



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 21 January 2025

Session 6



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NET ZERO, ENERGY AND TRANSPORT COMMITTEE

3rd Meeting 2025, Session 6

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Michael Matheson (Falkirk West) (SNP)

COMMITTEE MEMBERS

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

*Monica Lennon (Central Scotland) (Lab)

*Douglas Lumsden (North East Scotland) (Con)

*Mark Ruskell (Mid Scotland and Fife) (Green)

*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Fiona Hyslop (Cabinet Secretary for Transport)

Alison Irvine (Transport Scotland)

Michael Shanks MP (Parliamentary Under-Secretary of State for Energy Security and Net Zero)

Bettina Sizeland (Transport Scotland)

Kerry Twyman (Transport Scotland)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 21 January 2025

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Edward Mountain): Good morning, and welcome to the third meeting in 2025 of the Net Zero, Energy and Transport Committee. Our first item of business is a decision on taking items 4, 5 and 6 in private. Item 4 is consideration of the evidence that we are going to hear on the Scottish budget. Item 5 is consideration of the evidence that we are going to hear on the Great British Energy Bill legislative consent memorandum. Item 6 is consideration of the evidence that the committee has received on the forthcoming Environmental Authorisations (Scotland) (Amendment) Regulations 2025.

Do members agree to take those items in private?

Members *indicated agreement.*

Budget Scrutiny 2025-26

09:00

The Convener: Our second item of business is an evidence session on the 2025-26 Scottish Government budget. Today's evidence will focus on the transport portfolio. I welcome Fiona Hyslop, the Cabinet Secretary for Transport, and her supporting officials from Transport Scotland. We have Alison Irvine, chief executive; Kerry Twyman, director of finance and corporate services; and Bettina Sizeland, director of bus, accessibility and active travel.

Before we move to questions, I invite the cabinet secretary to make a short opening statement. I am not sure that anyone ever listens to the "short" bit, but we will see, cabinet secretary.

The Cabinet Secretary for Transport (Fiona Hyslop): I think that I have good behaviour on that count, convener. Good morning, and thank you for the invitation to give evidence on the 2025-26 transport portfolio budget. The budget, which is investing more than £4 billion in transport, seeks to make real, substantive and sustainable progress in delivering on the priorities of Government and, critically, of people, businesses and communities in Scotland.

Across Government, we want to improve public services to be more efficient and effective. In transport, that means making them more productive and sustainable for the public purse. We are proud that, here in Scotland, our rail services and a significant part of our ferry services are publicly owned and controlled, and we want more people to choose to travel by public transport for work, study and leisure. That helps make our public transport system more financially sustainable and reduces carbon emissions from travel.

We are investing more than £1.5 billion in Scotland's railway to support the provision of ScotRail and the Caledonian Sleeper passenger rail services, and to maintain and renew network infrastructure in Scotland. We are renewing Scotland's rail fleet with investment of £158.6 million, which will allow us to start the procurement of the intercity train fleet replacement and complete the enhancement and electrification of the East Kilbride line.

We will spend £533 million on our vital ferry services, supporting our island economies and connectivity, as well as strengthening resilience across the network. We intend to deliver six new major vessels to serve Scotland's ferry network from early 2025, followed by a further seven electric vessels in future years.

Improving public transport is part of our response to the climate emergency, but we know that we need to do more. Therefore, in 2025-26, we will prioritise £263 million for sustainable and low-carbon travel to encourage more people out of their cars and on to more sustainable transport options; to help local authorities leverage more private investment for electric vehicle charging; and to create safer and improved routes for walking, wheeling and cycling.

Crucially, the budget will include a new bus infrastructure fund to help local authorities to reduce the impact of congestion on bus journey times for passengers and make travelling by bus more efficient and attractive. That comes on top of our record funding for bus services, ensuring that more than 2.3 million people continue to benefit from free bus travel. We will begin to extend our offer to asylum seekers and young islanders relying on ferry services.

The ability to move people, goods and services around Scotland and beyond is a key building block to growing the economy, leisure and tourism, and making our nation more prosperous. Next year, we will invest more than £2.1 billion in transport infrastructure to maintain and improve our assets and make our transport network safer.

