European and External Relations Committee

The EU referendum and its implications for Scotland

Written submission from Scottish Renewables

This submission covers the organisation’s views on the implications for the Scottish renewable energy sector of any new relationship between the UK and the EU as a result of the recent referendum.

As the committee outlines in its call for evidence, there is currently a lack of certainty about the date on which the UK will formally notify the European Council of its intention to leave the EU, as well as the nature of any relationship the UK will seek to maintain with the EU in the future. Therefore, this submission has been confined to the priorities the Scottish renewable energy sector believes the UK should recognise during the process of negotiating a future relationship with the EU.

Future relationship with the European Union

Scottish Renewables agrees with the CBI’s priorities\(^1\) for any new UK/EU trading relationship, with some additional comments related specifically to the renewables sector in Scotland:

Retaining the ease of UK-EU trade that businesses get from the single market – including the internal energy market

- A fully-integrated internal energy market has been a priority for the European Commission for a number of years\(^2\) and, this was promoted as a key benefit of EU membership by the former Energy Secretary, Amber Rudd, in advance of the EU referendum.\(^3\)

- The results of a study conducted by Vivid Economics in 2015 on behalf of the electricity System Operator, National Grid, found that “the impact of the UK being excluded from the IEM could be up to £0.5 billion per annum in the 2020s.”\(^4\)

- Since the result of the referendum, one of the UK’s largest energy companies has stated that it “hopes that the UK Government and the European institutions will provide clarity on future plans for the UK’s involvement in the IEM.”\(^5\)

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Balancing regulatory equivalence with the EU with flexibility and influence over the domestic environment, while assessing the scope to tailor procurement and environmental legislation to UK and/or Scottish economic objectives

- A number of pieces of EU legislation apply to the development of the renewable energy sector in Scotland, including State aid\(^6\) and procurement\(^7\) rules, as well as a number of environmental directives.\(^8\)\(^9\)\(^10\)

- Depending on the nature of any future relationship with the EU, domestic legislation that seeks to implement European legislation could be tailored for either a UK, or specifically Scottish, context. However, this would need to be balanced against the potential advantages of having a regulatory equivalence with EU countries which could make cross-border trade easier.

Ensuring the UK’s migration system allows companies to access the people and skills they need, while recognising public concerns

- Polling suggests that immigration was one of the key issues during the EU referendum\(^11\). However, any future relationship between the UK and the EU will need to balance public concerns about immigration with the necessity of businesses being able to access the skilled workforce, as well as researchers in academia, they need in order to help drive the economy.

Protecting the economic and social benefits of EU funded projects – both in the areas of research and infrastructure

- Renewable energy projects in Scotland have benefited from being able to access EU funded research projects, with recent successes for the European Marine Energy Centre (EMEC) under the Fast Track to Innovation (FTI) scheme\(^12\) and the €11m FORESEA project.\(^13\) There are also a number of Scottish organisations who are interested in accessing the EU’s Framework Programme for Research and Innovation for 2014-2020, known as Horizon 2020.\(^14\)

- It is also important for Scottish renewable energy projects to continue to be able to access European support for infrastructure, such as European Investment Bank (EIB) finance.\(^15\) For instance, the EIB recently agreed to

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\(^7\) [http://www.ojec.com/directives.aspx](http://www.ojec.com/directives.aspx)
\(^9\) [http://ec.europa.eu/environment/ela/review.htm](http://ec.europa.eu/environment/ela/review.htm)
\(^14\) [https://www.scotlandeuropa.com/eu-funding/research-and-innovation.aspx](https://www.scotlandeuropa.com/eu-funding/research-and-innovation.aspx)
\(^15\) [http://www.eib.org/](http://www.eib.org/)
provide £525 million for the construction of the Beatrice windfarm off the Caithness coast.\textsuperscript{16}

Continuing UK influence over EU legislation during the negotiation

- If EU legislation is to remain binding on the UK until it leaves the EU then it is important that the UK continues to influence any legislation in order to ensure it is not detrimental to the UK or Scotland’s interests.

- Further clarity from the UK Government on whether it still considers the EU’s 2020 Renewable Energy Target binding upon it\textsuperscript{17}, and which it is reported as already set to miss\textsuperscript{18}, would also be welcomed by the renewable energy industry in Scotland.

Laying out a clear timetable and plan to provide business with certainty

- It is currently still unclear what the UK Government’s timeframe is for the triggering of the Article 50 process for leaving the EU.

Developing a clear strategy for international trade and economic agreements

Maintaining a partnership between Government and business of all sizes, and sectors, from across the UK

Conclusions

There is currently a lack of clarity about when the UK will leave the EU, and what any new relationship between the UK and the trading bloc will look like. Therefore, it is very difficult to assess how any future relationship between the UK and the EU would affect, either positively or negatively, the renewable energy sector in Scotland.

Nevertheless, Scottish Renewables believes it is important the UK Government keep in mind the priorities outlined by the CBI in the negotiations, as there are a number of issues relevant to the continued success of the renewable energy sector in Scotland.

\textsuperscript{16} http://www.eib.org/infocentre/press/releases/all/2016/2016-121-gbp-500m-european-backing-for-beatrice-windfarm-off-caithness-coast.htm
\textsuperscript{17} http://parliamentlive.tv/Event/Index/de0bc4e1-43f1-4e56-b692-20f70c7a95e1
\textsuperscript{18} http://www.bbc.co.uk/news/science-environment-36710290