



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 7 December 2022

Session 6



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ECONOMY AND FAIR WORK COMMITTEE

29th Meeting 2022, Session 6

CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

DEPUTY CONVENER

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

COMMITTEE MEMBERS

*Maggie Chapman (North East Scotland) (Green)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*Fiona Hyslop (Linlithgow) (SNP)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Graham Simpson (Central Scotland) (Con)
Colin Smyth (South Scotland) (Lab)
*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Catriona Laing (Scottish Government)
Richard Lochhead (Minister for Just Transition, Employment and Fair Work)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 7 December 2022

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Claire Baker): Good morning, and welcome to the 29th meeting in 2022 of the Economy and Fair Work Committee. I have received apologies from Colin Smyth.

Our first item of business is a decision on whether to take item 3 in private. Are members content to do so?

Members *indicated agreement.*

Just Transition

09:30

The Convener: Our next item of business is an evidence session with Richard Lochhead MSP, the Minister for Just Transition, Employment and Fair Work. The purpose of the session is to discuss with the minister the Scottish Government's just transition plans and progress, with the intention of our doing future work on that. I welcome Richard Lochhead, who is joined by Catriona Laing, who is the deputy director of the climate change division at the Scottish Government.

It would be helpful if members and witnesses would keep their answers as short and concise as possible. I invite the minister to make a short opening statement.

The Minister for Just Transition, Employment and Fair Work (Richard Lochhead): Good morning to the committee. I am delighted to have my first opportunity to come along and speak to you in my role as the just transition minister with responsibility for employment and fair work, as well. I look forward to this morning's engagement. I am pleased to have the opportunity to make a few opening remarks, to set the scene from the Government's perspective.

Public understanding of a just transition is, I hope, increasing. Nonetheless, I think that we all accept that there is still a long way to go. For me, a just transition is about the benefits to the Scottish economy, to jobs and skills, and to affordability—particularly, in this day and age, for those who are least able to afford the changes that we will require in the years and decades ahead. It is also about tangible benefits for Scotland's communities and people and ensuring that we achieve the fairest possible transition between now and our net zero targets for 2045.

A just transition to net zero will be challenging, as is all change. In Scotland, we have seen damage caused by rapid structural changes in the past. As the committee is aware, many of our former coal mining communities are still feeling the impacts of what was inflicted on them 40 years ago.

We have a fantastic opportunity to harness Scotland's resources, and there is no doubt that the opportunities that we face are vast. To give a couple of examples, we have the potential to produce 5GW of hydrogen in Scotland by 2030 and 25GW by 2045. To put that into context, 5GW of hydrogen is approximately 15 per cent of current energy use in Scotland. Establishing Scotland as a leading producer and exporter of

green hydrogen could also support up to 300,000 jobs and contribute up to £25 billion to Scotland's gross value added by 2045. Across the United Kingdom, 31,000 jobs have already been created in offshore wind, 30 per cent of which have been created in Scotland. Those are some signs of the progress that can be made, and which is being made.

At the heart of the just transition is a commitment to a planned and managed transition to net zero, as was stressed by the first Just Transition Commission in its report. Having accepted the recommendations of the first JTC, we are now developing just transition plans for key sectors in Scotland.

The energy strategy and just transition plan for energy will be published soon. We will set out a road map for delivering on our energy ambitions for 2030 and will lay out our vision for Scotland's future net zero energy system. We will also develop a place-based plan for the Grangemouth energy cluster, working with important partners including the Grangemouth future industry board.

We are beginning to develop sectoral just transition plans for land and agriculture, transport, and buildings and construction. I confirm today that we will publish outline plans for those three sectors next spring in order to support a period of intensive co-design of the policy detail for each of them. Those outline plans will include draft outcomes for each sector and initial policy suggestions to work towards those outcomes, and they will set out some of the key issues that co-design will have to address. They will also set out an evidence base to underpin each of those plans. They will help to deliver net zero in a way that is fair for all and ensure that the cost of the transition will not disproportionately burden those who are least able to pay. We have already expanded programmes such as our Home Energy Scotland service to support those who are most impacted by the cost crisis.

Good planning can provide the certainty that communities, businesses and workers need during this period of change, and our approach to just transition puts co-design at the core of planning and policy. Over the summer, we engaged with almost 1,500 people to develop our draft energy strategy and just transition plan. That included face-to-face workshops, surveys, digital dialogues and community events. As I mentioned, we will also have a huge period of engagement and co-design next year to support the development of all the other just transition plans that I mentioned are coming. It is really important that people are able to shape those plans, because, without societal buy-in, it will be impossible for us to reach net zero in a fair way.

We know that some parts of Scotland are already transitioning to emerging industries. That is most pronounced in the energy transition, especially the transition of our oil and gas industry. The industry has provided economic opportunity and high-value, high-quality employment for more 50 years, especially in the north-east. It has become a vital cultural touchstone for many communities, which is not dissimilar to the role that coal mining played in many places across Scotland in the past.

However, it is a declining resource, and we have a profound and urgent responsibility to accelerate to the fastest possible just transition in order to protect opportunities for workers and to bolster regional and national economies.

That is one of the reasons why we launched the £500 million just transition fund for the north-east and Moray, with the first £50 million committed in September. That fund includes finance for large-scale transformational projects, community-level action and, crucially, the testing of concepts and technologies that may be rolled out in other parts of the country. It helps to finance organisations, businesses, communities and individuals to transition, creating jobs in low-carbon industries and supporting the provision of skills.

In conclusion, just transition is a big, broad agenda. Working on how to deliver a just transition in Scotland is a learning experience—we are learning as we go. It is not always easy to shift from concept to delivery, but it is clear that we are making lots of good progress. I am focused on maintaining the pace and ambition of this agenda as we head into 2023, which will be a crucial year of delivery for the just transition to net zero.

I hope that my opening remarks help to put into context the challenges that we face and the opportunities that we have, and I look forward to your comments and questions.

The Convener: We all have a shared ambition of achieving the goal of a just transition. The target date is 2045, and you will know that the Climate Change Committee published a report this morning that expresses concerns about progress, although it recognises the ambition in Scotland. It says that the Scottish Government lacks a clear delivery plan and that there is no coherent explanation of how its policies can achieve targets. It also expresses concern about the ability to deliver a fair and equitable transition unless the targets are being achieved.

Although you do not have responsibility for the climate change targets, you do have responsibility for just transition. I am looking for a response to the Climate Change Committee's comments. How do you see the challenges that it sets out and the impact that they will have on what you are trying to

do in the just transition and sectoral plans? Given the significance of what has been said in the report this morning and the fact that you are looking at publishing plans in the spring, is there an intention to review those plans? What impact will that have on the planning work that is taking place?

Richard Lochhead: The Climate Change Committee's report is a clear signal of the urgent need for transformation across our economy and society in order to achieve our targets. There are strong messages in the report for the Scottish Government on the pace that is required to achieve our targets. There are also comments in there on the role of the just transition and pointers towards the progress that we are making in that area. For instance, it highlights the role of skills in meeting our net zero ambitions for energy, transport, construction, manufacturing and so on. The report recognises that there has been good progress on the funds that we have brought forward, such as the green jobs fund, the just transition fund, which I mentioned in my opening remarks, and the national transition training fund, which has been in place for some time.

Your question about how we will take those strong messages into account in the formation of our just transition plans is a good one, because we will have to take those into account. We are being told that we have to go further faster, but that has an impact on the just transition debate, because it means that a radical transformation of the economy in the years ahead has to happen to achieve our targets.

Next year, we will outline our plans for construction, agriculture and land use and transport, as well as a place-based plan for Grangemouth, which alone is responsible for between 8 and 10 per cent of our national emissions. We will then carry out a massive exercise across Scotland to ensure that the detail in those plans is co-designed with the communities that will be most affected.

Next spring, we will outline our initial plans and begin that debate, which will take into account the need to be transformational.

The Convener: I think you said that the energy plan is due soon. That plan has been delayed. It may not be your responsibility to answer on this, but there have been concerns that, so far, plans have been quite high-level and strategic when we need to see more detailed delivery plans. Do you know when the energy plan is due and the extent to which it will deal with delivery?

