



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Economy, Energy and Fair Work Committee

**Monday 21 December 2020**

**Session 5**



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**ECONOMY, ENERGY AND FAIR WORK COMMITTEE**  
**40<sup>th</sup> Meeting 2020, Session 5**

**CONVENER**

\*Gordon Lindhurst (Lothian) (Con)

**DEPUTY CONVENER**

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

**COMMITTEE MEMBERS**

Colin Beattie (Midlothian North and Musselburgh) (SNP)

\*Maurice Golden (West Scotland) (Con)

Richard Lyle (Uddingston and Bellshill) (SNP)

\*Gordon MacDonald (Edinburgh Pentlands) (SNP)

\*Alex Rowley (Mid Scotland and Fife) (Lab)

\*Graham Simpson (Central Scotland) (Con)

\*Andy Wightman (Lothian) (Ind)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Rt Hon Kwasi Kwarteng MP (Minister for Business, Energy and Clean Growth)

Sarah Redwood (Department for Business, Energy and Industrial Strategy)

**CLERK TO THE COMMITTEE**

Alison Walker

**LOCATION**

Committee Room 2



## Scottish Parliament

### Economy, Energy and Fair Work Committee

Monday 21 December 2020

*[The Convener opened the meeting at 11:05]*

### Scottish Offshore Wind Sector Inquiry

**The Convener (Gordon Lindhurst):** Good morning and welcome to the 40th meeting of the Economy, Energy and Fair Work Committee in 2020. Apologies have been received from Richard Lyle and Colin Beattie.

The only item on our agenda this morning is consideration of Burntisland Fabrications, the offshore wind sector and the Scottish supply chain. I am pleased to introduce our witnesses: the Rt Hon Kwasi Kwarteng MP, Minister for Business, Energy and Clean Growth. He is joined by his official Sarah Redwood, who is the director of renewable energy deployment at the Department for Business, Energy and Industrial Strategy.

I invite the minister to make a short opening statement, after which we will go straight to questions from Maurice Golden, who will be followed by Alex Rowley.

**Rt Hon Kwasi Kwarteng MP (Minister for Business, Energy and Clean Growth):** Thank you, sir. The United Kingdom has set out a bold, low-carbon future in which offshore wind will play a central part. The recent announcements on increasing our ambition to 40GW by 2030, the 10-point plan, which covers renewables, carbon capture and storage, and hydrogen, and—capping all that—the recent energy white paper all set out the level of ambition and scale of deployment that we want to see in this crucial area.

However, I am also mindful of the difficult situation at BiFab. It is a sad time for everybody who is employed at BiFab, as it has now entered administration. I am fully aware of the uncertainty that that situation will bring. The BiFab situation is complex, but we hope that the administrators can help the company come out of this in a much stronger fashion. I welcomed the statement by Cabinet Secretary for Economy, Fair Work and Culture, Fiona Hyslop, last week, which provided support for workers during the administration process. I believe that there are considerable opportunities available for any new owner.

I also want to stress the economic opportunity that we have across the UK, not only in driving the net zero agenda but in creating potentially huge numbers of jobs for people in the UK, not least in Scotland. It is absolutely important that we develop a competitive supply chain. We need to focus on where the UK can be competitive.

We cannot mandate UK content, but we can certainly support companies by creating a healthy market. In my role, I am ensuring that by creating a policy framework that supports UK companies. That is why we published our consultation on strengthening the supply chain policy in the contracts for difference mechanism. It also raises the possibility of penalties in the case of non-compliance. We are always reviewing how CFDs work. The CFD scheme has been very successful. I am sure that I will receive questions about it.

The important thing to remember is that, in five years, the CFD in offshore wind has reduced the cost of offshore wind from £114 per megawatt hour in 2015 to roughly £39.50 per megawatt hour in 2019. That is a decrease in cost of more than 60 per cent in four years. We must always bear that in mind when we discuss CFDs.

Last week, we published a call for evidence that asked for thoughts, facts and evidence as to how the CFD scheme can achieve sustainable growth, reduce cost—as I alluded to—and ensure that the UK supply chain is competitive. Just this summer—six months ago now—I started a series of round tables with industry precisely to identify how the supply chain is put together and how best we can ensure that UK content is competitive and that we can reach our sector deal target of 60 per cent UK content in the offshore wind supply chain.

Examples of improvements and of new developments include the wind turbine tower proposal in Nigg by Haizea, the Spanish firm. We also have a good understanding with SeAH Steel, a South Korean firm, as to its ability and willingness to invest in and support UK manufacturing here on our shores.