I am determined that we make progress towards completion of key projects. The Scottish budget will enable the Tomatin to Moy section of the A9 to be dualled, and for progress to be made on procurement and development of the remaining sections, as well as on dualling the Inverness to Nairn part of the A96 corridor.

The budget will enable Transport Scotland to invest in a safe and reliable network, support the transition to net zero and improve how we help to keep families, friends and communities connected, nationally and internationally. I welcome the opportunity to discuss how we intend to do that and to take members' questions.

The Convener: Thank you very much. I will give you the benefit of the doubt on the fact that that was short. Thank you for doing it that way.

Let us talk about electric vehicles and charging points. How much is in the electric vehicle infrastructure fund for the fiscal year 2025-26?

Fiona Hyslop: In terms of funding and deployment, a lot of the £30 million of the total of £65 million that we have allocated to date is being spent this year. Eighteen local authorities have already received funding, with another 14 to receive it in this financial year. That allows us to leverage in investment from the private sector. Increasingly, people are aware that the private sector should be picking up more of the responsibility for that. We set out our EV draft implementation plan at the end of last year.

On charging, some electric vehicle infrastructure funding has been paid out to date. On additional funding, I ask the officials where we are likely to get to next year. However, most of it will be deployment of funding this year for delivery next year. A lot of the focus on electric funding next year is on what we can do to help vehicles in particular.

If any of the officials wants to give information about additional funding for EVIF for next year, that would be helpful.

The Convener: Kerry Twyman, it would be very helpful to know what has been paid out so far and what will be paid out this year.

Fiona Hyslop: I can tell you that £4 million has been paid out generally to local authorities, and there is £18 million this year.

The Convener: How much?

Fiona Hyslop: Just over £4 million, with £18 million to the local authorities to date. The remainder of the £30 million, which is for this year, will be paid out to local authorities in the coming months before the end of this financial year.

The Convener: Is that all of the balance?

Fiona Hyslop: Yes.

The Convener: Sorry, but did I hear you right that you have paid out £4 million this year? Is that what you said?

Kerry Twyman (Transport Scotland): In the previous year—2023-24—£2.25 million was paid out for initial scoping plans, and we expect a further £2 million to be claimed by the end of this year for more plans. That is a total of £4 million. Our expectation at the moment is that the additional £26 million will all be paid out in grant offer letters by the end of this financial year. That is the trajectory that we are on at the moment for bids coming in from local authorities. At the moment, it is all contained within this year's budget and the expectation is that it will go out this year. Given the firm commitment to the £30 million, if any does not go out this year, we will ensure that it is funded next year.

Fiona Hyslop: I can reassure you that we are all standing ready. I have visited Ayrshire, where people explained that they will be able to move very quickly. Further, for every £1 invested, we can leverage in, I think, about £3.20 from private investment to expand that. You will start to see more of that scale-up. As you know, we have already met our commitment to reach 6,000 EV chargers by 2026 two years early—that was done in 2024.

The Convener: I know—the Cabinet Secretary for Finance and Local Government said that to me in the chamber when I asked the same question.

Of the £2.3 million that has been paid out and the £2 million that is projected to be paid out in the short term, how much private capital has been raised to balance that?

Fiona Hyslop: The initial spending was about some of the planning activity. On the actual deployment, I referred to the £18 million—my officials will correct me if I am wrong. That has gone to, for example, the Highland and north consortium, which is bringing local authorities together as a package, and to the Glasgow and Ayrshire consortium. That was around November, so they have those funds.

The Convener: I am trying to work this out. The point about the £60 million was that £30 million was to come from the Government and £30 million would be deployed by private investment. The Government, as I understand it, has near enough contributed £4.3 million. I want to see that £4.3 million has been generated from private investment.