You talked about publishing plans in the spring that will go through a co-production phase. How long do you anticipate that phase lasting? The committee is looking at a 2045 target date. We

understand the importance of strategies and plans, but we need to see action plans that will lead to delivery and create significant progress. What is the energy plan likely to look like and, once we get to next spring, how long will the co-design phase take before we can see delivery on the ground?

Richard Lochhead: We are aligning our just transition plans with the Scottish Government's next climate change plan. That is because the climate change legislation includes references to just transition and we must take into account all the issues that we will discuss today. I understand that the draft climate change plan will be published before the end of 2023. The plans are aligned, and the climate change plan for Scotland must be adopted a year or so after the draft plan is published. We are trying to align all of that.

You asked about the energy plan and its detail. The draft energy strategy will deal with the whole energy system in significant detail. There will also be a just transition element within that plan. That is always evolving. We will have a just transition plan for energy alongside the refreshed energy policy. We will include as much detail as we can, but that is always evolving. We are sowing seeds in 2022 for transformation in the coming decades.

That picture will always change, and we need an evolving living and breathing approach to a just transition in Scotland. We are becoming more aware of what is required for each sector. There are myriad opportunities for Scotland, including onshore and offshore wind, hydrogen, carbon capture and decarbonising buildings. There is a massive exercise to gear up the skills for that and to have the appropriate funding, not only in the public sector but in the private sector. There must be an evolving living and breathing approach to just transition. We have not done this before, so we must continually learn lessons and adapt. We must look at what is working and at what is not working so well as we move forward.

Catriona Laing (Scottish Government): I will add one or two points to what the minister said.

It is important to note that the previous climate change plan update did not include proper measurement and evaluation of the impact of the different activities that were set out in the plan. One of the big challenges in preparing the climate change plan that will be published towards the end of next year is that we have an obligation to set out those measurements and impacts.

The Scottish Government's ambitions in this space are rightly among the most ambitious in the world. We are also ahead of many countries in challenging ourselves on these issues. We have asked a company called Ricardo to assess how well we are doing in terms of impact, and we will

publish the results quite soon. They will be challenging, but that allows us to respond as early as possible in an atmosphere of crisis, so that we know how much more we have to do to reach our targets. There will then be an iterative process.

09:45

As the minister rightly says, the just transition plans have a key relationship with the climate change plans. Being able to consult on them is partly about understanding what the Scottish Government needs to do, but it is also about ensuring that the whole of Scotland understands what it has to do. It is a national whole-Scotland approach. We need the private sector, communities, the voluntary sector and our Government to come together and collaborate on the issues.

The Convener: This morning, the Climate Change Committee said that Scotland has lost its lead over the rest of the UK on tackling climate change. To some extent, we are going backwards—we are being overtaken. We had high ambitions and were making significant progress, but that is starting to stall. It does not take a strategy to work out some of the simple things that we need to do but on which we are not seeing progress.

Graham Simpson has some questions on some of those areas.

Graham Simpson (Central Scotland) (Con): Good morning, minister. It is good to see you. I will ask some questions about the Climate Change Committee's report but, first, I will pick up on something that you mentioned. You said that there would be a specific Grangemouth plan. When are we likely to see that?

Richard Lochhead: Yes. It will be a place-based plan. It will be published in the spring alongside the other plans that I mentioned. It will be an outline at that stage, because we then want to undertake a co-design exercise. As you will be aware, Grangemouth is responsible for a lot of emissions, but there is a lot of potential for the role of the complex there to evolve with hydrogen and biotechnology, for example. Of course, in industrial emissions alone, Grangemouth has an important role to play.

Graham Simpson: So we will see that along with the other plans, probably by the end of June.

The Climate Change Committee's report is pretty damning. It has published a table, which is useful, so I will go through it. On transport, the milestone for no new fossil fuel car sales by 2030 is "Slightly off track" and the Scottish Government's policy of a 20 per cent reduction on 2019 car kilometres by 2030 is "Significantly off

track". On the low-carbon heat milestone, it is "Too early to say" and the energy efficiency milestone is "Significantly off track". Afforestation is "Slightly off track" and peatland restoration "Significantly off track". Recycling rates are also "Significantly off track". If that was a school report for you, minister, you would be kept in after school, would you not?

Richard Lochhead: Notwithstanding the significant challenges that the report highlights, I genuinely believe that we are approaching many different tipping points in the transformation of the Scottish economy in the next few years. You just have to look at the news of the past few days to see that projects have been announced to create new green jobs and contribute to decarbonising Scotland.

I absolutely accept and the Government accepts that we have spent a lot of time rightly putting in place the frameworks, funding and policies. Now, it is about delivery. That is the clear message from the report. We have to get on with delivering. A lot of work is taking place across Government to get to the point of delivery so that we can start to achieve many of the targets.

Graham Simpson: I will focus on transport because, as you know, it is the biggest emitter of carbon. The Just Transition Commission has also focused on transport. It says that

"Scotland's public transport network requires vast improvement and must be made more affordable"

and it talks about ScotRail capacity needing to be expanded, not reduced.

In the report that has come out today, the Climate Change Committee says:

"Plans to decarbonise transport in Scotland are falling behind ... Scotland has a laudable aim to reduce car-kilometres by 20% on 2019 levels ... This is a challenging goal and current plans lack a full strategy".

There is no strategy and there are no policies in place to achieve that, are there?

Richard Lochhead: The Scottish Government has allocated £2 billion to transport projects under this agenda, including more than £1 billion for rail electrification, £500 million to active travel, £50 million to active freeways, £287 million for the future transport fund, £495 million in bus priority investments and £120 million in zero-emission buses. A lot of the building blocks are being put in place. However, in the past two or three years, various factors have come into play that we were not expecting.

Covid has had an impact. On one hand, transport emissions fell in certain sectors because of lockdown, but now we find that people are reluctant to go back to public transport and are still driving. Such left-field issues have come into play

and have affected our emissions in the transport sector, particularly when it comes to cars.

We do not underestimate the challenges. It is about behavioural change as much as Government policy. It is about everyone—the public and private sectors. It is about political consensus. I recall the battle that we had in the Scottish Parliament, from the member's party and other parties, over the workplace parking levy, giving local authorities the powers that other parts of the UK have. That became a political battle.

I therefore say to the member and to the committee that we need political consensus if we are to put in game-changing measures; those must not turn into political battles all the time. Given that we are all supposed to be signed up to going towards net zero and reducing transport emissions, that political consensus would really help us.

Graham Simpson: I accept that you are not the transport minister—she has my phone number; she can ring me any time; and she knows that I am prepared to work with her on all those matters. My door is open, if hers is.

I know that you are not the transport minister, but your brief covers a lot of areas. If we are to get people away from driving petrol and diesel cars, something else has to be in place. We will have to persuade them to use public transport more and/or use vehicles that are not powered by petrol or diesel, such as electric vehicles.

We are doing quite well with the charging network, but there is a long way to go. At the moment, there are 2,400 charging places, but the aim is to have 30,000 within the next seven years. There is a long, long way to go. As we know, many of those charging points do not work. That unreliability factor is not going to persuade people to switch to electric vehicles. Do you accept that that is a challenge, and do you accept that, despite the progress that we have made, we need to do better on electric vehicles?

Richard Lochhead: Yes. Every part of what we are discussing will be a massive challenge for Scotland and for society, given what we are facing and what we have to do in the coming decades to 2030 and to 2045.

According to reports, Scotland has the second-best electric car charging point infrastructure in the UK outside London. Other parts of the UK are trying to catch up and, as Graham Simpson said, we have to do better. Of course I accept that, and I accept that the challenge is massive, but we are making progress on that agenda. We are trying to achieve the transformation of our economy and our society, but where we got to today took us several hundred years and we are trying to cram

the equivalent transformation into the next two or three decades, so it is a big challenge.

All I can say is that some of the changes that we require to make to reduce our emissions and to decarbonise Scotland are so challenging that we need to have political consensus to support those measures.

The Convener: You referred to green jobs. There has been debate about the definition of green jobs, with the Office for National Statistics raising issues in the autumn about what defines a green job and how we measure it. It would be good to get an update on that from the Government.

Richard Lochhead: It is a good question. It is a pet subject of mine, because we were criticised when the ONS was publishing its green jobs statistics, despite the fact that we were aware that many green jobs were being created in Scotland. The ONS has now accepted that its definition needs to be updated and it is currently reviewing its definition of green jobs, so I hope that we will get a more accurate definition.