We recently announced £160 million for ports and offshore wind manufacturing, which I describe as enabling infrastructure, because it will help to support the next generation of manufacturing, which can drive further opportunities in the UK supply chain. We are directly focused on the supply chain and we hope that, in the fourth auction round next year, we can deliver on the promise of 60 per cent of UK content in the offshore wind supply chain.

Broadly, I think that we are in a remarkable time for renewables and for the UK. We have 35 per cent of global capacity in offshore wind and we have reduced the costs in the way that I have described. I think that this is an area in which the

United Kingdom and all the devolved nations have an opportunity to drive economic growth, success, wealth creation and, critically, job creation.

Thank you very much for allowing me to give this statement. I look forward to answering your questions in the course of the meeting.

**Maurice Golden (West Scotland) (Con):** Welcome, minister. You touched on contracts for difference in your statement. What is your assessment of how the CFD system has delivered for the offshore wind sector?

**Kwasi Kwarteng:** The first thing to say, which I mentioned in my opening remarks, is that the CFD scheme has been hugely successful. People around the world, including energy ministers, are always asking me about it. If we review the facts, in 2015, the first round was £114 per megawatt hour; only last year, we reduced it to £39 per megawatt hour, which is two thirds cheaper in four years. The installed capacity of offshore wind in the UK is 12GW, which represents 35 per cent of the global total. People across the world, including manufacturers, are looking at the CFD scheme in the UK as something that has been very successful and they want to compete in it.

One of the issues that are critically important is the UK content in the supply chain. I know that that is of great interest to your committee. It is also of huge importance to the Government, because we want to ensure that, given the growth of the offshore wind sector, we can create jobs, skills and talent and nurture talent in the UK. That is why, in the sector deal, we have the 60 per cent UK content goal for the offshore wind supply chain.

**Maurice Golden:** That is welcome for the supply chain in the UK and in Scotland. In the context of BiFab, when thinking about the Scottish supply chain to date under the current CFD model, do you think that the opportunity cost of going for lower cost was supply chain jobs? What is your assessment of that balancing act?

11:15

**Kwasi Kwarteng:** I do not think that that is the case. Obviously, there is a tension between trying to increase supply and capacity and doing that in a cost-effective way. As I said—I cannot repeat this often enough—the decline in cost of the energy from offshore wind per megawatt hour has been significant and has been noted around the world; it has gone down from £114 to £39.

Even though that has already happened, there is still a huge opportunity for UK content and UK companies to succeed. As I mentioned, there are potential discussions with Haizea about a tower facility at Nigg. I regularly speak to South Korean

firms, GE Renewable Energy and other companies, all of which are looking to site manufacturing plants here in England and across the UK, including in Scotland. There is a real opportunity to create jobs in the UK in a growing sector.

**Maurice Golden:** Do you think that driving down the cost so that we have low-cost energy generation, and the benefits that that brings, is compatible with having supply chain jobs?

**Kwasi Kwarteng:** Absolutely. That is why people are drawn to the CFD round. I know from speaking to companies such as GE Renewable Energy, the South Korean manufacturing firm SeAH and MHI Vestas Offshore Wind that they are all looking to make investments in the UK, because they realise that the show in the UK is the biggest show in the world when it comes to offshore wind and they want to be part of that market. Our job—we are doing this increasingly effectively—is to make sure that they deliver on UK jobs and UK content, and I think that the manufacturing base in Scotland has a huge opportunity in driving that.

**Maurice Golden:** With regard to supply chains, have you had any issues with businesses deviating from those plans?

**Kwasi Kwarteng:** No. Obviously, with many of the plans, the proof of the pudding will be in the eating. Auction round 4 will take place at the end of next year and I am sure that, as part of that process, we will have lots of discussions about how we can meet the supply chain target, but in the conversations that I have had, people have recognised that we are very serious about driving UK content in the supply chain, and the most far-sighted companies are very willing to work with us on that.

**Maurice Golden:** That is excellent—thank you.

**The Convener:** We move to questions from Alex Rowley.

**Alex Rowley (Mid Scotland and Fife) (Lab):** Good morning, minister. I want to pick up on a couple of points that you made in your opening remarks. You said that we cannot mandate work in the supply chain being carried out in the UK. Over the past few weeks, we have been told by a number of experts in the field that Europe cannot compete with Asia when it comes to the fabrication of the jackets and so on, because it can be 15 to 25 per cent cheaper to have that work done in Asia than it would be to have it done in Europe. That is put down to the fact that, in many countries in Asia, state subsidies and state aid are provided to the companies in question, wages are low and health and safety conditions are poor. All those factors mean that Europe just cannot compete with yards in Asia.

