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Dear Committee Member,

Wave Energy Scotland

I wish to draw your attention to the Scottish Government's decision in the draft budget for 2026/27 to terminate crucial funding for the organisation Wave Energy Scotland (WES).

The decision not to fund WES beyond March 2026, despite WES's engagement with Scottish Government officials throughout 2025, is both unexpected and has serious consequences for WES, the marine energy sector and its associated supply chain.

A budget provision had been expected that would meet approved contractual commitments and allow WES to transition to an alternative funding model.

Scotland has a significant wave energy resource around our coast and this, in conjunction with other renewables technologies, represents a significant opportunity for Scotland and our country's ambitions for net zero, energy security and climate change targets.

The termination of funding would result in a failure to capitalise on earlier Scottish Government investment in wave energy at a time when the sector is generating commercial interest as well as initial private investment which has until recently been absent.

Failing to provide funding for WES will also mean:

- WES is unable to meet its approved contractual commitments, including the final phase of the Horizon 2020 co-funded EuropeWave programme where a Scottish Government's contribution of €2.6 million results in at least €5.5 million investment in the Scottish economy by the programmes contractors.
- The Scottish Government, through WES, is exposed to claims for losses from programme contractors, partners, and the European Commission.
- Serious damage to Scotland's international reputation as a credible and reliable partner.
- Uncertainty about the viability as a going concern of Scotland's leading wave energy technology developer, Mocean Energy.

- The loss of direct employment of 10 WES staff.

I have attached an information document providing greater detail on WES and the work currently underway and threatened by this “cliff edge” funding decision.

I would welcome the committee’s consideration of this matter and would appreciate your making representation to Scottish Government that the work of WES is funded and appropriately guided in support of Scotland’s net zero ambitions.

I am writing as an Na h-Eileanan an Iar constituent as well as a project manager with Wave Energy Scotland

Yours sincerely

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Context and situation

- WES was created in 2014 at the request of the Scottish Government and has become respected worldwide for its research and innovation leadership. Scottish Government through WES has been recognised for a consistent, professional, and structured approach to selection and delivery of world class Research and Development.
- Following discussion with the Scottish Government, WES had sought a transitional budget to allow it to move towards a wider UK and European Commission funding model, as targeted through its leading role in the UK Government's Marine Energy Taskforce chaired by Energy Minister Michael Shanks.
- Failure to provide this transitional support for WES to seek alternative sources of funding, risks failure to capitalise on £72m of funding provided to the marine energy sector by the Scottish Government since 2014.
- WES has been informed that the Scottish Government will not provide a budget beyond the end of March 2026.

Reputational damage and lost opportunities

- WES has developed a strong reputation as a centre of excellence and knowledge in the marine energy sector, with the European Commission evolving its own programmes to mirror the best practice established from the WES programmes.
- Scotland is world-renowned for its marine energy resources, engineering, and unwavering Government support to the marine energy sector. The European wave and tidal stream sectors take their lead from Scotland.
- Defaulting on contracted programmes with European partners would seriously damage Scotland's reputation as a credible and reliable partner in the European innovation funding landscape.
- WES's role in shaping and influencing the European Commission's support for marine energy will be lost. For example,
 - WES is using its experience and knowledge to guide the creation of Horizon Europe's €43 million flagship marine energy innovation programme for the period 2027 and 2032.
 - WES chairs the European Commission's Strategic Energy Technology (SET) Plan Implementation Working Group for Ocean Energy, the strategic collaboration forum for European countries.

Implications for live programmes

Failure to provide transitional funding over two years will result in:

- WES defaulting on its commitments to fund Mocean Energy's VHM technology development activity

- WES being forced to terminate its participation in the Horizon Europe project, EuropeWave, defaulting on its obligations to the European Commission, and leading to the cancellation of its three contracts and the associated downstream supply chains.
 - These three contracts are valued at €13.4 million (approx. €4.5 million each) funded by contributions from
 - the European Commission (EU), €5.7 million
 - Ente Vasco de la Energia (Basque Energy Agency, EVE), €5.2 million and
 - Scot Gov (through WES) €2.6 million
 - The Scot Gov/WES contribution results in at least €5.5 million investment in the Scottish economy by contractors.
 - Mocean Energy's contract is almost entirely within the Scottish supply chain.
 - Carnegie's contract involves subcontracts with the Scottish supply chain valued at approximately €1 million.
 - This would result in the failure to capitalise on €23m of prior co-investment from the Scottish Government, EVE, and the EU, without achieving deployment and demonstration of the three large-scale devices developed.

Potential liabilities

- External legal evaluation suggests that WES risks exposure to claims from the European Commission, project partner EVE and each of the three EuropeWave contractors, which could exceed €13 million, far greater than the cost of an orderly completion with reputation as a dependable European partner intact.

Supply chain impact

- Lost employment
 - WES team ... 10 FTEs
 - Mocean Energy ... 13 FTEs

[Mocean Energy has indicated the loss of either or both of the VHM and EuropeWave projects threatens the company's ability to trade]
- Acting in good faith, WES has informed Mocean Energy of the current funding issues. Mocean has been forced to respond by delaying project decisions and orders, placing additional risk on critical path activities and ability to use available 2025/26 budget.
- Scottish and UK sub-contractors would lose contracts secured from the three EuropeWave contractors with a detrimental effect up to and including job losses.

TDC Parsons Peebles (Rosyth) Motor/Generator Manufacturer	Orcades Marine (Orkney) Marine Consultants (Third party review)
Texo Ltd (Dundee) Steel Fabrication	Leask Marine (Orkney) Marine Contractor
Sequentec Ltd (Loanhead) Power Electronics and Control	Aquaterra (Orkney) Marine Consents/Licensing
Quocean Ltd (Loanhead) Quick Connection systems designer	Astrimar (Inverurie) Failure Mode & Effects Analysis

Blackfish Engineering (Edinburgh/Bristol) Mechanical Design Engineers	Morek (Falmouth) Mooring design and modelling
Hydrosafe (Inverness) QHSE contractor	

Overseas companies (EuropeWave Phase 3 contractors)

- IDOM (Spain) and Carnegie (Ireland/Spain)
- Carnegie is spending around £1m with Scottish companies in their Phase 3 EuropeWave contract.

Missed opportunities

- Research by the University of Edinburgh in 2025 highlighted the potential economic benefits available to Scotland from successful cost-reduction and deployment of wave and tidal technologies, predicting up to £28bn of domestic and export GVA to 2050.
- **Targeted and focused innovation is required** to achieve both the cost reduction and the supply chain competitiveness needed to secure local content.
- WES has the opportunity to expand its activities across the marine energy sector, building on UK and European funding to provide the support needed by world-leading Scottish companies.
- **Removing WES funding represents a failure:**
 - **to target the benefits of innovation in the marine energy sector, and to recognise its importance in the delivery of CfD projects and domestic supply chain content**
 - **to influence UK Government towards impactful support for the sector, just at the point that it has engaged meaningfully through creation of the Marine Energy Taskforce.**

Fair working practices

- Discussions with Scottish Government officials and the Cabinet Secretary, ongoing for many months, had indicated that a transitional budget provision would allow WES to move onto an alternative funding mechanism, such as UK Government and European Commission programmes.
- The budget decision has been delivered with less than 3 months' notice to the end of existing funding settlement – this is less than some employees' notice period.
- External legal advice indicates that the 10 WES FTEs are subject to the Scottish Government "No Compulsory Redundancies" rule.