Fiona Hyslop: As I said, it is more than that—there is the £18 million that has gone to the consortiums. Ayrshire and Glasgow have come together and a package was announced for that. In fact, we did that when the Scottish Government Cabinet met in Ayr, when I met all the partners that are involved. The funding has gone out. All that I am saying is that there is probably a remainder of funding to go out in this financial year. The majority of the £30 million has been issued and, as part of the proposals, there is leverage—on average, for every £1 of public investment, £3.20 of additional investment is generated from the private sector.

In terms of the deployment, I was in Inverness and announced the allocation for the Highland and north consortium, after which it would start deploying. Obviously, that involves working with partners to develop, implement and deliver the actual chargers.

In addition, you will know that private sector chargers are developing all over the place—for example, I officially opened the rapid charger in Dundee last year. The pace and rate are increasing. You will see that more in deployment next year, but the funding has gone out this year.

The Convener: Okay—I kind of understand that. I am just trying to find out whether it is value for money and whether we are getting the private investment. I think that you committed to having 24,000 EV charging points in the next five years. Are you confident that the money and the investment will deliver that?

Fiona Hyslop: There is increasing interest from the private sector, as you will be aware. That was set out in our implementation plan, which we wrote to the committee about when we published it at

the end of last year. On the 24,000 figure, in Scotland, it is as important to identify the location as it is the volume. In rural and island areas, there is a challenge. For next year, there is an additional £5 million for rural and island connectivity for EV chargers to deal with areas where there is a market deficit in relation to deployment. There is funding next year, particularly for rural and island areas.

On value for money, we will report on how that £30 million has been deployed and what additional funding has come in from the private sector. When I had a meeting with the Climate Change Committee advisers sometime last year, they said that they were a bit more relaxed about the 24,000 figure, and we will see what happens when the Climate Change Committee reports next year. The advisers thought that, given our geography, location will be more important for Scotland. The 24,000 figure was an extrapolation from United Kingdom-wide analysis. Bearing in mind that Scotland has more chargers per head of population than anywhere outside London, within the UK, we are in a strong position.

The Convener: You made a point about rural areas. I do not want to be parochial but, in the Highlands and Islands, there are big distances to travel, more hills to climb and fewer charging points. How will you target those areas? Are they getting increased funding compared to Dundee and Ayr, both of which you mentioned? I did not hear a single place mentioned that was north of Perth.

Fiona Hyslop: I think that I did. I said that, when I was in Inverness, I announced one of the early allocations for this year.

The Convener: You did.

Fiona Hyslop: That was for the north consortium.

The Convener: Inverness is only halfway to the top, though.

Fiona Hyslop: You mentioned Perth and, to be fair, I talked about the Highlands and Islands and the north allocation.

I recognise your point, however. In addition to the £30 million that is being spent this year, there is additional money in the 2025-26 budget specifically for rural and islands connectivity. That might not leverage in the same level of private funding, because cities such as Inverness and Aberdeen might be more attractive in that respect. Certainly, we need to make sure that there is provision for areas north of Inverness and in our islands. That is why there is additional funding for next year that is specifically for rural and islands connectivity.

The Convener: Thank you. We will now move to the deputy convener for his questions.

Bob Doris (Glasgow Maryhill and Springburn) (SNP): Convener, I have a supplementary question that I wanted to ask.

The Convener: You did, actually—how very rude of me. I apologise.

09:15

Bob Doris: I apologise to the deputy convener for cutting across him.

Michael Matheson (Falkirk West) (SNP): On you go.

Bob Doris: You might recall, cabinet secretary, that when you were before the committee in September, I asked about the accessibility of EV charging bays and, in particular, the PAS 1899 accessibility standard, because of my concern that Glasgow had only four accessible spaces out of 337 bays. Since then, there has been really positive news. For example, I am aware of the draft implementation plan, which was published in December and which specifically mentions accessibility provisions.

However, I would like some clarity, perhaps from officials if you do not have this information to hand. That draft plan says that the new bays should have

“a reasonable proportion of charge points”

that

“comply with ... PAS 1899”,

but it does not define what “a reasonable proportion” should be. It also says that “grantees” of Scottish Government funds should “demonstrate appropriate measures” in relation to implementing PAS 1899. Those with wheelchairs and other disabilities need larger, more appropriate bays in order to charge their EVs, and the charging points must be in the right places to ensure a fully accessible network.