If that is the case, how is it that the French Government mandates companies that apply for offshore wind contracts in France to have a certain amount of the work done in France? We have been told that in evidence. We have also been told that the same happens in Canada—it is mandated that a certain percentage of the supply-chain work must go to Canadian companies. How is it that, although France and Canada can mandate work going to the supply chain in those countries, you say that we cannot do that?

**Kwasi Kwarteng:** You raise two issues. First, you said that people are saying that Europe cannot compete. That is not true because, as you said, the French are mandating French content. That goes against the argument that Europe cannot compete.

There are state aid rules not only in the European Union—there are also World Trade Organization rules; those rules are very clear and the British Government will always try to follow those rules.

Having said all that, we can encourage greater UK content and the conversations that I have with companies such as SeAH in South Korea and the conversations that the Scottish Government has with Haizea, which is a Spanish company, in relation to installing tower plants at Nigg, all suggest that we are doing a good job in encouraging people to invest in our supply chain and that we can deliver results. I dispute the idea that Europe cannot compete; we have to be mindful of WTO rules, but even within that constraint we are doing an energetic job in driving UK supply chain content. All the discussions that I am having with people such as GE Renewables, SeAH and other companies suggest that there is an appetite to invest in the UK and in British workers, and that will drive capacity in the offshore wind market.

**Alex Rowley:** My point is basically that the evidence is that those companies in Asia are at least 15 to 20 per cent cheaper than Europe, but despite that, France is making it clear that if you want a contract in France, you need to do the work in France. That point is being made repeatedly. I speak to you today from Fife, about 10 miles from two fabrication yards that are lying empty despite the fact that we have a major wind farm being built about 10 miles off our coast; all the rigs for that are being transported halfway around the world. I am sure that you can see why people in Fife—and in Scotland generally, I think—are fairly sceptical when you talk about all the jobs that will come through the supply chain for offshore renewable energy.

**Kwasi Kwarteng:** I hear what you are saying but I think that you are seeing the glass as half empty when, in fact—I am sure that people in your

constituencies will appreciate this—offshore wind is a huge British success story. As I said—you did not notice it in your remarks, Mr Rowley—we have 35 per cent of global capacity. I cannot think of any other industry where we have such a clear leading position globally.

Having said that, we can do better in trying to ensure that the UK content is higher for the supply chain and I have outlined how that can be achieved. We are looking at the auction round and we are doing a consultation; we are trying to look at ways that we can encourage and, in some cases, penalise companies that do not deliver on UK content in the supply chain. I also said that the proof of the pudding will be in the eating. We can look at the fourth auction round at the end of next year and see the conclusion of that. We are doing all that we can to make sure that the UK content is increased in this vibrant and hitherto very successful industry for the UK.

**Alex Rowley:** Can you tell the committee what proportion of the turbines and jackets currently in Scottish waters have been fabricated or manufactured in Scotland or in the UK?

**Kwasi Kwarteng:** I cannot tell you that exact figure, but that content will be increasing. I mentioned in my opening remarks that we are running a competition for £160 million of funding for ports that will enable infrastructure for wind turbine manufacturers, for instance, to locate here in the UK. We are consulting about the CFD process to see how we can bring in further sanctions and penalties, or encouragements and incentives, for driving UK content; I cannot promise more than that, but we are very focused on the issue and I know that you will bring up—

**Alex Rowley:** If we compare clean energy from renewables with clean energy from nuclear in relation to building nuclear power stations, I agree with you about the megawatt hours, but when the cost of offshore wind was £114 per megawatt hour, the manufacturing work was not coming to Scotland, so I wonder what driving that cost down to £39 per megawatt hour changes.

What does it cost for nuclear? Are there supply chain agreements in place? I met trade unions on Friday, and they told me that the Government and the trade unions all got together in a room with contractors and it was set out clearly that there needs to be supply chain work coming forward in the nuclear sector. A comparison between clean energy from nuclear and clean energy from renewables seems to show that something has gone wrong with renewables.

**Kwasi Kwarteng:** With renewables? Your question is—

**Alex Rowley:** It is about the supply chain. Do you accept that the supply chain is there for the nuclear work that is coming into the country?