However, we have also seen independent research carried out by Skills Development Scotland, working with the University of Warwick and the University of Strathclyde. The report was published just a few weeks ago and I am sure that the committee will be very interested in it. The report says that, at the moment, there could be up to 100,000 green jobs in Scotland—it may be less—and gives explanations of the definition of green jobs.

The Convener: Is that the definition that the Government is using, because if you are setting targets for green jobs, you must have a working definition that is different from the ONS definition?

Richard Lochhead: The difficulty is that there is no uniform definition across the UK or across the world. The ONS is looking into that as the official statistics body. It is looking at different categories—it is looking at green jobs that are created in emerging sectors and at existing jobs that are being greened.

One of the understandable challenges is that a job nowadays may be a green job just part of the time; if the employee does not spend 100 per cent of their time doing green tasks, do you define it as a green job? That type of issue is a sign that the world of work is changing and the green economy is emerging. Those are the challenges that the ONS and others are looking at. However, I think that it is good news that we now have a report saying that there are up to 100,000 green jobs in Scotland and that many of those are in new and emerging sectors.

The Convener: Other members may wish to pick up on that point later, but I will bring in Fiona Hyslop now.

Fiona Hyslop (Linlithgow) (SNP): Minister, you referred to carbon capture and storage. The Net Zero, Energy and Transport Committee, which I also sit on, produced a report on the Acorn project on carbon capture, utilisation and storage earlier this year and made it clear that it is a key energy transition requirement, but the project has been put on pause.

During the Net Zero, Energy and Transport Committee's evidence session on the subject, Professor Haszeldine said that the project needed to be in operation by 2030 and that

"There is a five-year lead time for building such a project, so deciding now how we are going to handle that is fundamental to Scotland being able to meet or failing to meet its 2045 net zero target."—[*Official Report, Net Zero, Energy and Transport Committee*, 14 December 2021; c 14.]

Clearly, the Climate Change Committee has just brought out a very critical report, but that committee has said that that project is vital to the delivery of these very tough targets.

The Acorn project is located in the north-east of Scotland and we are here to focus on just transition, which is about the workforce and communities. Bearing that in mind, and the fact that this is a transition technology in a vital area for workforce skills, which would help with the shift from oil and gas to green hydrogen as a bridging technology, where do you think we are with that project and how critical do you think it is to delivering a just transition for Scotland?

Richard Lochhead: I thank Fiona Hyslop for raising that question; it is pertinent to today's report from the Climate Change Committee, in that it reminds us that many of the steps to get to our net zero targets lie with the UK Government taking the right decisions and not just the Scottish Government, because we do not hold the powers over all the issues.

It is also worth saying that the Acorn project is not just a project for the north-east of Scotland; it is also relevant to Grangemouth, for instance, which we discussed recently. It is a crucial project and, as Sir Ian Wood said, if I remember correctly, not giving the go-ahead for track 1 status for the Acorn project for Scotland is like a football team leaving its best player on the bench. Portugal did that last night and got quite a good score despite it. However, the principle is valid because the project is vital for not only Scotland, as Fiona Hyslop says, but the rest of the UK to achieve its net zero ambitions.

10:00

I was at a meeting of the North Sea transition forum in London a few days ago. That forum is chaired by the UK minister and I attended on behalf of the Scottish Government. Of course, everyone travelled down from Aberdeen but, unfortunately, the UK minister had to go and answer an urgent question and was not at the meeting, so we had an Aberdeen gathering in London. That is one of the things that we have to deal with.

Someone said at that meeting that we are in danger of making the same mistakes as we made before. We have a massive opportunity to do the right thing and create jobs and new industries, but we are taking too long to make the decisions, so we might lose out. We might not be first mover and other countries will get ahead of us.

The UK Government has to treat the matter with a lot more urgency. The Acorn project must be given the go-ahead. It is critical. The Scottish Government has put £80 million on the table to help meet some of the project's demands and work with the UK Government to get the go-ahead for it. There is constant communication and correspondence between Michael Matheson, the Cabinet Secretary for Net Zero, Energy and Transport—as well as, I think, the Deputy First Minister—and the UK Government on Acorn, so I hope that we will soon get the green light for it.

I have a photo on my phone—I will not show it to the committee—of me, after a recent visit to the St Fergus gas terminal, standing next to the pipeline that is ready to take about 30 per cent, if I recall correctly, of Scotland's emissions to the Goldeneye field and store it in an empty reservoir, recycling part of the oil and gas industry's infrastructure. However, we just cannot get the go-ahead. We have the infrastructure in Scotland that is ready to use. We are ahead of the rest of the UK in that regard. We also have the academic expertise based in Scotland. Therefore, it is vital to go ahead.

The final point that I will make concerns jobs, which is the just transition part of the issue. We were told that, from 2022 onwards, we could create up to 15,000 jobs, going up to about 20,000 jobs by 2030. That is a lot of jobs. For instance, it is a big percentage of the jobs in the oil and gas industry in the north-east of Scotland just now.

This is about jobs and achieving our net zero targets.

Fiona Hyslop: This question might help our discussion. Graham Simpson asked about transport and I asked about energy. You are not the lead minister or cabinet secretary in those areas; you are our first ever just transition minister. It would be helpful if you could explain how you

work with ministers in other policy areas and what levers you have to influence and push the agendas that we know will be critical to delivering a just transition in areas for which you might not have direct responsibility.

Richard Lochhead: As you can imagine, because it is vital to delivering it, we are mainstreaming the just transition through all portfolios and policies. Therefore, I have bilateral meetings and correspondence with all other cabinet secretaries and ministers. We discuss the urgency of transport or other areas in which we support the just transition.

All ministers are working on the just transition dimensions of their own responsibilities. My responsibility is to help to co-ordinate that and the publication of the plans. My officials will co-ordinate the publication of the plans, but the different teams and ministers across Government have responsibility for populating them and the measures that we will take.

Maggie Chapman (North East Scotland) (Green): Good morning, minister. Thank you for what you have said so far and for being here.

As you said, we have ambitious targets to meet in Scotland, but that is part of a bigger picture—the idea of what we see termed as “Keeping 1.5°C alive”. That rapid shift and pace of transition must happen with, as you mentioned, engagement and conversations with workers about job creation and the broader shifts in energy and the economy.

We will get into the details of specific community issues when we talk about the just transition fund for the north-east and Moray a bit later. However, in relation to the economy more generally, how can we ensure that we future proof our work and do not lock in disadvantage and inequality? You mentioned in your opening remarks that former mining communities are still suffering from the previous energy transition that we went through. How can we use this transition to ensure that we improve equality and make things fairer now for people who have not reaped the benefits of the oil economy that we have had for the past 50 years?

Richard Lochhead: Your question goes to the heart of what the just transition is about. When people ask me what the just transition is, I am always keen to emphasise that, as we go through the economic transformation to decarbonise Scotland in the decades ahead, we should use that as a window of opportunity to tackle inequalities and not repeat past mistakes. After all, if we are going to rebuild and redesign our economy, we want to make it better for everyone and to tackle inequality. That is at the heart of the just transition.

Co-design is a very important principle of the just transition. I know that there is a lot more to do,

but I always emphasise to any community that I visit and to any organisation that I meet, whether it is in the public sector or the private sector, that any policies that are put in place and any projects that come forward should be co-designed with local communities, because we want to have buy-in.

We have the wider challenge relating to who pays for the just transition. That is why the Government, through its use of public sector funding, is ensuring that we support people on low incomes by, for example, retrofitting their homes or tackling fuel poverty. You will be aware of various funds that have been introduced to support people on low incomes, who are the hardest hit.

Overall, we want to ensure that everyone benefits from the just transition and the prosperity that is available to us. Tackling fuel poverty through deploying Scotland’s massive energy resources will be a key outcome in the next few years, especially in the light of the current energy and cost of living crises. We live in an energy-rich country, yet people are paying through the nose in energy bills. If people in a country that is producing several times what we require for energy are still paying through the nose for energy in 10 or 20 years’ time, the just transition will have failed.

I am up front about those tests. A lot of work and challenges will be involved in getting there, but we have to aim for that. We cannot live in an energy-rich country where people are fuel poor. That is the test of the just transition.

