

# Net Zero, Energy and Transport Committee 6th Meeting, 2021 (session 6), Tuesday, 21 September 2021

## Transition to Net Zero by 2045: Evidence sessions with the Scottish National Investment Bank and the Enterprise Agencies

### Note by the Clerk

#### Introduction

1. The remit of the new Net Zero, Energy and Transport (NZET) Committee is to consider and report on matters falling within the responsibility of the Cabinet Secretary for Net Zero, Energy and Transport.
2. The NZET Committee has agreed to spend initial meetings in autumn 2021 hearing from a cross-section of major stakeholders whose interests are relevant to the Cabinet Secretary's main responsibilities. So far, the Committee has heard from the Climate Change Committee (the Official report for this meeting can be accessed [here](#)) and former members of the Just Transition Commission (Official Report available [here](#)).
3. On 14 September, the Committee heard evidence from the Cabinet Secretary about the Scottish Government's priorities and how he intends to carry out his cross-cutting governmental role in relation to achieving net zero (Official Report available [here](#)).
4. The Committee has also agreed that the UN Convention on Climate Change Conference in Glasgow (COP26), its possible outcomes, and their likely impact on net zero policy in Scotland should be a focus of these early evidence sessions. The Committee heard from the Right Honourable Alok Sharma MP, President-Designate of COP26, on 16 September.
5. On 21 September 2021, the Committee will hear evidence from two panels:
  - Panel 1: representatives of the Scottish National Investment Bank (SNIB) on its strategic mission to support Scotland's transition to net zero by 2045; and
  - Panel 2: representatives from Scottish Enterprise and regional Enterprise agencies on their approach and contribution to net zero.

Evidence session and next steps

6. The first evidence session is an opportunity for the Committee to explore the Scottish National Investment Bank's approach to net zero and their investment priorities across a range of areas, including in natural capital, the circular economy and a wellbeing economy.
7. In panel two, the Committee will examine the role of Enterprise Agencies in supporting the Scottish Government to meet its net zero targets, the programmes and funding that they offer, and the challenges Scottish businesses face. Submissions from the three panelists are attached as an annexe.
8. At future meetings in September and early October, the Committee expects to take evidence from:
  - Zero Waste Scotland, SEPA, and NatureScot;
  - Former members of Scotland's Climate Assembly;
  - Members of the Scottish Youth Parliament;
  - Ofgem;
  - Other witnesses to be announced.
9. Once these initial evidence sessions are concluded, the Committee expects to consider and agree a work programme in late October. This will be published on the Committee's website once agreed.

# Highlands and Islands Enterprise submission, September 2021

## Introduction

Highlands and Islands Enterprise welcomes the opportunity to attend the Scottish Parliament's Net Zero, Energy and Transport Committee on Tuesday 21 September 2021, along with Scottish Enterprise and South of Scotland Enterprise. We understand the purpose of this evidence session is to share our approach to contributing to Scotland's net zero target and offer this written submission in advance to support the Committee's programme.

## Background

Highlands and Islands Enterprise is the economic and community development agency for the north and west of Scotland. We seek to build a prosperous, inclusive and sustainable economy across the Highlands and Islands, attracting more people to live, work, study, invest and visit. We work in a diverse and beautiful region which extends from Shetland to Argyll, and from the Outer Hebrides to Moray, covering more than half of Scotland's land mass.

Whilst the region has been disproportionately affected by both the pandemic and the UK's exit from the EU, our recent [Business Panel](#)<sup>1</sup> survey shows encouraging early signs of a recovery, reflecting high levels of innovation, flexibility and entrepreneurship that is typical of our businesses and communities. More than half of businesses are operating at pre-pandemic levels and two thirds have expressed confidence in the region's economic outlook over the next 12 months.

But we are not complacent. The pandemic continues to disrupt, and significant long term challenges relating to population and demographics, digital connectivity, and physical transportation links within and to the rest of the world, remain. We are committed to addressing such challenges working in collaboration with businesses, communities and stakeholders. In doing so, and with net zero being a key focus for HIE, we believe the region can and will play a significant part in contributing to the transformation of Scotland's economy.

## HIE approach to Net Zero

The necessary strategic, policy and financial commitments to Net Zero at both UK and SG levels presents the Highlands and Islands with distinct, regional opportunities which we are determined to secure. They also present us – HIE – with an opportunity to go about our own business differently (i.e. Our Duties) and to assist others in the transition (i.e. Our Clients), with the overall aim being to “**accelerate progress in the**

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<sup>1</sup> Ipsos MORI poll of more than 1,000 businesses, June 2021

**just transition to net zero**”- as highlighted in our [Operating Plan](#). The ultimate aim is for net zero to be the “golden thread” throughout all that HIE does, both internally and external, leading to enhanced outputs and impacts from all our interventions. We aim to place HIE at the global forefront of best practice for the transition to net zero and help make the Highlands and Islands an exemplar region.

