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Dear Convenor,

Thank you for your letter of 30 March 2022 on carbon capture, utilisation and storage (CCUS) on behalf of the Net Zero, Energy and Transport Committee. In your letter you posed a number of questions based on recent evidence gathered by the Committee when considering the role of CCUS in achieving Scotland's net zero targets following the UK Government's CCUS cluster sequencing decision. I would like to thank the Committee for its interest in this important matter.

Accompanying this letter you will find an annex setting out in detail the Scottish Government's responses to the Committee's questions. I trust that the Committee will find this information helpful.

The Scottish Government supports the development and deployment of CCUS as part of a whole system approach to decarbonisation. This reflects the advice from the Climate Change Committee, which describes CCUS as a "necessity, not an option" to achieve net-zero emissions. The evidence also shows that CCUS is critical for Scotland to reach its statutory emissions reductions targets as set out in our Climate Change Plan Update.

The development of strategically located carbon capture and storage (CCS) infrastructure in Scotland's industrial clusters in Grangemouth and the North East could protect and ensure the just transition for important domestic industries into a low-carbon future, protecting jobs and utilising existing skills, and will also be important Scotland's energy transition and for the decarbonisation of industries that are unable to electrify. CCUS is also necessary for enabling negative emissions technologies (NETs), which are important for balancing unavoidable emissions in other sectors within the Climate Change Plan.

CCUS is a credible technology, with many international projects successfully deployed already (such as the Sleipner project in Norway which has been operating for over 25 years) and many big projects expected to come forward globally in the next few years.

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If CCUS is not developed in Scotland, the impacts on other sectors to compensate for the necessary emissions reductions will be of a scale that will be more challenging and costly than implementing CCUS.

Scottish Government economic analysis shows CCUS would have a positive impact on the Scottish economy. In 2045 Scottish GDP could be 1.3-2.3% (£3.8 billion-£6.7 billion) higher in scenarios with CCUS than without. Scotland's significant CO2 storage potential and the presence of the Scottish Cluster provides an economic opportunity for Scotland to be at the centre of a European hub for the importation and storage, via shipping, of CO2 from Europe. CCUS can also play a pivotal role in achieving a just transition for our workforces, capitalising on existing skills and expertise to create many good, green jobs in the coming years. These potential benefits would be lost if the Scottish Cluster were not to proceed. We are working to support Scotland's just transition through policies such as our £500 million Just Transition Fund for the North East and Moray; our £75 million Energy Transition Fund that will support our energy sector and the North East; our upcoming Energy Strategy and Just Transition Plan; our Green Jobs Workforce Academy; our National Transition Training Fund; and our support for OPITO's work on the skills transition.

The Scottish Cluster is absolutely vital for a just transition to net zero - not just in Scotland, but across the UK and we believe the Scottish Cluster's Acorn CCS project is uniquely placed to be the least cost and most deliverable opportunity to deploy a full chain CCS project in the UK. Therefore, it is critical that the Scottish Cluster is given the certainty and support it needs to continue its development, as we have repeatedly called on the UK Government to do.

We remain disappointed at the UK Government's illogical decision to not award the Scottish Cluster Track-1 status in its cluster sequencing process, and continue to call for its reversal. We would expect that the Scottish Cluster will be well-placed in Track-2 of the UK Government's cluster sequencing process, noting that the Cluster demonstrated full suitability for Track-1 status based on the assessment criteria. The UK Government should act promptly to provide the clarity and support necessary to accelerate the development of CCUS in Scotland.

We are working with partners to explore all avenues to strengthen the Cluster's bid and ensure that key learnings from the Track-1 process and factors that are of particular importance to Scotland (such as our statutory emissions targets, security of electricity supply and industrial decarbonisation) are considered in the development of Track-2. As the Scottish Government doesn't hold all the necessary legislative and regulatory levers, we continue to work with the UK Government to support the acceleration of the Scottish Cluster and, to this end, stand ready to deploy £80 million from our Emerging Energy Technologies Fund.

As we work towards publishing our next full Climate Change Plan, we are reviewing our progress and evidence on our plans to meet our statutory emissions reduction targets. While we do not have all the answers yet, it is clear that a just transition to net zero is simply not achievable without CCUS.

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## MICHAEL MATHESON MSP

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