are met. The Energy Strategy and Just Transition Plan will also set out how our reform of the skills delivery landscape, following the Withers Review, can help us to better address the jobs and skills implications of the transition. That programme of reform includes consideration of improvements to the current apprenticeship model.

I appreciate the concerns raised by the Committee on the discontinuation of the Flexible Workforce Development Fund (FWDF). This decision was not taken lightly but in an extremely difficult budget environment. As the Committee is aware, this is the most challenging budget to be delivered under devolution and Ministers have had to make extremely hard decisions to ensure Scotland's public finances remain on a sustainable trajectory. As we take forward our programme of reform in post-school education, we will learn from the experience of FWDF to develop a skills system that is simple, straightforward, agile and responsive to the needs of Scotland's learners and employers.

In terms of apprenticeships, we are committed to ensuring that they remain of high quality and lead to sustainable employment opportunities characterised by Fair Work. SDS commenced contracting for new apprenticeship opportunities at the start of April and Scottish Government investment will support up to 25,500 new Modern Apprenticeship (MA) starts, a similar level to 2023/24. This is in addition to ongoing support for around 38,000 modern apprentices already in training in 2024/25.

I would like to restate my gratitude to the Committee for their commitment to engaging with the process of understanding and conveying the scope of a just transition for the North East and express once again my thanks for the recommendations outlined within the Committee's report. I hope this response is suitably helpful in outlining how our £500 million ten-year Just Transition Fund and wider work will continue to support a just transition to net zero for the North East and Moray.

Yours sincerely,



**Gillian Martin**