The transition to net zero can lead to the creation of new business opportunities and jobs and hence be key to the economic recovery of the country. The Highlands and Islands is uniquely well placed to take advantage of such a favourable policy environment due to its natural resources, supply chain expertise, physical infrastructure, and early track record in the energy transition. We are, however, very alert to that fact that it will need to be a “Just Transition” and that much of the change now needed will be disruptive, and the unique, rural aspects of many of our communities will need to be reflected in policies and programmes to avoid any being left behind.

In addition to our economic and social development role, HIE as an organisation can lead by example through sustainable procurement, further embedding net zero within the appraisal process, and through empowering staff to take appropriate action. HIE’s approach to net zero will continue to be developed and delivered in collaboration with key public sector partners such as SE, SOSE, Local Authorities, Zero Waste Scotland, SEPA, SDS, Crown Estate Scotland and SDI, leveraging the relevant expertise and finance to support our companies and communities.

### **Strategic Opportunities**

There remain huge, regionally distinct, opportunities in the **Energy Transition** – the H&Is are particularly blessed with wind, wave and tide, and harnessing these resources for power, and now increasingly for hydrogen and green chemical manufacture, will be essential in meeting net zero targets. These also have the potential to offer real job opportunities to support a Just Transition and play to our region’s strengths in terms of R&D capabilities, supply chain, and physical infrastructure. Some examples of the scale of opportunity are as follows:-

- **Floating Wind** potential to generate £43.6 billion GVA and create 29,000 jobs<sup>2</sup> by 2050 across the UK with the majority expected to come from ScotWind leasing round– likely to see the world's first large scale (c. 500MW) projects around the H&Is.
- **Green hydrogen** production, potential to generate up to £25 billion GVA and support up to 300,000 jobs in Scotland by 2045<sup>3</sup> – the region’s key assets in terms of existing oil and gas terminals and the renewable resource to produce the hydrogen are proving to be key industry attractors, and EMEC-led demonstration

<sup>2</sup> [Industrial Leadership-Unlocking the UK’s Floating Wind Potential](#), Offshore Renewable Energy Catapult, September 2021

<sup>3</sup> [Scottish Hydrogen Assessment](#), December 2020 – most ambitious scenario

projects in Orkney are helping to increase knowledge and experience on production, storage and end use of hydrogen.

- **Marine Energy** could generate an estimated net GVA of £1.4bn from tidal and £4bn from wave energy by 2030 and 2040 respectively for the UK economy<sup>4</sup>. We continue to work with industry, stakeholders and government to support commercialisation of marine energy through our subsidiary, Wave Energy Scotland's full scale device and array development programme, and enabling next generation tidal technology demonstration at EMEC, in Orkney. To date, Scottish content in marine energy has been high (typically 80% for Mocean, AWS and Nova Innovation) – scaling deployment and supply chain growth to match is a key challenge/opportunity.
- **Heat Decarbonisation** represents a huge challenge for our region. SG is committed to making progress this decade, with £1.6bn budget attached. With c266k homes in the H&Is, 20% of which use heating oil, the scale of the challenge is immense, and in addressing it we must also ensure that fuel poverty which is so prevalent in our region is tackled.
- **Transport Decarbonisation** presents test and demonstration, and supply chain opportunities, as investment in decarbonising all modes progresses, but particularly in air, ferry and rail (e.g. HIAL-led "Sustainable Aviation Test Environment" (SATE) for electric flight demonstration).

The Highlands and Islands should benefit disproportionately from these strategic opportunities, and with the wealth of natural assets, the region is expected to contribute significantly to Scotland's net zero ambitions. We continue to support and influence favourable regulatory, consenting, and investment conditions for our region, the supply chain and communities to benefit from this part of the net zero journey.

In addition to Energy Transition, other strategic opportunities in pursuit of net zero relate to the wealth of natural capital in our region, and its ability to absorb CO<sub>2</sub> – land and marine based – and to support increased biodiversity. Working with partners such as NatureScot our priority will be to innovate around ways to enhance community benefit associated with sequestration activity and support the growth of rural and nature based jobs to deliver the required works. We will also work to consider how this resource will enhance the value of community owned assets, support new product and market opportunities in remote and rural areas, and lever private sector investment. Specific examples include seaweed cultivation, local food and shortening supply chains, and peatland restoration.