Glasgow City Council has told me that its approach will be based on an equality impact assessment. We have 32 local authorities; this is a national network that is needed for all Scotland’s people; and I just wonder how the draft implementation plan will be delivered on the ground so that the Scottish people can be assured that there is a fully accessible network for all those who wish to drive electric vehicles.

Fiona Hyslop: I am not quite sure how that applies to the 2025-26 budget, but my recollection is that, when you previously raised this issue with me, I wrote to you to explain that with regard to this year’s funding, which we have been discussing, and the allocation to the councils

applying for the funding for EV charging, they had to set out how they were going to achieve the requirement for that standard.

I will look again at the letter that I sent to you and at the draft implementation plan that we issued last year to see whether that is clear enough. I did reply to you in writing after you raised the matter as a constituency issue, and I am happy to do so again to ensure that the requirements that are being made of the councils receiving funding are clear. I have to say that I thought that the letter that I sent you made it quite clear that there would be specific requirements with regard to the standards, particularly in relation to the regulations that you have talked about.

Bob Doris: I will double check the letter, cabinet secretary. The implementation plan that you have mentioned, which was published in December, uses the phrase “appropriate measures” but it does not specify what those measures might be—that is my understanding, and I apologise if I have got that wrong—and it also does not specify what “a reasonable proportion” of these charge points would look like.

I also thought that this was relevant to budget scrutiny, because in financial year 2025-26, there will be public sector investment in the EV network, and I want to ensure that that investment is guaranteeing accessible EV parking bays.

Fiona Hyslop: As I have explained, there is £30 million going out this year, with an initial £5 million for rural and islands connectivity next year. As for what the phrase “appropriate measures” means, I think that you are right to pursue that question. We will identify how charging measures are being deployed, but I am afraid to say that, as far as the financial provisions are concerned, that is a level of detail that I do not have to hand today.

Bob Doris: Okay. Thank you.

The Convener: I apologise again, Bob, for missing you out. We will now go to the deputy convener, Michael Matheson.

Michael Matheson: Good morning. Sticking with the issue of EV charging, I would say that one of the challenges with the deployment of EV charging in rural areas—and in some urban areas, too—is the limitations on the local grid to provide charging connections. How good is the partnership working between the distribution network operators in the north and south of the country—Scottish and Southern Electricity Networks and Scottish Power Energy Networks—and the consortiums to identify and try to address areas of constraint in deploying EV charging as a result of local grid capacity?

Fiona Hyslop: Grid capacity is the single biggest issue that we face in our transport network

and, indeed, in our decarbonisation work. I know that the committee has taken an interest in the issue; indeed, when I was deputy convener, we had a very short and sharp inquiry on it, because it does link with the wider issue of transport connectivity.

Along with Alison Irvine, the chief executive of Transport Scotland, I met with SSEN in relation to some of the wider connectivity issues, because we have a number of issues across different modes. However, you are right; we need to ensure, in particular, that there is capacity and that the capability to deploy is met. Clearly, local councils will be engaging on this, too, as they lead on such issues.

My concern is that, when it comes to the current UK provision and the decision making on priorities with regard to connectivity, we as a Government and as a Parliament collectively ensure that Scotland's needs are properly met. The convener has previously pointed out the geography of Scotland's rural and island areas, and we want these things to be deployed as well as possible.

However, this is a constraint, and if the committee wanted to look at the issue further, it could do so. I should point out that I do not lead on energy and grid connectivity, but I do make my interest known to colleagues and increasingly have more direct contact. We have agreed with SSEN to look more widely at some of the strategic issues in response not just to its needs but, more important, to the public's needs with regard to grid connections.

Michael Matheson: Secondly, can any of this funding be used for pop-up EV charging facilities, particularly in those areas where we know there will be a significant increase in demand during holiday periods? If you look along, say, the A82, places such as Fort William will be very busy at those times, and there is also Skye, which has a standing population of about 10,500 people but, at peak tourism time, can have more than 50,000 people on the island. Such places might not need the full infrastructure, but there will be times over the course of the year when additional infrastructure will be needed to support demand for EVs. Is there scope for some of the funding to be used for pop-up facilities, with, say, partnership working with the DNOs to see how such an approach could be deployed to help reinforce existing local infrastructure at peak times?