Maggie Chapman: That links to Fiona Hyslop’s question about working between and across departments and portfolios. There has been quite a lot of talk about using a mission-based approach or a challenge-based approach that does not result in silos in different departments. What challenges exist in that regard in the way in which the Scottish Government and the Scottish Parliament work? What do we need to change in the next decade if we are to not only meet the targets and do all the things that we want to do but ensure that we do cross-cutting work that means that we do not fail on the equalities measures, never mind the energy measures?

Richard Lochhead: As I mentioned earlier, mainstreaming is really important. Policies cannot be developed in silos. We must take account of the impact on everyone so that we do not place a disproportionate burden on any part of our communities.

Earlier in the meeting, we discussed the Climate Change Committee’s report and the challenges that it lays out. The solutions to many of those challenges are quite radical, so we must think

about how we bring people in Scotland with us in relation to some of the measures that might have to be taken. Patrick Harvie is working on decarbonising heat in buildings, because one of the biggest pillars of the net zero journey relates to how we decarbonise Scotland's buildings and tackle those emissions. Clearly, the public sector cannot pay for that alone. We estimate that it will cost more than £30 billion to decarbonise our heat in buildings.

The Government has brought forward a very ambitious £1.8 billion of investment over this session of Parliament towards that cost. That is a substantial budget but, when we put it in the context of the £30 billion that will be needed to achieve that decarbonisation by 2030, give or take, we can see that the public and private sector have got to play a role as well, so that is a big challenge. With regard to the just transition, we have to ensure that those who are least able to pay are not left with a disproportionate burden, so we have to support people in that context.

Maggie Chapman: I suppose that that figure is even before talk about the costs of adaptation. I know that other people want to talk about finance, so I will leave it there for now.

The Convener: Before I bring in Michelle Thomson with questions on finance, I will go back to Fiona Hyslop's question about your role in the Government. As part of the conversations that you have with other cabinet secretaries and ministers, do you set expectations with regard to where you expect to see progress or do you have an idea of areas that should be prioritised? Is it your role to set some of those parameters and to encourage that kind of activity?

Richard Lochhead: Clearly, my officials and I are working to ensure that the various policy teams across Government are now working on the just transition, so there is a lot of work going on to co-ordinate the work for the plans that we mentioned earlier. The outlines for those plans will be published next spring. That is happening, and my team and I are obviously instigating that. I also sit on many of the various sub-committees. The main sub-committee is the climate change sub-committee, which I sit on as the minister for just transition. I am there to bring the just transition dimension to that. As we discussed, some of those policies are required to achieve our targets, and I am also there to represent the just transition dimension of that debate.

As well as being the minister for just transition, I am the minister for employment and fair work, all of which has a just transition element to it. As we tackle inequalities, we have to make sure that people have good jobs—not just green jobs but good green jobs. Therefore, I am also feeding in the just transition dimension to the economic

dimension of the Government's work, which is about making sure that people are well paid.

The Convener: Will the reports that will come out in spring, which are for co-design, include those other priority areas? Will there be clear indicators of the activity that needs to be prioritised to make a difference?

Richard Lochhead: Yes.

The Convener: I recognise that it will be done through co-design, but will there still be direction given about what we need to do within a certain timescale?

Richard Lochhead: The plans are not written yet, so I cannot pre-empt everything that they will say, but, for example, each of those plans will have to contain a skills pillar. Skills are vital for all these areas as we go forward, because we need to ensure that people are upskilled and reskilled. That will be in every plan. Obviously, that is crucial with regard to milestones and actions taken to ensure that we are meeting the skills needs.

The Convener: We will move on to questions on finance. I will bring in Michelle Thomson, and I think that Fiona Hyslop and Maggie Chapman also have questions on that.

Michelle Thomson (Falkirk East) (SNP): Good morning, minister. Thank you for attending the committee today.

Before I ask my questions, I want to take this up a level. A multitude of figures are being bandied about on exactly how much finance is required to enable the just transition and the changes that we need to make. The figures are quite eye watering, and it is generally agreed that, globally, we are nowhere near that amount.

However, in the Scottish context, the Climate Change Committee report points out that many relevant powers that are related to areas such as funding, finance and product standards are reserved. Therefore, my question to you is this: are you getting the support that you need from the UK Government in supplying that level of funding, or are you having to take that out of the fixed Scottish budget, which obviously has nearside time parameters in terms of planning? How is the funding that you are able to realise being managed and actualised?

Richard Lochhead: One of the biggest challenges is about how we are going to fund the just transition and all the steps that we have to take to get to net zero. As the member said, many of the figures for different policy areas and the global figures are eye watering.

At the United Nations Climate Change Conference of the Parties 26, in Glasgow, there were clear signals that there are enormous

amounts of private sector finance available around the world, so the Scottish Government is taking steps to try and attract that for investment in Scotland.

10:15

One man who was standing behind me in the coffee queue at COP26 was boasting to his colleague that he had \$2 billion available to invest. I regret not getting his business card and following that up. At COP26, there was a lot of talk about the amount of private sector finance that is available.

The UK Government has its own green finance strategy, and the Scottish Government has submitted to that throughout the consultation period. However, we are concerned about the pace at which the UK Government is moving; the matter is urgent, so we need more pace from the UK Government. We do not need that only on areas such as carbon capture and storage, and giving the go-ahead to the Acorn project, which would create an enormous amount of wealth in the Scottish economy and bring in private finance; we also need quick action on the green finance initiative that the UK Government is looking at.

On the Scottish Parliament and the Scottish Government budgets, we are all familiar with the pressures on public finance at the moment, so not only do we face massive challenges in achieving net zero, but we are trying to do so when public budgets are under huge pressure and there is a cost of living crisis. There is also an inflation dimension.

The Scottish Government does not have the borrowing power that is required to finance some of the major projects, so we need the UK Government to step in wherever it can. For instance, we have challenged it to match the Scottish Government's £500 million just transition fund over 10 years for north-east Scotland and Moray. We would like a UK Government contribution to that. The green jobs task force that the UK had a year or two back suggested that finance is required from the UK Government, but it has not been forthcoming with that finance. There is a big role for the UK to play.

Michelle Thomson: You have given us a lot of flavour. Being given more money is one route, but are you hearing the calls from across the Scottish Parliament for vastly increased borrowing powers for the Scottish Government—such as there would be for any normal Government that might want to undertake ambitious policies—so that we can crowd in private sector funding?

We all agree that no Government will be able to entirely fund what is needed, and that Governments will need to crowd in private sector

funding, so are you hearing, in your private discussions, the agreed calls from across the Parliament for extra borrowing powers to do that sort of activity? You might not be able to disclose that.

Richard Lochhead: No, I am not hearing enough of that. It would be great to have political consensus on the major steps that have to be taken to transform Scotland's economy in the years ahead, and consensus that we need the powers to do that. We are held to account for not implementing radical transformational projects, but we need the support of all parties to get the powers to do that in the first place. Other constitutional debates are taking place right now, but borrowing powers are the obvious example.

The more I think and talk about it, the more I realise how important political consensus is, because there are examples of issues that are considered to be important, but which are not necessarily the big issues that we will have to deal with. Those issues become huge storms in the Scottish Parliament and in political battles. We must have more national political consensus about what needs to be done if we want to save the planet, reach our net zero targets and save humankind and civilization, because those are the problems that we face.

Maggie Chapman mentioned keeping the temperature increase to below 1.5°C, but some people are talking about an increase of 4°C by the end of the century, which has major ramifications for our children, grandchildren and great grandchildren. If we are to tackle the issues that cause that increase, we will need more political consensus

Michelle Thomson: Yes, and we need to match ambition with financial enablement.

Richard Lochhead: We also need the tools.

Michelle Thomson: In its report, the Climate Change Committee called out risks that are down to UK Government action or inaction around low-carbon heat in existing homes. It made reference to "details of market-based mechanisms", associated funding and so on.

I want to explore the £500 million just transition fund a wee bit more to get a bit more flavour of how the Government is able to release the funding and protect it, given the constraints and the real-terms cut in its budget. Can you give us a bit more information about that to help us understand some of the challenges related to that fund?