**Kwasi Kwarteng:** Nuclear manufacturing is another area where we want to drive the UK supply chain. About 10,000 new jobs have been created at Hinkley Point, and people in Somerset are very engaged in that and excited by the economic opportunities and job opportunities there. You are right that we need to attempt to drive up UK content in the nuclear industry.

**Alex Rowley:** Okay—thank you for your time.

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** It has been widely recognised that Scotland is the windiest country in Europe. You highlighted the fact that, I think, 35 per cent of the global resource is in the UK. Based on that calculation, Scotland must be the windiest country in the world. Given that we have that huge wind resource, why is it that the Scottish content has reduced in each of the last three rounds of CFD?

**Kwasi Kwarteng:** I do not know the precise details of the Scottish content. However, SSE and Scottish Power are big players in the sector, and obviously they have origins in Scotland. Also, there is a huge amount of interest in offshore wind across Scotland. I have just spoken to the Stornoway Trust, which is keen on driving remote island wind. I was pleased to announce that the remote island wind contracts will be in their own pot. There is a huge opportunity for Scottish manufacturing and Scottish workers to engage in driving up offshore wind capacity.

**Gordon MacDonald:** From memory, I think that the figure for Scottish content has fallen from 30 per cent to 4 per cent.

**Kwasi Kwarteng:** I do not know how you have calculated that. Of course, the 30 per cent would have been a bigger portion of a much smaller number, given the increase in capacity. However, I am very happy to come back to you on that.

**Gordon MacDonald:** Okay—that would be good.

What can you do to reverse that trend? You keep talking about the 60 per cent of UK content that you hope to achieve, but how will you go about doing that?

**Kwasi Kwarteng:** We are already trying to achieve it and we should not denigrate the efforts of the Scottish Government. It is speaking to the Spanish company Haizea about locating a tower centre plant in Nigg in the Highlands of Scotland. I have said repeatedly that I have spoken to GE Renewable Energy, which makes wind turbines, and to MHI Vestas Offshore Wind, which makes wind turbine blades on the Isle of Wight. I have spoken to the South Korean firm SeAH, which

makes monopiles. We are conversing all the time with potential investors that see the UK as a great market. You can castigate us for that, but that seems unfair to me. We are doing a lot to try to attract investment in what is a British success story.

**Gordon MacDonald:** You keep referring to 60 per cent of the supply chain being produced in the UK. Can we have it written into contracts that it will be 60 per cent in Scotland? Is there anything to prevent that from happening?

**Kwasi Kwarteng:** We talk to our friends in the Scottish Government and across the UK about how we can focus on increasing the content. However, you will understand that the UK Government has to have a sector deal based on the entirety of the UK. If the Scottish Government wants to go down another route, we would have to have a conversation with it about that. The UK Government's supply chain requirement is a UK-wide requirement.

11:30

**Gordon MacDonald:** My understanding is that UK competition law would prevent Scotland from specifying that a proportion of jobs had to be in Scotland. One of the reasons for my concern about that is that the majority of oil and gas is based in Scottish territorial waters, yet only 39 per cent of the jobs are in Scotland. I accept that we could never have 100 per cent of the jobs located in Scotland, but there seems to be a disparity there. If UK competition law stops you from writing into a contract that a specific amount of work should be located in Scotland, are we not just going to replicate the situation that has taken place in the North Sea?

**Kwasi Kwarteng:** I do not think that that is necessarily the case. As I have said, two of the biggest companies that we know of in terms of power distribution and offshore wind capacity, SSE and Scottish Power, have their roots very firmly in Scotland.

My official, Sarah Redwood, can talk more about the competition law aspects, but I would be happy to engage with you on that subject subsequent to her remarks.

**Sarah Redwood (Department for Business, Energy and Industrial Strategy):** As you heard earlier, we cannot specify the absolute details of UK content in the contracts. However, we are doing lots of work with the Scottish Government and Scottish industry to consider where the opportunities lie. For example, an offshore wind strategic investment assessment is taking place, chaired by Professor Sir Jim McDonald, to look at exactly what the opportunities are in Scotland for the supply chain and to look at which parts of the



supply chain can be boosted further; it will report in spring 2021. That is all about how we can make sure that the UK is a competitive place to do business and is a place where manufacturers choose to base themselves, to invest and to create those economic opportunities.