Fiona Hyslop: Again, that kind of deployment, particularly in places such as Skye and Fort William, would be a decision for the Highland Council. My instinct as a former tourism cabinet secretary is that our tourism season is extending and extending; it used to be in the summer months, but it now runs from March right through

to November. As a result, one could probably make a strong case for permanency of provision.

Our role, though, is to provide the funding; we do not identify specific locations. That is why we are working in partnership with local government—they are better placed to identify individual areas. Your point about the A82, Fort William and Skye is well made, but I think that there should be permanent rather than pop-up provision there. After all, if you are making that investment anyway, you are probably better to put in more permanent rather than just pop-up provision, but I will take the issue away for discussion with my Convention of Scottish Local Authorities colleagues and hear their thinking on it. It is probably quite a creative matter to consider.

Michael Matheson: Thanks. Can I now—

The Convener: Just before we move off EVs, Mark Ruskell has asked to come in briefly.

Mark Ruskell (Mid Scotland and Fife) (Green): I will be very brief. Obviously, the public charging network is hugely important, but it is very expensive to use. The cheapest way to charge your EV is at home with a night-time tariff; it is a fraction of the cost of using the public network, and I suspect that that is where the majority of people will want to charge their EVs from day to day. What provision is there in the budget to support householders to introduce EV technology, including ways of allowing them to get across pavements to their vehicles and charging points?

Fiona Hyslop: Officials can correct me, but I do not think that there is anything for loans for individual households. However, your point is well made. We have tenements, housing without driveways and so on, so how we support the market in that respect is increasingly becoming part of what we need to look at.

When it comes to deploying these things, a number of innovative inventions are being put together in Scotland by Scottish companies, but one of the biggest issues is ensuring that you do not disrupt pavements for people with disabilities and so on. I go back Bob Doris's question; whatever we do has to be accessible to everybody, and we need to look at what can be done in that respect.

I visited Trojan Energy up in Aberdeen and saw its very interesting invention. There are others, too—I should say for clarity that I am not promoting that product alone. What we have done is bring together officers from the Society of Chief Officers of Transportation in Scotland to try to identify areas of commonality, guidance on what can be done and, in particular, standards. Part of that is about how we can cut down on regulation and planning to ensure rapid deployment when we are in a position to do this on a mass scale. That

work will help ensure that we are in a much stronger position when we move to deployment.

Mark Ruskell: I understand that the Department for Transport has produced guidance, particularly on cross-pavement gullies. I realise, though, that that is beyond the budget.

Fiona Hyslop: Yes, it is, but it is also an enabler in helping deployment. Alison, did you want to come in?

Alison Irvine (Transport Scotland): The only thing that I would add is that the EVIF funding that we are providing to local authorities is not just for your typical side-of-the-road-type charging network. It will also help them work through their estates to come up with solutions that will help address the challenges that you have outlined.

Fiona Hyslop: Indeed, some of the additional funding in this year's budget is not for actual deployment, but for work within councils more generally.

The Deputy Convener (Michael Matheson): Let us pivot to buses. Around 80 per cent of public transport journeys are made by bus. However, for a number of years, there has been a decline in the number of routes that are available in many local communities, urban and rural, which has resulted in some communities, which do not have a rail link or an alternative to buses, feeling isolated from the point of view of access to public transport.

Alongside that decline, an increasing amount of money has gone towards concessionary travel—around nine times the amount of money that goes into supporting bus routes that are not commercially viable goes towards concessionary travel. Do you think that that balance in the budget is right, given that there are communities where people feel as though, although they have a concessionary bus pass, they cannot access buses to make use of it?

Fiona Hyslop: I think that that is a very important point to identify. Even those of us who represent constituents in the central belt will know that, in rural areas, the availability of buses is important, and a number of us have reflected on that in the past in this committee. We must remember that we have a deregulated system of buses, in which the vast majority of bus providers are private companies.