Richard Lochhead: The Government is committed to delivering the £500 million fund over 10 years, with £20 million being allocated in the first year. However, many of the projects that have come forward are multiyear projects, so we have

committed up to £50 million for the next four years; some of those projects will account for that extra money. The Scottish Government will introduce its budget in the next few weeks, including next year's funding for the just transition fund. We are committed to that and have no plans to change it.

There are challenges, because the money is capital funding and I am sure that many projects will require revenue funding, but we can only do what we can do. We have a capital budget, and we are using financial transactions. There are always challenges, because there is not enough resource to achieve what people want to achieve, and the UK Government, the Scottish Government, the private sector and the public sector all have to play their roles.

The Convener: I will allow members who have already asked questions to come in again, but keep questions short. That would be helpful.

Fiona Hyslop: I also want to ask about the £500 million just transition fund for the north-east and Moray. Obviously, some projects have already been announced. I understand the importance of community co-operation and co-design, and of projects coming from communities. Every one of the 24 projects is worthy in and of itself, but it might be a fair criticism to say that they could be piecemeal if they are based on challenged funding.

There might be a need for a more strategic approach to such a significant element of funding. Some projects might come from private companies that could fund the projects themselves, so how are you balancing out the worthiness of each project? How are you making sure that, as opposed to supporting individual projects, there will be a strategic impact that will deliver a just transition? I understand that there is a tension there, so could you share your thinking about the funding mechanism and process?

Richard Lochhead: That is a good question, and it is on something that we have wrestled with. We want to get the fund under way, because we do not have time: we cannot wait several years for perfect plans for the future, especially when we are in an evolving situation. We therefore chose the route of no-regret decisions—that is, all decisions will contribute in their own way, because they are all good projects. There are large projects, smaller projects, community projects, strategic projects, science projects, skills projects and so on, so there is a good basket of things that are required for the just transition in the years ahead.

We intend to use the next two or three years to develop a more strategic approach. What we are funding just now fits in with that direction of travel, whether in relation to hydrogen or plugging the

skills gaps that will need to be addressed in the years ahead. We are confident that all the projects are good and robust projects that will contribute to the just transition.

However, we know that we have to work on the fund for the north-east and Moray in relation to the strategic robustness that is required to ensure that it is transformational. We have to ensure that when we look back in 10 years, we will see that we have invested £500 million of public money in transformation, which is a big challenge. I hope that some of the projects will be transformational, and that when we will look back, they will have benefited not only the north-east of Scotland but the rest of the country.

The Convener: I will bring in Maggie Chapman then Colin Beattie, who will ask questions on other issues.

Richard Lochhead: I thought that you were going to give me a warning there. [*Laughter.*]

Maggie Chapman: I will follow on from Fiona Hyslop's question on the allocations from the just transition fund, which are key to our having any hope of achieving our targets.

I and others—in particular, communities in the north-east—are concerned that millions of pounds have already been allocated to large companies, many of which are backed by the fossil fuel industry, which has made record profits in recent months, while just £4.2 million has been allocated over four years to community-led participatory budgeting. One of the key concerns is clearly that it is not enough just to give money to companies. The just transition needs to be genuine, and I am not sure that we will get that, unless we have the strategic work that Fiona Hyslop alluded to.

I want to talk about two specific projects. As you will be well aware, £14 million has been awarded to a contentious project in Torry, which is a community in the south of Aberdeen that has among the lowest life expectancy in Scotland—it is more than a decade shorter than it is in other parts of the city. It has not benefited at all from the oil and gas economy. In fact, all of Torry was bulldozed for the oil and gas economy.

There is a clear mismatch in relation to what we term “justice” when a community such as Torry has its only remaining green space concreted over for something that will assist the broader just transition but will not represent justice for that community. How do we tackle that kind of injustice if we do not have the dedicated focus to community leadership that is missing from the current allocations?

Richard Lochhead: That is a good challenge to put to the Government and to the local economic partnerships that are involved.

As a backdrop, I note that since day 1, when speaking to organisations, public sector groups and community groups in north-east Scotland, I have been clear that, in a project that is as vital for north-east Scotland as energy transition is—which includes the energy transition zone and development of Aberdeen harbour—if the neighbouring communities do not see benefits, the just transition will have failed in those areas.

When it comes to the plans for the energy transition zone, I understand that, recently, there has been some good community engagement, and that residents are now involved in plans for the future of that area. I hope that that is productive and that progress is made.

We have not directly funded any oil or gas companies. The development of the north-east economy cannot be supported without the involvement of the offshore sector and the oil and gas industry—

Maggie Chapman: I appreciate that.

Richard Lochhead: —which is a crucial part of the just transition. That industry has the skills, the expertise and the investment that will underpin the just transition. We need its buy-in and we need to work with it as it transitions over the coming decades because, irrespective of net zero policies, employment in oil and gas in Aberdeen and north-east Scotland is going to decline substantially by 2040 to 2050. The transition is therefore superimportant for the future economy, so those industries are part of the local economic partnerships with which we will work.

We must take care to say that none of the just transition funding that was announced has gone directly to oil and gas companies. We are supporting economic partnerships, of which the oil and gas sector has to be a part.

Maggie Chapman: Can I ask one more question?

The Convener: Yes—if it is brief.

Maggie Chapman: The question is about another project. At the moment, the Scottish Government has under way an independent review on how to cut climate pollution from Scotland's existing incinerators. As you will know, the Ness incinerator in Aberdeen was awarded money from the just transition fund for research into the feasibility of carbon capture and storage. Putting aside the fact that nowhere in the world has CCS been used successfully in an incineration plant, I am curious as to whether you think that that award pre-empts the work that the Scottish Government has commissioned into how to cut carbon emissions from incinerators—given that it means that we are saying that we are going to

fund an incinerator to bake in demand for waste generation.

Richard Lochhead: When we put out the call for bids for projects under the fund, each application was considered on its merits, and Scottish Government officials liaised with local authority officials and local Scottish Enterprise offices to decide which projects would be worth supporting. We have to support emerging new technologies in some cases to find out what contribution they can make. I do not think that anything is being pre-empted; I think that there is just straightforward funding of innovative technology.

As I said before, we want, for the benefit of other parts of Scotland, to roll out the successes, discoveries and innovations that the fund has enabled in north-east Scotland. It is a great place to have a laboratory to support and trial different technologies for the just transition because of the presence of the oil and gas and fossil fuel sectors, which have to transition.

10:30

The Convener: In terms of finance, we have Scottish Enterprise, which is our main enterprise agency, and the Scottish National Investment Bank, which was set up with a focus on renewables. Can you say a bit about what those agencies are doing in terms of drawing in finance to Scotland? Has there been a re-profiling of priorities? To what extent is the issue a priority for Scottish Enterprise?

Richard Lochhead: I know that the Scottish National Investment Bank is funding some just transition and decarbonisation projects, but I do not have details in front of me. It is playing a role and it has a big responsibility with regard to supporting the net zero transition. It is important to say that, across the board, our enterprise companies and the Scottish National Investment Bank are signed up to prioritisation of the transition to net zero, so they are playing a role. They are also playing a role in peatland restoration and other issues.

The Convener: That might be something that we can follow up with the relevant minister. We take evidence from the Scottish National Investment Bank, but we might seek more information on how Scottish Enterprise is prioritising the issue.

Richard Lochhead: SE is making substantial investments in projects that are involved with decarbonising certain sectors. I do not have a list of the investments in front of me, because they are not part of my responsibilities, but I know that SE is playing that role and that it will have to do more of that in the future.

Catriona Laing might be able to add to that.

Catriona Laing: The Scottish National Investment Bank has £110 million allocated to the net zero transition. We have a different relationship with Scottish Enterprise because of funding arrangements, but we work closely with it across the energy funds and the climate change funds. Some of the funds are managed more in-house, but in close collaboration with Scottish Enterprise—the just transition fund is one of those. Scottish Enterprise runs a range of energy funds on behalf of the Scottish Government.

As part of the resource spending review, we committed to moving from a funding approach to a finance approach. That touches on several of the questions that we have already heard about how we might work best to attract funding.