### **Embedding Green Recovery and Net Zero**

The activities associated with our public body duties are being overseen within HIE by a Net Zero Transition Portfolio Group which draws staff from across the organisation

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<sup>4</sup> [Tidal Stream and Wave Energy Cost Reduction and Industrial Benefit](#), Offshore Renewable Energy Catapult, May 2018

engaged in business growth, communities and place and strategy. Our approach is summarised as follows:-

- a) **People** - upskilling and empowering staff (45 Climate Champions completed online course delivered by the Scottish Royal Geographic Society and now responsible for cascading information to colleagues and motivating clients)
- b) **Products** – reviewing client support through a net zero lens, integrating within programmes including Entrepreneurship, Leadership, Innovation, Internationalisation and Specialist Advice
- c) **Processes** (appraisal, investment and measurement) – enhancing guidance in project appraisal; leveraging and prioritising investment in green jobs (e.g. Green Jobs Fund); introducing a new net zero ladder to enable tracking of client behaviour, investment and ambition; incorporating green jobs and turnover within measurement framework. A key priority is to develop a proportionate, consistent and impactful carbon measurement as a result of our interventions, and we are engaging with SE, SOSE and SG to progress this.
- d) **Procurement** – noting that public bodies are mandated to use public procurement spend to support climate and circular economy principles we adopt SG guidance on incorporating net zero commitments (e.g. SG Sustainability Test Tool), and plan to incorporate circular procurement, emission reduction goals, and alternative products/solutions going forward in order to support the transition to net zero. We will also encourage our supply chain to implement sustainable procurement action plans.
- e) **Property** (and facilities) – HIE’s recently publish Property Strategy sets out our aim to deliver property in line with HIE’s and Scottish Government’s aspiration to achieve net zero by 2045, including interim targets to incorporate low and zero carbon strategies by 2040.
- f) **Profile** – in November 2020, HIE hosted a Low Carbon Innovation Month, marking a year to COP26. Between Climate Action Week (13 – 17 Sep) and COP26 (1 -17 Nov) we will take the opportunity to raise the profile of the region and share best practice via development of case studies, digital content, and social media campaigns.

During COP26 we are continuing to engage with partners on opportunities to raise the profile of investment opportunities, with a particular focus on Marine Energy and Carbon Sequestration – two particularly distinct, regional opportunities. Thereafter, web content will continue to be updated, with a view to stimulating action by clients and raising investor interest. Further, our continuing engagement with SDI will ensure the region features in key propositions taken to international markets.

### **Collaborative Approach**

Delivering a green recovery and progressing the transition to net zero transition in the Highlands and Islands, and delivering significant benefit at a Scottish level, will require effective and active collaboration with partners and stakeholders at national, regional and local levels. The nature and intensity of collaboration will vary according to opportunity or challenge being addressed, but it is essential to achieve the right policy

and regulatory environment as well as secure the required investment into projects, programmes, businesses and communities.

HIE has been strengthening relationships with stakeholders key to net zero. Three examples are:

- a) Zero Waste Scotland, where ZWS is engaging with HIE staff to further embed circular economy principles into our client support
- b) Nature Scot, with a focus on leveraging private investment into the region as part of the £1bn Conservation Challenge, potentially supporting wider community led activities and harnessing our region's natural resources.
- c) SEPA – as a long term partner of the VIBES awards, HIE recognises the reach and impact SEPA has in engaging with the wider business community. Increased understanding of respective roles brings benefits to our clients and through VIBES, leadership in sustainability is supported and showcased.

## **Conclusion**

HIE's focus on a green and inclusive recovery in a way that reflects the needs and opportunities of our region's communities and businesses, supports the Scottish Government commitment to achieving a just transition to net zero by 2045. Securing maximum economic and community benefit from key, regionally distinct, strategic opportunities and through a continuation of our place-based approach to economic and community development, combined with embedding net zero practices within the organisation, will play a key role in developing the Highlands and Islands as a world-renowned net zero region.

Audrey MacIver, Director of Energy & Low Carbon  
September 2021

## South of Scotland Enterprise submission, Wednesday 15 September 2021

South of Scotland Enterprise (SOSE) welcomes the opportunity to provide a short, written submission in advance of the evidence session about SOSE's ambition and activities in relation to the achievement of net zero goals.

We were established on 1 April 2020 by the South of Scotland Enterprise Act (2019). Our primary aims are to further the sustainable economic and social development and improve the amenity and environment of the South of Scotland.