**Gordon MacDonald:** I only have a couple of minutes left, so I will move on to my final point. When contracts for difference were introduced, it was said that the aim was to produce the cheapest electricity in Europe. Looking at the numbers, the price of electricity in Scotland has risen 31 per cent since 2010, which is in line with inflation, and the European Commission, which reports every two years on the electricity prices across 30 countries, has highlighted that the UK is in the top 10 most expensive of those 30 countries. How can the argument that the approach is benefiting consumers be supported?

**Kwasi Kwarteng:** I think that you are being a bit unfair. One of the things that we have been engaged in is the net zero challenge. We are the only country in Europe that has legislated for net zero by 2050. We have decarbonised our sources of electricity to a far greater extent than any other country in Europe, and, until now, there have been policy costs related to that. We are looking to try to reduce electricity costs. No one can argue that the CFD rounds have not significantly decreased costs.

We have a strict decarbonisation agenda, as does your Government in Scotland, which has set a target of net zero by 2045. Germany will not even get coal off the grid until 2038. We are doing a huge amount of work in terms of trying to balance the reduction of costs as well as hitting climate change decarbonisation targets, and I think that we are doing that very effectively.

**The Convener:** We will move to questions from Andy Wightman.

**Andy Wightman (Lothian) (Ind):** A couple of my colleagues have touched on questions about information and data on UK content and Scottish content as a subset of that in offshore renewables. Just to clarify, do you have that data?

**Kwasi Kwarteng:** On whether I have access to that data, I do not have it at the top of my head, but I am reviewing it all the time.

**Andy Wightman:** I did not mean to suggest that you have that literally in front of you, but does the UK Government have data on the amount of UK content in contracts for difference?

**Kwasi Kwarteng:** Yes. One of the reasons why we set ourselves a target of 60 per cent is that we know that we are falling short. Off the top of my head, I think that the figure was around 45 per cent, but I would have to go back to that. We are

very conscious that we need to drive up the UK content. That has been very much at the centre of what I have said this morning.

**Andy Wightman:** Okay. That is useful.

You mentioned that you had been in conversation with overseas companies in South Korea, for example. Will you say a little more about the nature of those conversations, the scale of the investment that might take place in the UK, and how likely that is?

**Kwasi Kwarteng:** Obviously, everyone in the world in that space knows about the UK's net zero commitments in law, which we passed last year, and about the CFD rounds. Given our current leading position in offshore wind capacity, they are interested in investing in the UK, and it would be natural for them to try to understand where our policy is heading. We have given them a huge amount of reassurance on that.

As I said, we have upped our target to 40GW of offshore wind by 2030. Within that, 1GW is carved out for floating offshore wind. That presents opportunities in Scotland, as well. We reasserted that in the Prime Minister's 10-point plan and in the energy white paper, which came out only a week ago.

All the conversations that we have been having have been reinforced by a lot of the policy work that we have published, and even more operators and manufacturers around the world are being attracted to the UK market. Members can understand that my time is therefore very busy. I speak to those companies all the time.

**Andy Wightman:** You mentioned the target of floating offshore wind delivering 1GW of energy by 2030. Does the UK have the capacity, skills and expertise to meet that aim? What plans does the UK Government have to ensure that the target is met?

**Kwasi Kwarteng:** That is a good question. We absolutely have the innovation and the skills to do that. Let us wind back the clock to just eight years ago. If you had said to anyone in 2012 that we would have nearly 12GW of offshore wind capacity by 2020, they simply would not have believed it. If that was the case eight years ago, having 1GW of floating offshore wind energy is eminently achievable in 10 years' time. We have the skills and the know-how to be able to achieve that.

**Andy Wightman:** To what extent could environmental and fair work conditions be built into your review of the CFD process?

**Kwasi Kwarteng:** That is really important. Although I am sure that the committee understands this, I need to reiterate that all those decisions have planning implications and that all the green lights are given after a serious and

rigorous process in which environmental concerns are foremost.

On workers' conditions, I have a very good relationship with the trade unions. I regularly speak to trade union leaders, and I very much take the view that there is no way that we can get to net zero without really good dialogue and communication across the whole of the economy. Jobs, wealth creation and the conditions of workers are really important in the process, and we have had some success in that.

**Graham Simpson (Central Scotland) (Con):** It is good to see you, minister. I want to go back to a couple of things that you have mentioned, one of which is World Trade Organization rules. We are, of course, not yet sure whether we will get a deal with the EU or whether we will be subject to WTO rules. However, if we will be, what exactly are they in this sphere?

