



T: 0300 244 4000
E: scottish.ministers@gov.scot

Duncan Massey MSP
Convener, Economy, Tourism & Energy Committee
Economy.Committee@parliament.scot

7 October 2026

Dear Convener,

The Renewables Obligation (Scotland) Amendment (No 2) Order 2026 [draft]

Thank you for your letter of 22 September 2026 inviting me to give evidence at the Economy, Tourism and Energy Committee in relation to the above draft Scottish Statutory Instrument (SSI). I welcome the opportunity to attend the Committee's meeting, and look forward to confirmation of the time slot.

This letter also provides responses to the questions raised in your letter:

Q1. The BRIA says the costs of the draft Order on non-eligible customers will be covered by savings from other policy changes, but it does not say specifically what the costs are. Are you able to set out the costs the Scottish Government has estimated for non-eligible customers?

The Scottish Government has not produced a separate assessment of the impacts on non-eligible customers arising from the redistribution of Renewables Obligation Scotland (ROS) costs. The draft Order makes the amendments required to enable implementation of the UK Government's British Industrial Competitiveness Scheme (BICS) in Scotland. Assessment of the wider costs and benefits of the scheme, including impacts on consumer and non-consumer electricity bills, is the responsibility of the Department for Business, Innovation, Science and Trade (BIST) which has not yet published quantified estimates of these impacts. The overall cost of the scheme will depend on the number of businesses that qualify and the level of exemption they receive. BIST is expected to be in a better position to assess the impacts once the number of successful applicants and the level of exemption awarded have been confirmed following the application process.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



As set out in the BRIA, exempting eligible businesses from ROS costs results in those costs being redistributed across the remaining customer base. However, decisions on the funding of BICS are reserved to the UK Government, which has stated that it will meet the costs of the scheme through a combination of savings from within the energy system delivered by DESNZ and Exchequer funding used to reduce the cost of the Contracts for Difference levy.

The effect of these measures is intended to offset the increase in electricity costs that would otherwise arise from the redistribution of ROS, Feed-in Tariff and Capacity Market costs across other consumers. The UK Government has therefore stated that domestic and non-domestic electricity consumers should not see an increase in their electricity bills as a result of the scheme.

Q2. We note the BRIA states that costs on non-eligible customers would be mitigated by UK Government policy changes (such as changing RO and FiT indexation from RPI to CPI, and removal of the Carbon Price Support from electricity bills – and exchequer funding). What actions can the Scottish Government take to address these costs to non-eligible customers if these policy changes prove not to fully mitigate the costs of the change?

Energy market design and regulation, including BICS, are reserved to the UK Government. The Scottish Government's role is limited to making the necessary amendments to the Renewables Obligation (Scotland) Order 2009 to enable implementation of the scheme in Scotland. The measures referenced in the BRIA relate to the wider aspects of the scheme that are the responsibility of the UK Government.

As set out in the BRIA, the UK Government has put in place a number of measures intended to offset the redistribution of costs associated with the exemption. These include the change from RPI to CPI indexation for the RO and FiT, which came into effect in April 2026, and the planned removal of Carbon Price Support from electricity bills from April 2028.

In addition, Exchequer funding will be provided through the Low Carbon Contracts Company (LCCC) to reduce Contracts for Difference (CfD) charges for domestic and non-domestic electricity suppliers from April 2027. The UK Government has also committed to regular reconciliation of scheme costs and eligible electricity consumption, with funding adjusted on a rolling basis to reflect actual rather than forecast costs. The purpose of these arrangements is to ensure that funding matches the actual cost of the scheme over its lifetime and to protect households and non-eligible businesses from bearing the costs of the exemption.

The draft Order does not create any new powers that would enable the Scottish Government to introduce additional mitigation measures should these UK Government arrangements prove insufficient. Decisions relating to the operation and funding of BICS remain reserved to the UK Government. The Scottish Government will, however, continue to engage with relevant counterparts and monitor the implementation and impacts of the scheme.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

INVESTORS IN PEOPLE™
We invest in people Silver



Q3. What the Scottish Government's estimates are for the impact on the competitiveness of Scottish companies, and the wider impact on Scottish businesses, from proposed changes in the draft Order?

The Scottish Government has not undertaken a separate quantitative assessment of the impact of the draft Order on the competitiveness of Scottish companies or the wider Scottish economy. The draft Order makes the amendments required to the Renewables Obligation (Scotland) Order 2009 to enable implementation of the British Industrial Competitiveness Scheme (BICS) in Scotland. The design of BICS, including its eligibility criteria, administration and economic impact assessment, is reserved to the UK Government.

As set out in the BRIA, the Scottish Government considers it important that Scottish businesses are able to access the same support as equivalent businesses elsewhere in Great Britain. Without these amendments, eligible businesses in Scotland would be unable to benefit from the exemption from ROS costs available under BICS, potentially placing them at a competitive disadvantage relative to businesses elsewhere in Great Britain.

The BRIA refers to UK Government estimates that eligible businesses could see reductions in electricity costs of £35 to £40 per megawatt hour, equivalent to around 25% of electricity costs. BIST estimates that approximately 825 businesses in Scotland could be eligible for support under the scheme. On that basis, the Scottish Government considers that participation in BICS is likely to support the competitiveness of eligible Scottish businesses by reducing operating costs.

While the Scottish Government has not undertaken separate modelling of impacts on competitiveness, investment, employment or economic output, the amendments are required to enable implementation of BICS in Scotland and to ensure that eligible Scottish businesses can access the support available under the scheme.

I hope this information is helpful, and provides the clarification that you, and the other members of the Committee are looking for.

Yours sincerely,

STEPHEN GETHINS

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

INVESTORS IN PEOPLE™
We invest in people Silver