As others have said, we know that eye-watering amounts of money need to be put in. However, there are massive opportunities for the private sector and businesses; we need to be able to work closely with them so that we can unlock opportunities in partnership. It is fair to say that we have more work to do to maximise that, and I think that our partners in the Scottish National Investment Bank and Scottish Enterprise will be key to making that approach work.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Good morning, minister. Clear policy is important to support emerging markets such as the hydrogen market, which is important to my constituency. What policy measures need to be in place over the coming years in order to ensure that our businesses are equipped to be successful in those markets?

Richard Lochhead: As I said earlier, the potential of hydrogen is enormous for the Scottish economy, and it has a role to play in decarbonising our country. I have spoken to people who think that, if we play our cards right, Scotland could be one of the top three countries in the world in terms of having a decarbonised economy. I hope that that is true, because we have a wealth of resources that could make that happen. However, there are, of course, massive challenges and costs involved in getting there.

The Scottish Government will publish its hydrogen policy in the next few weeks. Clearly, that will give the committee an outline of the direction of travel in relation to realising the potential of hydrogen for Scotland domestically and in terms of export. The initial assessment says that up to 300,000 jobs could be involved. Obviously, the number could go from several tens of thousands up to that level; we will learn over the next few years what the potential is.

With regard to the policies that must be put in place, we have to ensure that people are upskilled

and retrained to deal with hydrogen. A lot of work is going on in Scotland in that regard, including in the private sector, where work is being done on the commercial opportunities relating to hydrogen. A month or two ago, I received a presentation from SGN, which is doing some incredible things to investigate and explore what has to be done to re-engineer the infrastructure to take hydrogen, and what that would mean for supply chains, skills and so on.

Colin Beattie: Obviously, hydrogen is only one area. There are many other products that may or may not succeed and which may or may not end up being a large part of the economy. Are you satisfied that Government policy is keeping pace with that and is providing the guidance, infrastructure and so on within which companies can develop those products? How do you keep up to speed on that?

Richard Lochhead: The Minister for Business, Trade, Tourism and Enterprise, Ivan McKee, spends a lot of time on that issue, and, of course, the Cabinet Secretary for Net Zero, Energy and Transport, Michael Matheson, is just back from Japan and Korea, where he spoke to a lot of large businesses that might invest in Scotland. Ministers are doing their best to engage with developing technologies and are taking expert advice. We are publishing relevant policies. As I said, the hydrogen policy will be published in the next few weeks. It will take into account the latest research and information on technologies.

We face a challenge, but we will work with the enterprise companies on the issue. Scotland also has a prestigious university research sector that is helping us.

Colin Beattie: I will move on to a slightly different issue. We all know what is happening with energy markets and about the extraordinary increases in prices and the consequent increases in fuel poverty. I believe that prices are expected to continue to increase through 2023.

Has any assessment been done of the impact of the risk of fuel poverty with regard to inequality in Scotland? Specifically, will that limit the ability of those impacted to secure improvements in energy efficiency methods or greener heating systems? Do you have any feel for what the impact will be?

Richard Lochhead: As you can imagine, ministers have been looking closely at that issue, and more support has been brought forward to help low-income households to deal with their energy bills and tackle fuel poverty through implementing home energy efficiency measures. We are extremely concerned about the impact of rising energy prices on fuel poverty and on widening inequalities in the country. I am happy to ensure that the committee gets some follow-up

information on that, as a lot of work has been taking place on the issue.

As I said before, the just transition will have failed if, in a few years' time, we find ourselves living in an energy-rich country in which people cannot afford to pay their fuel bills and might die because of fuel poverty. You could not make it up. It is a horrendous situation, and it shows that our energy policy has failed—of course, the energy market and energy regulation are issues that are reserved to the UK Government. As an energy-rich country, we should not be in a position in which people are facing fuel poverty. We have to get this issue right, and I imagine that the refreshed energy strategy that the Government will publish shortly will address some of those issues.

Colin Beattie: I want to raise a specific issue that affects my constituents. Although we are encouraging people to invest in green heating systems—solar systems in particular—people who live in conservation areas in my constituency are finding their planning applications for solar panels being routinely rejected, which seems ridiculous. Is there any possibility of the Government providing better guidelines and so on to councils to encourage the uptake of solar panels and other greener energy systems, given that all those applications are just being rejected?

Richard Lochhead: Thank you for the feedback about what is happening in your constituency. That is an important point to raise.

I know that Patrick Harvie is doing some work on the measures and obstacles that have to be addressed to decarbonise home heating. I am happy to pass on your comments for him to respond either to the committee or directly to you, Mr Beattie. In any case, you have highlighted just one example of the changes that we have to consider as we move forward.

The Convener: I will bring in Jamie Halcro Johnston in a minute.

With regard to renewables, the minister will be aware of concerns about cuts in this year's budget to local authorities for energy efficiency schemes. I understand that those cuts are to do with an underspend. As someone who is trying to deliver in that area, what discussions are you having on that matter? We know from the Climate Change Committee's report this morning that housing and buildings are among the weak areas in which we need to see more progress. How can those funds be retained within the sector? Why, for example, have there been underspends? We need to resolve those issues, because we cannot devalue that sort of funding. It is important that the money is spent, so how can we ensure in the future that it is spent and that it is retained to fund the important

measures that need to be implemented in the area?

Richard Lochhead: Through the area-based schemes, the Scottish Government funds local authorities to carry out retrofitting and other such measures in the renewable energy sector, so the situation that has arisen is not necessarily the Government's direct responsibility. It might be that various factors have slowed down the implementation of some schemes over the past couple of years, but I would have to investigate the reasons behind that. I am happy to do that and come back to the committee.

The Convener: That might be helpful. Does Catriona Laing want to come in?

Catriona Laing: I think that we are all in agreement that it is frustrating that we have not been able to deliver against our targets and that the situation needs to be changed. That is one of the areas in which tackling climate change and supporting people through the cost of living crisis absolutely intersect, and you are right, convener, to highlight that it is about demand rather than any actual cut to the budget itself.

In recognition of that, colleagues in charge of the scheme have, in recent months, sought to raise awareness, and there is now a marketing campaign to ensure that people can understand what they are entitled to. There has also, in response to the cost of living crisis, been an increase in the amount of support to address fuel poverty, with a doubling of some of the funds available to people who are least able to afford these things and an extension of the eligibility of the free service. There are strands that require people to lay down some of their own money for conversions, while in other strands—in social housing, for instance—people are supported directly and for free. It is in those strands that eligibility has been extended.

Funding has also been made available for more energy advisers to ensure that people are able to consult locally on their entitlements instead of having to navigate the internet. We have seen an uptake of interest as a direct result of those measures.

Looking forward, the minister mentioned that there is a relationship between the £1.8 billion that has been dedicated to the scheme and the £33 billion that the whole decarbonisation scheme will cost over the next decade. We need a new way of spreading that cost to ensure that we can deliver, so we are looking at regulations for when buying and selling happens on properties to ensure that we accelerate the speed of the overall scheme.

10:45

The Convener: Do you have any details of the timescale? You said that you are looking at regulations.

Catriona Laing: I believe that we are looking at regulations for 2024-25.

Jamie Halcro Johnston (Highlands and Islands) (Con): Good morning, minister. Before I come to my main questions, I will ask about hydrogen. I think that you have talked about 5GW of potential production and 300,000 potential jobs. Where will hydrogen be used? Will you give us some detail on where it can be used in business and domestic settings?

Richard Lochhead: The Government will publish its hydrogen policy in the next few weeks, and a lot of that information will be in there.

Various aspects of the hydrogen debate are being considered around Scotland. For instance, we have talked about CCS and the Acorn project, which has a hydrogen element to it. In Grangemouth in particular, people are looking at how to produce hydrogen.

Jamie Halcro Johnston: That is the production of hydrogen, but where will it be used? For example, can it be used in domestic boilers for heating? What would it require to do that?

Richard Lochhead: The UK Government is about to take a decision on the role that hydrogen will play. I cannot remember the exact timescale for that; it might be in the next year or so. That will have to guide us in Scotland because it will relate to the regulation. That will have a big influence on where hydrogen could be used in the economy. We are waiting for that because it is to do with the regulatory side.

As I mentioned, in the private sector, SGN is doing an exercise on what hydrogen will mean for the gas networks and what potential there could be for domestic use. That is a potential route for the use of hydrogen.

We can also see the hydrogen buses that are being deployed and creating jobs in Aberdeen. Therefore, transport has a big role to play. There is also an exercise going on in Scotland to do with how we can use hydrogen in heavy goods vehicles and other trucks.