**Kwasi Kwarteng:** You will know that there are rules of competition in order to ensure equal trade, and that there are rules about state aid and subsidies that Governments can give to various industries. Those are complex rules, and there is a complex schedule.

We cannot simply subsidise whichever industry we want to, to a huge extent. If we do that, we will be liable to a legal process. That is the case within the EU, in particular, but it is also the case with the WTO. All I was saying, generally, was that our law and CFD rounds are in some ways constrained by those other international legal requirements.

**Graham Simpson:** That is useful. I want to ask about the £160 million fund to develop ports, which you mentioned and which I read about in the white paper. Am I right in saying that that is UK wide?

**Kwasi Kwarteng:** You are absolutely right. It is UK wide, and some of the infrastructure in Scotland is in an extremely good and powerful place to benefit from it. The companies that I mentioned that I have spoken to have all expressed interest in investing in Scottish infrastructure at ports, and there is an opportunity for Scotland. I do not need to name individual ports, but they are well known.

**Graham Simpson:** Okay, but have you had interest from Scotland?

**Kwasi Kwarteng:** No. I have had interest from companies across the world that are particularly interested in investing in Scotland. I have mentioned the potential investment by Haizea at Nigg. Other companies are interested in places such as Rosyth and in the prospect of carbon capture at the Acorn site. There are a lot of potential areas of investment in Scotland, and this is a great opportunity for Scotland.

**Graham Simpson:** The white paper says that 60,000 direct and indirect jobs could be supported by the offshore wind sector by 2030. That is quite some figure, and it is very impressive if it is deliverable. Are you confident that it is deliverable?

**Kwasi Kwarteng:** I am confident. However, it is not just about offshore wind, important though that is. There are opportunities in carbon capture and storage, in which we want to have four clusters by 2030. We have upped our commitment and ambition in that area.

There are opportunities for Scotland in the development of hydrogen; there are on-going trials of hydrogen in Scotland at the moment. That is another huge opportunity for the Scottish economy, talent, innovation and skills.

**Graham Simpson:** I agree with you on that, and certainly on hydrogen. However, I suppose that it is early days.

**Kwasi Kwarteng:** It is early days, but those trials are happening as we speak and there are big opportunities in that area.

**Graham Simpson:** I will now go back to something that we touched on earlier. The committee heard that BiFab lost out to contractors that are based in Europe and further afield, such as the far east and middle east. However, those contractors also include European companies that are state backed. Why does state ownership appear to be an option for Spain but not the UK?

**Kwasi Kwarteng:** I do not think that state ownership or support can be given on a blanket basis. I was struck by the fact that Fiona Hyslop clearly outlined to the Scottish Parliament the reasons why the Scottish Government did not feel that it could increase its exposure and investment in BiFab.

As I recall, she put it quite clearly in her statement. She said that Government funding had to be put in place on the basis of a commercial proposition. In the case of BiFab, the majority shareholder—JV Driver—refused to put any more money in, and Fiona Hyslop said, quite rightly, that, if the majority shareholder was not prepared to put its money where its mouth was, there were questions about whether the Scottish Government, which is a minority shareholder, should do so. That was a fair point to make.

However, that said, the UK Government and the Scottish Government are looking at establishing a joint committee to consider whether the company can navigate this difficult situation and emerge much stronger as a consequence.

11:45

**Graham Simpson:** Yes, JV Driver was unwilling to put in money. It put in hardly any at all—about £4, which was not very impressive.

Has the joint committee that you mentioned met yet?

**Kwasi Kwarteng:** My understanding is that it has not, but I am not sure. I will have to get back to you on that. The UK Government part of it is run out of the Cabinet Office. I would have to find out more about that.

**Graham Simpson:** It would be useful if you could tell us when it is due to meet and, perhaps, who is on it.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Good morning. I would like to pick up on the point that was just being made about BiFab. Do you share the view of the Scottish Government that it was not possible to provide further state aid to help BiFab?

**Kwasi Kwarteng:** It was the Scottish Government's call and I think that, only five days ago, Fiona Hyslop gave an insight into the Scottish Government's thinking on the subject. I have read her statement carefully, and I think that it was ably presented and had some cogent arguments in it. Essentially, the Scottish Government was asked to provide funding and did not do so, with the rationale that the majority shareholder had declined to do so. Those are the reasons that she gave, and people can take them as they find them. However, it was clearly a decision of the Scottish Government not to supply any more finance at this time to the company.