Supporting a just transition to net zero is central for us, with our legislation giving examples of the sort of actions we could take to achieve our overall aims and particularly relevant to here are:

- supporting the transitions required to meet the net-zero emissions target (as defined in section A1 of the Climate Change (Scotland) Act 2009),
- supporting inclusive and sustainable economic growth,
- maintaining, protecting and enhancing the natural and cultural heritage and environmental quality of the South of Scotland,
- promoting the sustainable and efficient use and re-use of resources.

Given the South of Scotland's natural capital assets our region is able to make a climate positive contribution towards Scotland's overall target.

SOSE will be looking to lead and facilitate the South of Scotland's just transition to net zero to create a thriving, more prosperous, wellbeing economy.

We see this just transition as presenting many opportunities, which we will lead and support our businesses, social enterprises and communities to take advantage of.

To deliver on our ambition SOSE will develop a compelling narrative that is simple and easy to understand to enable us to influence the outcomes in the region that deliver on a just transition to net zero.

As an organisation we will lead by example. SOSE will be sharing its own organisational journey to net zero to inspire others into action.

Both SOSE's Board and senior leadership team have already undertaken the Royal Scottish Geographical Society's Climate Literacy Training this year.

SOSE has also recently recruited Dr Martin Valenti as the new Director for Net Zero to help the agency create an inspiring narrative and to lead a new Net Zero team that will help drive our region's just transition to net zero.

We are championing our businesses, social enterprises and communities by showcasing great examples, like The Ethical Dairy in Dumfries & Galloway, of people and organisations who are proactively making the transition to net zero, and who can advocate their approach to others.

Alongside working closely with our clients to support them on their own net zero journeys SOSE recognises the importance of collaborating with others - we recently established a South of Scotland Net Zero Commission who met virtually for the first time last month.

Working collaboratively is particularly important as SOSE and key partners, including the other enterprise agencies, look to understand and navigate complex areas of the just transition to net zero, especially in demonstrating the value of our interventions.

For example, and in relation to delivering net zero impacts, there are strong interdependencies between our performance measurement framework and:

- Carbon accounting for businesses to establish baseline emissions and prioritise reductions.
- Natural capital accounting to value natural assets correctly.
- Incorporating biodiversity net gain.
- Embedding conditionality of support on net zero outcomes.

Whilst there are challenges to address, we will do so by working and collaborating with our clients and partners across the South of Scotland and further afield.

SOSE will commit to consulting with our businesses, social enterprises and communities on how best to support them on their own net zero journeys, which will help the design and delivery of practical interventions, for example the creation of a net zero toolkit for organisations in the South of Scotland.

We have and will continue to invest in net zero in our region - the £1.9m SOSE committed over five years towards the Galloway and Southern Ayrshire UNESCO Biosphere is a great example of this.

The funding from SOSE will allow the UNESCO Biosphere to increase activities around its four key strategic objectives of Climate and Adaptation; Land-use and Biodiversity, Research and Learning, and Sustainable Development, widening its reach and impact.

The Green Jobs Fund is another source of funding being deployed to support businesses committed to adapting their products and services in line with a Net Zero economy.

Our view is that this just transition to net zero is an opportunity, both economically, socially and environmentally, for our region's businesses, social enterprises and communities, and that we can all contribute to meeting Scotland's net zero target.

Finally, SOSE is committed to working with Scottish Enterprise, Highlands and Islands Enterprise and other partners as part of a Team Scotland approach at COP26 in Glasgow.

Our approach recognises the economic opportunity the event provides for international trade and inward investment; and therefore, we are focused on showcasing our region and the businesses that are contributing to Net Zero.

We are looking forward to participating in a rich programme of activity at the Lighthouse as part of the Scotland Innovation and Investment Zone (SIIZ), where we will make this programme accessible to the businesses and communities across the region (using digital platforms); along with curating events and promoting resources across the South of Scotland to stimulate action across the regional economy.

I hope this information is helpful in informing the work of the Committee, and we look forward to updating you further at our forthcoming evidence session.

Jane Morrison-Ross  
Chief Executive South of Scotland Enterprise

## Scottish Enterprise submission, Wednesday, 15 September 2021

Scottish Enterprise (SE) welcomes the opportunity to provide a written submission in advance of your Committee's evidence session on 21 September about our activities and aspirations to support Scotland's net zero ambitions.

The transition to a net zero economy is a key priority for SE. We recognise that immediate action is required to tackle the challenge of climate change and help ensure the Scottish Government meets its aim for Scotland to have net zero emissions by 2045.