Jamie Halcro Johnston: I am very interested in the potential of hydrogen.

Richard Lochhead: I am, as well. If you go on to Twitter or any other social media, you will see people ruling out certain uses of hydrogen and saying where it should be used. There is a big debate about where it could best be used.

Jamie Halcro Johnston: Domestic boilers might be ruled out. In that case, people would be making decisions about whether they should go to another form of renewables. However, there might be potential for domestic boilers to run on hydrogen. The difficulty is that we do not have the detail yet, although lots of people are talking about the potential for its use in agriculture and other industries. I am interested because there is a lack of clarity despite all the positivity about it.

You have talked about 300,000 jobs. It would be good to know where those might be.

Richard Lochhead: That was in a statement that was issued on the potential of hydrogen. We can send that to the committee. It was published a while back.

Jamie Halcro Johnston: That would be helpful.

We have talked about the opportunities of the just transition. In previous such schemes or processes, there have been many opportunities for big business and perhaps fewer for small and medium-sized enterprises to take advantage of what is happening. How will you ensure that SMEs take advantage of the opportunities of the just transition?

Richard Lochhead: Zero Waste Scotland and Scottish Enterprise—in fact, the enterprise companies generally—are running schemes to help SMEs to take advantage of net zero opportunities. Zero Waste Scotland runs a loan scheme for SMEs. Scottish Enterprise and Business Gateway are now giving advice to small businesses about steps that they can take for net zero as well.

A lot more must be done on that. I have a vision for the situation that we must create. I talk about just transition plans for sectors of the economy and place-based just transition plans for Grangemouth. In 2024, we will look at regional just transition plans for regions of Scotland.

We would also like every business and organisation in Scotland to have a just transition plan, so we need to work with the business community. Let us take the example of a car mechanic business that works with petrol and diesel vehicles. We have to find a way to support such a business to have its own just transition plan, so that, as petrol and diesel cars are phased out in a few years' time, the business will survive and people will still be in work. We have to work with the business community to—

Jamie Halcro Johnston: Are you meeting the Federation of Small Businesses and chambers of commerce? Are they raising with you any concerns about the approach that is being taken? What is their opinion?

Richard Lochhead: From my conversations, I think that there is a general acceptance that we must raise awareness. If you are a business, particularly in today's environment with rising energy costs and all the other challenges, including labour shortages, you are probably not thinking about your just transition plan or your net zero plan. How do we raise awareness and say to businesses that this is not only in their interests but represents a new economic opportunity? There are lots of opportunities for new companies to start up in certain areas. In my area, the small private business that goes around homes putting in air-source heat pumps is overwhelmed with work. I keep thinking to myself that there must be an opportunity there, either for that business to expand significantly or for new businesses, so we must capitalise on economic opportunities.

Yes, I have met all those organisations, and I will continue meet them.

Jamie Halcro Johnston: I will go back to what we talked about before. My colleague Graham Simpson talked about the transport side and Fiona Hyslop asked you about your role in Government. You talked about mainstreaming just transition in Government and bilateral meetings with colleagues. As the just transition minister, do you see any conflict or contradiction between meeting Scotland's climate change targets around decarbonising and delivering on manifesto commitments such as road improvements, road upgrades and work on the A9 and A96 roads, which you will be very aware of as the MSP for Moray? Do you see a contradiction between wanting to decarbonise and meeting those commitments?

Richard Lochhead: That is an interesting question. I spoke earlier about the challenges that we will face in the years ahead, and that sort of question gets to the heart of it, because the just transition is about not leaving communities behind. There are different situations around Scotland, so as we make the economic transition, we must be careful to work out through what lens we are looking at the just transition. There is no easy answer to that, because the just transition will ensure that we reach our net zero targets, reduce our emissions and carbon footprint, and play a role in the global effort to save humankind. However, locally, as we do that, we must take into account what that means for each individual community and indeed for households, and we cannot leave people behind. We have got to balance all that, and it is not easy.

Jamie Halcro Johnston: Therefore, meeting climate change targets is not, as far as you are aware or concerned, a reason to not go ahead with those projects.

Richard Lochhead: I am sorry—could you ask that question again?

Jamie Halcro Johnston: The need for the just transition and to hit climate change targets are not reasons for the Government not to go ahead and deliver those projects.

Richard Lochhead: That depends on how you deliver the just transition. I know where you are trying to go with this, in pointing out that I am the MSP for Moray and the minister. The just transition is different things to different people, and what matters is the outcomes. If we have more equality, good jobs and prosperity—those are the outcomes that we want. As the just transition minister, I cannot say to a community: "This is what the just transition means to you." That is why we co-design. Whether it is about roads in one part of Scotland or another, we must listen to communities about what the just transition means to them. It might mean a new road or it might not mean a new road—it might mean something else. We have to listen to communities. That is the whole purpose of co-design.

Jamie Halcro Johnston: I have met representatives from a number of sectors recently, and they are all talking about skills and about delivering. I know that you said that it was mentioned in a previous report, but we are talking about 300,000 jobs. There are skills shortages in various sectors, including construction, aerospace, defence and some financial services. How will we ensure that we have enough people to train up in those sectors? How will we deliver those jobs?

Richard Lochhead: If there was one subject that kept me awake at night—other than the impact of climate change if we do not deal with it—it would be our plans in Scotland for people and skills. Why is that a concern for me? In Scotland, we are in the strange position of having low unemployment but significant labour shortages, particularly in some sectors.

We have enormous economic opportunities. If we get the energy transition right, we will be able to make Scotland one of the most successful economic countries in the world, but we need the people and the skills for that to happen. A lot of people ask where we will get the skills from, but you are right to ask where we will get the people from. It is not just a question of whether people have the skills; it is about where we will get the people from. We have certain demographic trends in Scotland, we have no power over immigration policy, and we have had Brexit. That has tightened things up and has made the situation quite challenging.

You said that every company mentions the issue to you, and I speak to companies about it all the time. Some companies are confident that, if

they get the go-ahead for X or Y project, they have the people to deliver it, but other companies say that they have vacancies. Scottish Power and other companies have said that they have hundreds of vacancies in certain areas that would help with the transition to net zero. They say that they could employ people tomorrow in those roles if they had the people to fill them. There is therefore quite a varied picture.

I am sorry to dwell on the CCS Acorn project, but the position in which we have ended up with it is so frustrating. One of my key concerns is that, if we are not the first mover, skilled people leave. The feedback from the CCS sector in Scotland and the rest of the UK is that, because the UK Government is taking so long with things, a lot of the skilled people are going to work in America or other European countries that are racing ahead of Scotland and the rest of the UK on CCS. We cannot afford to lose those people. We must be first movers and get going, otherwise we will lose thousands of skilled people who will say, "I'll just go and work over there, because there's no job for me here."

Jamie Halcro Johnston: Your point about the Acorn project has been made previously by your colleagues. It sounds as though there will be a shortage not of jobs but of people.

Do you, as a former Minister for Further Education, Higher Education and Science, think that the education system as a whole, from schooling through to further and higher education, is geared up enough to ensure that young people go on pathways to new emerging technologies and other sectors? Are you confident that we will be able to deliver at least part of what we need through the right education system that is ready to provide that supply of people?

Richard Lochhead: I am confident that we will make progress in that regard. There is a lot of work to do with the college and university sector, and that work is under way. I was very encouraged by the Fraser of Allander Institute's report "International Scotland", which was published in November. I was at the first event that was held on the report to talk about the net zero aspect of it. The report says that Scotland is further ahead than the UK in relation to green education courses, so there are good signs that show that our system is gearing up, but there is a long way to go.

Employers are looking for people, and they tell me that, when young people are looking for work and applying for jobs, they ask them what they are doing to tackle climate change. Employers are waking up to the issue. That is a sign that our young people want to go into the right sectors to play a role in decarbonising Scotland and tackling climate change.

I hope that all those things will come together. I hope that young people will want those jobs, that they will get those jobs and that we will be able to train people for those jobs.

The Convener: Minister, we had indicated that it would be an 11 o'clock finish. Are you happy to stay and answer a couple of other questions?

Richard Lochhead: Yes.

The Convener: Thank you very much.