**Willie Coffey:** Do you agree with the position that the Scottish Government took?

**Kwasi Kwarteng:** If I had seen the relevant numbers and understood that the majority shareholder was unwilling to provide any more finance, I would have asked questions. If the majority shareholder is reluctant to provide any more finance, it clearly feels that the company is not commercially viable, which raises questions about the position of minority shareholders. I have Fiona Hyslop's remarks in front of me. She put it well when she said:

"Investment by Government must be made on the same basis as that of a commercial investor."—[*Official Report*, 16 December 2020; c 30.]

**Willie Coffey:** Looking ahead to what will happen in 10 days' time, I note that we received a letter from the cabinet secretary this morning reminding us that we will no longer be part of the competition system from 1 January. However, she also says that the UK Government is yet to provide guidance on what any state aid or subsidy regime in the UK might look like, and that the UK

Government has not consulted Scottish ministers on the design of that. Could you offer us a few comments on that, given the urgency of the situation?

**Kwasi Kwarteng:** I do not know what conversations every colleague of mine across the UK Government has had with the Scottish Government. State aid is, obviously, of huge importance for the UK. There are also conversations and issues around the UK internal market that are relevant to the Scottish Government. I cannot possibly comment on conversations that other members of the UK Government have had with Scottish ministers or officials.

**Willie Coffey:** Okay, but would you at least be willing to say that, in designing that new arrangement, you will commit to consult the Scottish ministers on—

**Kwasi Kwarteng:** All I can talk about is what I have done and what the department does. I have frequent quadrilateral meetings with my opposite numbers across the devolved Administrations. I speak to Roseanna Cunningham frequently and Paul Wheelhouse very frequently. I assume that those kinds of conversations are held by other ministers in the UK Government with their counterparts in Scotland and I am sure that that subject is raised in those conversations.

**Willie Coffey:** They say that a good relationship is developing there, so please do not get me wrong. We are just trying to get a solution; we have 10 days to go and we do not know what it is. Looking ahead again—

**Kwasi Kwarteng:** There are extensive conversations between the UK Government and Holyrood. From a personal point of view, that relationship has developed well over the past year; we share ideas and views freely, not only with our Scottish counterparts but with Lesley Griffiths in Wales and the Northern Ireland Executive. There is a good forum for the exchange of ideas and views. Dare I say it, one success was with the UK emissions trading system; devolved colleagues clearly expressed their preference for a stand-alone UK ETS in the first instance. We managed to land that result, and the Prime Minister announced it last week. That is a good example of conversations and the sharing and exchange of ideas leading to an outcome that people were generally pleased with.

**Willie Coffey:** I have a final question; I know that we have limited time left. How do you see competition being regulated or managed beyond 1 January? How do you plan to manage inter-UK competition that will be able to take place?

**Kwasi Kwarteng:** Are you talking about competition across the whole economy or within my portfolio?

**Willie Coffey:** How do you see it in your portfolio?

**Kwasi Kwarteng:** Energy is obviously a highly regulated market. The regulator, the Office of Gas and Electricity Markets—Ofgem—is independent of Government. From my conversations with Jonathan Brearley and his team in Ofgem, I know that they are confident that they can regulate the market and drive a degree of competition to make sure that consumers get fair prices. They also have to juggle the fact that we need to attract investment into the energy sector. They feel that they can do that and I am also confident that that can happen. I speak to SSE, Scottish Power and National Grid, and they are all committed to the kind of investment that we all want to see in the UK.

**Willie Coffey:** Thank you for your contribution and for coming to talk to the committee; it is much appreciated.

**Sarah Redwood:** I will pick up on a couple of questions. With regard to the question that Graham Simpson raised, the working group of Scottish Government and UK Government officials has met twice to talk about the BiFab site and the supply chains; that group reports to the Scottish and UK Governments. To pick up on the question that Gordon Lindhurst raised about the ports competition, at the start of October we published a request for information, which Forth Ports responded to. We are not having open conversations with the developers while the competition is running, because that would not be appropriate. The competition runs until 8 January. I hope that that answers a couple of the questions.

**The Convener:** That is helpful; thank you.

Minister, I have a few questions as we head towards the end of our session. You mentioned planning implications, and I suppose that delivering offshore wind projects—as well as contractual obligations or statements of intention or enforceability—depends, to a certain extent, on the local system. In Scotland, we have a local planning system, whereas England has a different system. Can you expand on that? I suppose that one has to have the ability to drive projects forward and the framework that they can prosper within, as well as the political will to push those forward or assist in pushing them forward.

