



The Scottish Parliament  
Pàrlamaid na h-Alba

## Economy, Energy and Fair Work Committee

Derek Mackay  
Cabinet Secretary for Finance,  
Economy and Fair Work

The Scottish Parliament  
EdiEH99 1SP  
Tel: (0131) 348 5214  
RNID Typetalk 18001 0131 348 5214

Sent by email only

economyenergyandfairwork@parliament.scot

26 March 2019

Dear Derek

### **BiFab, the offshore wind sector and Scottish supply chain**

Following our roundtable [evidence](#) session on 24 April and in advance of your summit, I would like to highlight the key issues that were raised with the Committee—

- **State aid** – BiFab made various claims about state aid being available in some other countries. Concerning evidence of breaches involving the company's non-UK based competitors, we were advised simply to "*read their financials*". Unite Scotland credited the Scottish government, JV Driver and DF Barnes for preventing BiFab going into administration but warned "*It does feel like we're putting up Hamilton Accies against Barcelona with some of this*";
- **Facilities and infrastructure** – We heard the BiFab yards could be world class facilities, but Scottish Renewables said a historical lack of investment put the company at a competitive disadvantage. Given that the Methil premises are leased from Scottish Enterprise, it is clear the landlord must work with the firm to make the improvements needed;
- **Local benefit agreements** – BiFab contrasted their experience in Canada with that in Scotland and pointed to a deficit in accountability. Bill Elkington said that around the world firms must work with local partners to deliver local benefits and yet, despite the public subsidy, there was nothing here to ensure 60% of the work takes place in Scotland (the figure to be aimed at by the sector deal).

Calling for better regulation and financial penalties, Mr Elkington described the failure to meet terms of consent or commercial commitments as “a travesty”. Surely, as was also raised during the session, the Scottish Government and the UK Government can work to better ensure local benefits through: lease of the seabed (Crown Estate), consent (Marine Scotland), and Contracts for Difference? GMB highlighted discrepancies between what was set out in the planning consent letter for the Kincardine project and what then transpired;

- **Repository of bids** – Citing the example of the Moray East Offshore contract, for which BiFab lost out to a company whose original bid was actually higher, a bid repository overseen by an agency was seen as one way of avoiding the recycling of bids;
- **Supply chain plans** – No evidence could be provided that these were proving meaningful;
- **Confidence** – Scottish Renewables told us the industry is paying close attention to the BiFab situation and that confidence has been shaken throughout the supply chain by what happened with the company before 2017;
- **Collaboration** – ORE Catapult detected a strong willingness for indigenous involvement in Scotland despite the highly competitive nature of the renewables and offshore market; Andrew Jamieson encouraging a more collaborative approach across the sector in Scotland, including the public sector. Tony Mackay, in a written submission to the Committee, contrasted the quality of public sector support here with that provided in Norway, Spain, UAE etc;
- **Wind Sector/Industrial Strategy** – For years the culture in the UK has been to focus on markets rather than adopt a strategic approach. Other countries have pursued a strategic stance. When witnesses were asked whether the focus now should be on a renewed UK industrial strategy or likewise with Scotland’s own strategy, the response was both.

I would ask you to write to the Committee with your response to these issues following the summit next week.

Kind regards

A handwritten signature in black ink, appearing to read "Gordon Lindhurst". The signature is fluid and cursive, with a large, stylized initial "G" and "L".

Gordon Lindhurst MSP  
Convener