11:00

Graham Simpson: Thank you for agreeing to stay on for a bit.

I want to follow up on the previous line of questioning. The Just Transition Commission said that there should be a skills guarantee for workers in carbon-intensive industries, and I think that you committed to that. Will we be in a position to offer that guarantee? How would it look if there are not the jobs? Maybe there are the jobs but not the people.

Richard Lochhead: As I said before, we have a big challenge in ensuring that we have the people to realise our ambitions and the economic opportunities in Scotland. We are working on ensuring that we have people with the right skills and that the projects are delivered.

At the moment, we are not far off the tipping points that I mentioned earlier. The supply chain companies in Scotland are excited about the future, but they are waiting for the projects to happen so that they can keep people in work and stay in Scotland. That is a big issue in the north-east of Scotland. There is a lot of excitement, but people are waiting for the first projects to come on stream, which should, I hope, happen.

As far as the skills guarantee is concerned, we know that there is the potential to employ even more people in energy in the north-east of Scotland than is the case at the moment. Robert Gordon University's "Making the Switch" report, which the Government funded, found that we could create 9,000 more jobs in offshore energy in the north-east of Scotland than we have at the moment. Therefore, it is not just a case of protecting what we have; we have the opportunity to create more jobs.

Through the just transition fund, we have provided OPITO, which is the offshore skills organisation, with nearly £5 million to create a digital passport to make it easy for people to use their transferable skills to move from oil and gas jobs into jobs in renewables and decarbonised energy.

The picture is optimistic at the moment, but the projects must take place so that business can be

delivered for the supply chains and we can move forward.

Graham Simpson: I would like to ask Catriona Laing a question, if that would be okay.

Earlier, you mentioned regulations—I think that that was in relation to buildings. In the previous session of Parliament, I convened the tenement maintenance working group. As you will be aware, there are huge issues with a lot of Scotland's properties, such as the problems of obtaining agreement from owners to get work done and figuring out how it will be paid for. The working group looked at those areas and produced some recommendations. The matter is now in the hands of the Scottish Law Commission. It will take years to resolve. I would be interested to get a bit more detail on what you are working on.

Catriona Laing: It is colleagues of mine who are working on it. As has been mentioned, at the moment the programmes are demand led, but they are not moving fast enough. Therefore, we are considering regulations that would make certain conversions compulsory, based on different trigger points.

The thinking on that is at an early stage, so I do not want to describe in too much detail what we will end up with, but I think that the bit about who pays is really important. When we are talking about converting a house completely from using a gas boiler to using a heat pump, along with installing insulation, we might be talking about a cost of £14,000. In the current climate, the vast majority of Scottish people will find it extremely challenging to meet such costs.

Therefore, we need to have a system in which such improvements are partially paid for by the public sector. Support also needs to be made available to people by, for example, enabling them to attach such costs to their mortgage, so that they can pay for them over a number of years and there is a nudge effect on the overall market when it comes to the buying and selling price of the house.

I may already be going too far in speculating about where we will get to. The point is that, at this point, we are signalling that regulations will be a route to making sure that the overall programme is deliverable.

Graham Simpson: That is interesting. I would caution against using regulations but, if you use them, they will have to be trailed in advance. When you are, in essence, forcing people to spend money, that is very controversial and difficult to do, if not impossible.

The Convener: Ms Laing has said that it is an area of discussion. The Government recognises the issue and is still thinking through the solution.

Fiona Hyslop has a question.

Fiona Hyslop: What is your relationship with the Just Transition Commission and how do you work with it? Can you provide evidence that you have already actioned some of the advice that the commission gave in its first report and in its latest report?

Richard Lochhead: The Just Transition Commission is unique. It has been encouraging to hear from other countries that they are impressed by the fact that we have such a commission. We have also had a lot of good feedback from within Scotland about the people who are on the commission.

Its role is to give independent advice to Government, but we have a relationship. I have met the new commission only once formally in the past few months, but we will be having much more intense engagement going forward. The commission has invited us to ask it for advice and whether there is anything that it can help us with. Obviously, it is considering some of the big challenges and is keen to know what our priorities are so that it can give us the right advice. That will intensify our engagement.

We have of course accepted the recommendations from the commission's two reports. We will respond to the second report and we have accepted all the recommendations of the first one.

It is a good relationship. The commission will hold our feet to the fire—that is why it is there—but it will also play a constructive role in giving advice. From the commission's reports, and from our discussion today, it is clear that there are no easy or quick solutions to some of the issues that we are speaking about. Also, we are doing this for the first time. I think that the commission recognises that, and I hope that we all recognise it as we go forward.

The commission will play a very valuable role.

The Convener: It is helpful that the commission will give advice. Do you also anticipate it having a scrutiny role?

Richard Lochhead: Yes.

The Convener: You said that the recommendations from the first report have been accepted. Has information been published on how much progress has been made on delivering those recommendations?

Richard Lochhead: We have had correspondence with the commission a couple of times. I think that it asked us some follow-up questions, and we have responded to that. The first report was geared around many of the things that we have spoken about today, which are the

key principles that underpin just transition and the issues that have to be addressed. It is an important first stage that we accept the principle of co-design and the principle of keeping a close eye on people to ensure that they do not fall behind or pay a disproportionate cost of the transition. The first report was about those general principles to get things going and setting the parameters of what a just transition is all about. I am sure that the detail will come and that the commission will press us more on that as time goes on.

The Convener: I have a final question, which you might feel has already been covered. In relation to the ScotWind auction, considerable pledges have been made to the Scottish supply chain. We recently heard from the engineering sector, and everybody described a situation in which the order books are full but there are challenges in delivering on the orders. We have discussed skills and people, but do you want to say anything additional about making sure that the pipeline of work is clear for people and that they have the capacity to deliver?

Richard Lochhead: There is a lot of work going on in that area, which is important. The big picture is that, as I said, we have really good companies that have perhaps grown out of the oil and gas sector or other sectors in Scotland and are now looking to the future and gearing up for the green energy revolution, for instance. They are all gearing up for that, but they need the projects to happen. Some of the orders are beginning to come to fruition.

Offshore Energies UK, which is the trade body, is mapping out the supply chain at the moment. That is a really good exercise, and I think that it will share the results with us shortly. The committee might wish to speak to that body, because the supply chain is a crucial aspect, as so many jobs are in supply chains. If we want to get the just transition jobs and new jobs in new industries, we need new supply chains. That trade body is mapping out all that in the private sector.

The Scottish Government is working on the local content agreements and the commitments on the £1.4 billion-worth of business that is expected to come from each ScotWind bid, of which there are 20. That could be a lot of money for supply chains and the Scottish economy, if we get a big chunk of that. I am sure that we will not get it all, but we will get a big chunk of it. There is £1.4 billion from each project that could come to Scotland if we get that right.

Finally, there is the collaboration space that the Scottish Government is pushing in order to bring the supply chains in Scotland together with the offshore wind developers. The aim is to ensure that they are collaborating and forging a close relationship before we get to the later stages, so

that we capture more of the business. That collaborative area is important.

The Convener: Thank you. Do you have time to take an additional question from Jamie Halcro Johnston?

Richard Lochhead: Sure.

Jamie Halcro Johnston: Thank you, minister. It is a really quick question. There has been an issue in Orkney about a lack of meter installers, which is holding back house building and means that there are not enough people to install smart meters. Has that come across your desk? What opportunity might there be for you to become involved in training more meter installers? I do not know whether you are aware of that issue.

Richard Lochhead: It is an issue. I have come across it in my constituency, and I am sure that it is an issue throughout the Highlands and Islands. We have started discussions on that internally and with the further and higher education sectors. We probably have a bit more work to do with the private companies, because we are finding that the big players are sending technicians and engineers up from the central belt to rural areas, but they are less likely to do that if there are only a couple of jobs, because of the travel and time issues. Ironically, many of the areas where there is more fuel poverty are in the north of Scotland, so that area should be prioritised. We have to address that issue through our skills system and education system, and there is a bit of work going on on that.

Jamie Halcro Johnston: That is helpful—thank you.

The Convener: I thank the minister and Catriona Laing for attending and for their evidence. I appreciate that the topics have been quite wide ranging.

We now move into private session for the rest of the meeting.

11:12

Meeting continued in private until 11:32.

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