**Kwasi Kwarteng:** That is a fair question, which I will answer broadly. Anyone can see that, if we have roughly 12GW of offshore wind capacity today, attempting to get to 40GW by 2030—in 10 years' time—will have huge implications for building the physical plant and offshore wind

farms, and for the planning process. We are looking closely at that.

An issue with 40GW that is very relevant to planning is that, if you just have point-to-point cables from the offshore wind farm to the shore, a lot of point-to-point installations are required, which will have an environmental impact on the UK coast. We are considering things such as an offshore transmission network—I have called for a review of that policy this summer. We are considering ways in which we can mitigate the environmental impact of transmitting all that offshore wind capacity to the island of Great Britain, in the first instance. Planning is a big issue in that.

Environmentalists have raised concerns about wildlife—the impact of offshore wind farms on migratory birds and the impact of the installations on the sea bed, crustaceans and molluscs. We take that seriously. Big planning issues have been raised, but we hope to meet those concerns, while delivering the target. That will be tricky and will involve a lot of conversation, but there is a path to doing it in a way that protects our environment and the safety of people who work in the industry.

**The Convener:** You were asked about whether one can require a certain amount of Scottish or British content, and you rightly pointed out that there are not just the EU rules—they will cease to apply to us, although there might be an alternative in the new year—but the World Trade Organization rules.

However, there is another way of looking at it that is not simply about a blunt requirement to include a certain percentage or value of Scottish or UK content. There can be requirements that are relevant and that would be allowed under both WTO and EU rules, such as requiring companies to consider the possibility of Scottish companies, requiring them to show that they looked at bids from Scottish companies and requiring them to provide an explanation for why they chose one company over another, as would be done for public procurement contracts.

Another aspect is the possibility of including requirements that you have talked about, such as environmental considerations or, through work policies, consideration of how workers are treated in countries where jackets are fabricated, for example. A lot of those matters can surely be required to be considered as part of contracts, so that not just price but other considerations are thrown into the mix, as is the case for public procurement contracts at the minute under EU rules.

**Kwasi Kwarteng:** You are quite right. You have ably presented to me all sorts of considerations. I refer you to the fact that we are holding a

consultation on this very issue right now, so I suggest that you write down everything that you said and put it into the consultation. We are looking to tweak the auction round 4 process, which we hope to hold next year. As I said, we are running a consultation on how best to do that, so I suggest that, as eloquently as you did just then, you put down all the points that you raised in your question and submit that to the consultation. We are looking at all such tweaks that will help UK workers and will drive economic opportunity in our country.

12:00

**The Convener:** This will be my final question, as I appreciate that we are coming to the end of our time with you. One can put requirements in contracts or require them of companies but, ultimately, one must actually enforce those requirements. That comes back to the political will to adopt such an approach to matters. Clearly, it is preferable if things are done voluntarily and contracts or commitments are honoured. However, if they are not honoured, ultimately, does it not come down to the fact that Governments or those that are responsible for administering such contracts must enforce them?

**Kwasi Kwarteng:** I think that you are absolutely right. However, it is an area in which we have made a lot of progress. When I came into this job 18 months ago, people were talking about the 60 per cent UK content in the offshore wind supply chain. I had no idea of what that 60 per cent looked like, nor did many people I spoke to. This summer, we convened groups of people to examine what the supply content looked like and we looked at ways in which we could have sanctions—teeth—on the policy so that it was not just an airy commitment, whereby if people did not reach it, they just got a slap on the wrist. We are looking intently at how we can encourage, drive and incentivise UK content and, if need be, penalise companies that do not meet those requirements.

We are doing all that in the context of an international legal system. We do not want to break a law or treaty obligations, so we are looking at how we can take such measures in a legal way. Some of the suggestions that you have made are right, and we are looking at those.

As I have said, the proof of the pudding will be in the eating. In auction round 4, we are doubling the capacity that we want to see on stream. We hope and we fervently expect that we will be able to show a marked improvement in driving up UK content. All the companies that I speak to, which I have mentioned, fully understand that—that is why they want to invest here.

**The Convener:** Thank you very much for taking time to meet the committee.

**Kwasi Kwarteng:** Thank you.

**The Convener:** I also thank your official Sarah Redwood.

As this is the committee's final meeting in public this year, I would like to thank broadcasting colleagues and those in the official report team at the Parliament, who have helped to support us this year.

*Meeting closed at 12:02.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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