That's why SE has placed the net zero transition at the heart of all our plans and activities for not only this financial year but also in our next three-year plan, 2022-25. We are fully committed to stimulating positive action to address the combined climate and nature emergencies and help to ensure the benefits are shared fairly across society.

SE's Net Zero Framework for Action, published in June 2021, sets out how we can be a catalyst for change in accelerating Scotland's just, net zero transition. It sets out our approach and specific actions we are taking across all our activities and operations. Building upon our strong track record in supporting low carbon innovation, investment and technologies, our Framework commits SE to:

- Expanding net zero opportunities - supporting businesses, industries and investors to grasp fast-growing climate opportunities, helping refocus Scotland's economy on a net zero future while safeguarding natural capital and improving collective wellbeing
- Supporting a just transition - helping businesses, industries and communities to deliver a just transition that is fair to all, safeguarding and creating good, green and high value jobs
- Leading and influencing change - incentivising more businesses to actively commit to sustainable practices, influencing others to accelerate the pace of change and maximising the opportunities and legacy of COP26
- Becoming a net zero organisation – we aim to become net zero by 2040 and are making good progress in meeting our interim target of reducing emissions by 75% by 2030, compared to a 2015/16 baseline.

We are focused on stimulating early action. This year, for example, we are:

- Helping businesses create green jobs, innovation and business growth opportunities, supported by the Green Jobs Fund and the Low Carbon Infrastructure Transition Programme
- Delivering National Programmes targeting fast-growing net zero opportunities, such as decarbonised heat, heavy duty zero emission vehicles and the hydrogen economy, working in partnership with businesses, investors and partners

- Helping businesses develop a carbon reduction plan – reducing costs and environmental impacts. For example, we help businesses improve the efficiency of their premises, products or processes, and investigate renewable energy options
- Working with NatureScot and others to identify practical ways to embed support for improved biodiversity and natural capital in both our own and partner-led projects and programmes
- Driving business commitment to fair work and sustainability practices to accelerate a just transition to net zero by linking SE's financial support to the wider purpose of business
- Delivering exciting, new programmes to support early-stage, purpose-led companies. For example, the third cohort of the Unlocking Ambition programme is supporting 38 co-founders with advice, mentoring, leadership development as well as grant funding
- Delivering climate literacy training to all our staff

This builds upon a strong track record of delivery over the past decade including:

- Expanding opportunities in renewables, sustainable transport, low carbon heat and the circular economy. Since 2010, examples of success include supporting supply chain, infrastructure and innovation in offshore wind and marine energy, and helping to develop hydrogen transport and infrastructure in Orkney, Aberdeen and Fife
- Helping companies identify more than 700,000 tonnes of CO2 savings over the past three years, equivalent to taking more than half a million cars off the road
- Helping build Scotland's capabilities and assets, for example the rapid delivery of the proposition and development of a joint venture model for Michelin Scotland Innovation Parc (MSIP) in response to the closure of the Dundee manufacturing facility
- Investing £85.5m and leveraging an additional £207m in energy companies and projects via the Energy Investment Fund since 2012.

SE recognises that many companies will need help to achieve net zero, and for some this may mean a significant business shift that might create additional challenges in the short-term. We are also acutely aware that businesses and industries are all at different stages in their net zero journey, particularly in the context of their recovery from COVID-19.

It is therefore vital that SE and our partners demonstrate leadership by incentivising more businesses to actively commit to sustainable practices, influencing others to accelerate the pace of change, and maximising the opportunities and legacy of COP26, which will showcase Scotland as a global leader in sustainable and inclusive economic development.

That spirit of collaboration is critical to achieving our net zero ambitions. SE is fully committed to working in partnership with industry, the Scottish Government, our fellow agencies and others at local, national and international levels. We continue to

collaborate with our partners to align plans, access external funding and leverage private sector investment.

SE is working very closely with the Scottish Government, partners, industry bodies, investors and individual companies to showcase Scotland's climate change ambitions during COP26. We are developing a comprehensive programme of events and activities as part of Scotland's Innovation and Investment Zone (SIIZ), promoting opportunities and attracting investment on a global stage.

The global policy focus on climate change and transitioning economies to net zero offers real opportunities for Scottish businesses, building on Scotland's natural assets and expertise. Indeed, the Organisation for Economic Co-operation and Development (OECD) has identified a potential spend on decarbonised infrastructure of \$7 trillion a year up to 2030. The time for decisive action is now and SE is ready to rise to the challenge.

I hope this information is helpful in informing the work of the committee, and we look forward to updating you further at our forthcoming evidence session.

Andy McDonald  
Head of Low Carbon Transition Scottish Enterprise