

Net Zero, Energy and Transport Committee
Scottish Parliament

5th February 2026

Dear Committee,

The decision not to fund Wave Energy Scotland beyond March 2026, despite engagement with Scottish Government officials, is both unexpected and has serious consequences for WES, the marine energy sector and its associated supply chain. It risks serious damage to Scotland's international reputation as a credible and reliable partner in national and trans-national technology innovation programmes. It also threatens the viability of Scotland's leading wave energy technology developer, Mocean Energy, as a going concern. And at a personal and human level, it would mean the loss of jobs for people that have dedicated a significant portion of their career to the development of commercial wave energy and anticipated a budget to fund the opportunity to transition to new funding possibilities.

Request

I am seeking your assistance in highlighting the impact of this draft budget decision and urge the Scottish Government to reconsider its position and reinstate the budget allocation of £3.08 million total over the next two fiscal years.

The origins of Wave Energy Scotland (WES)

WES was created by the Scottish Government in 2014 with the remit to facilitate research and development activity that would accelerate the development of wave energy technologies. WES was established as a wholly owned subsidiary of Highlands and Islands Enterprise, but its activities have been funded by the Scottish Government directly through a dedicated budget.

The situation

WES was notified by the Cabinet Secretary for Climate Action and Energy that the draft budget for 2026/27 does not include a provision for Wave Energy Scotland. Following discussions with Scottish Government officials, WES had requested a transitional budget to meet its approved contractual commitments in the fiscal years 2026/27 (£1.725 million) and 2027/28 (£1.354 million) and allow it to move towards an alternative funding model that includes UK Government and European Commission contributions. As things stand, WES's funding will terminate at the end of March 2026.

Organisational impacts

The draft budget decision will have immediate practical consequences that will damage Scotland's reputation as a credible and reliable partner in European programmes and lead to the loss of opportunities in the near-term. It also threatens the viability of

Scotland's leading wave energy technology developer, Mocean Energy, as a going concern.

The EuropeWave programme

WES leads the EuropeWave programme, a Horizon Europe project co-funded by the Scottish Government (through WES), the Basque Government (through EVE, the Basque Energy Agency) and the European Commission. Its final phase, which began in September 2023 and is due to conclude in January 2028, awarded three contracts valued at approx. €4.5 million each (€13.4 million in total) to build and operate three prototype wave energy converters. One of these contracts is with Scotland's Mocean Energy. Mocean Energy is preparing to deploy its prototype in Orkney later this year. The two other contracts were awarded to an Irish and a Spanish developer to deploy their prototypes in the Basque Country. The Scottish Government's contribution of €2.6 million for this final phase results in at least €5.5 million investment in the Scottish economy by contractors.

The draft budget decision will force WES to terminate its participation in the programme which in turn is likely to lead to the termination of the EuropeWave programme in its entirety. Defaulting on its EuropeWave commitments exposes WES (and the Scottish Government) to claims for losses incurred by the three EuropeWave contractors, from the EuropeWave consortium partners, and for the potential claw-back of Commission's grant (€5.7 million in the final phase alone).

The draft budget decision will seriously damage the Scottish Government's reputation with the European Commission and with potential partners in future applications to European programmes. This effect is unlikely to be confined to marine energy programmes.

The draft budget decision presents a significant risk that Mocean Energy will cease trading, with the loss of 12 FTEs, just at the point when it is attracting interest from potential customers for its technology. The company has previously secured private equity investment as a result of successful at-sea testing in WES's programmes. The EuropeWave deployment is critical to unlocking sales and private investment and the termination of EuropeWave is certain to have a chilling effect on current and potential investors.

Lost opportunities

WES's record in delivering innovation programmes has firmly established its reputation as a reliable and trusted partner in the UK, Europe and beyond. This ability to positively influence the UK Government and European Commission's support for marine energy will be lost to Scotland without WES.

For example,

WES chairs the European Commission's Strategic Energy Technology (SET) Plan Implementation Working Group for Ocean Energy, the forum for coordinating European innovation investment strategies in the marine energy sector.

WES is currently guiding the creation of the Commission's new €43 million Horizon Europe flagship marine energy innovation programme. WES is an excellent candidate for leading the delivery of this programme and to be able to ensure Scotland benefits from it.

WES is a member of the UK Government-led Marine Energy Taskforce, and co-chairs its innovation workstream. The Taskforce is the route through which UK Government funding for the marine energy sector could be secured and the loss of WES from that process will impact confidence in the sector and Scotland's commitment to it.

The failure to provide a budget for WES in 2026/27 removes its ability to create a transitional path to securing UK and European funding of future wave and tidal innovation activities. It is impossible to deliver strategic outcomes with a cliff edge commitment.

Personal impacts

The failure to provide a transitional budget will result in the loss of WES's ten (10) FTEs, based at different locations around Scotland.

The draft budget decision has been delivered less than three (3) months before WES's existing funding settlement ends. For many at WES this is less than contractual notice periods, a situation that is inconsistent with the principles of the Scottish Government's Fair Work First policy.

I therefore urge the committee members to recognise the serious implications of the Scottish Government failing to continue funding for WES such that it can meet its approved contractual commitments and maintain Scotland's leading position in the development of wave energy. Please question the Cabinet Secretary to establish whether she also understands the full consequences of this budget decision and urge her to reconsider the decision.

Regards,

Dr Peter Dennis

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