As far as the funding model is concerned, you are right to identify that the vast majority of funding goes towards supporting our very popular and welcome concessionary scheme, whereby 2.3 million people in Scotland have free bus travel. Does the funding model allow us to use that funding to organise the system in a better way? It does not, because of the deregulated position that we are in. Can and should that change? Yes. That

is why the committee has looked at all the different statutory instruments that have come forward under the Transport (Scotland) Act 2019, which provides the opportunity for franchising and bus partnerships. Those regulations are now in place and local authorities have the power to establish such arrangements.

I am not pretending that that will happen any time soon, but there is a wider issue that I have asked Transport Scotland to work on with the Minister for Agriculture and Connectivity, Jim Fairlie, who has direct responsibility for buses. I would like them to identify what we can do to make better use of, and to leverage, the investment that is provided to local authorities. However, the committee will be well aware that the legislation on concessionary travel is quite prescriptive in its provision of an entitlement and a funding mechanism, so making any strategic changes to that will be a task for the next session of Parliament. All parties should come together to look at how we can best use that heft of public investment to ensure that, as part of that arrangement, we have stronger provision in those areas where there are currently challenges.

The problem that we have is that bus patronage has gone down post the pandemic, and it is a struggle to get that back. You have identified that there is a vicious cycle here. People will not use buses if they are not reliable and the routes that take them where they need to get to have been lost. Through the work that we are doing at East Kilbride and Hairmyres, we are trying to make sure that we end up with a hub that allows people to use buses to access the rail infrastructure. That connectivity with other transport modes will be very important.

We cannot continue as we are. We need to bring about change, but we face challenges with regard to the pace at which we can do that and the levers that are available to us. Bettina Sizeland might want to comment more generally on our work in this area.

09:30

Bettina Sizeland (Transport Scotland): We are looking at what we can do to improve bus services with the operators, local authorities and regional transport partnerships. We are initially looking at what we can do to improve the reliability and punctuality of bus services. We are also looking at how we can make best use of the network support grant. At the moment, it is a universal offer that all operators can apply for, but there is only so much that can be done with 14.4p per kilometre to improve service availability. We are also encouraging operators to look at best use of concessionary travel and how they can encourage more patronage and, at the same time,

to look at improving services and service availability.

The Deputy Convener: We must be spending the best part of about half a billion pounds a year on concessionary travel schemes for young people and older persons. Is that right?

Fiona Hyslop: Yes—the figure for 2025-26 is £414 million. A large amount of funding is going into concessionary travel.

The Deputy Convener: It is a huge amount of money.

Fiona Hyslop: Yes.

The Deputy Convener: It would be fair to say that bus patronage has been declining for many decades. That is not peculiar to Scotland—it is a trend across the board—but I feel that we need to think about whether that annual expenditure of almost half a billion pounds is contributing to a level of transport inequality, whereby some communities do not feel as though they are linked into the bus network. There are communities in my constituency where people simply cannot access bus services, even though they have a bus pass. There are questions about whether spending so much money on concessionary travel is the most effective use of public money to deliver the most efficient and best bus network for people.

Fiona Hyslop: There are a whole load of equity issues around bus transport. People on lower incomes are far more reliant on it. The committee that I know as the social justice committee—I apologise; I have probably got its name wrong—had an inquiry on employability, especially that of parents who are living in poverty. Transport has been identified as one of the key things that can make a difference in getting people into better paid jobs, education and so on.

I think that the issue of equity is extremely important, but the majority of people who use concessionary travel will be concentrated in the areas of higher population, which are our cities. The spend makes sense in terms of the numbers of people, but the pattern of concentration of population does not necessarily reflect the challenges that we face with regard to geographical equity.

However, I make it clear that what we do about that is an issue that needs to be looked at collectively, on a cross-party basis. We had a very good debate on the subject in Parliament last year. It was a debate without a motion in which members explored some of those issues. If we were to make such a shift, there would have to be a general consensus. We must protect people's right to free travel, but we must also think about whether there is anything that we can do to get greater leverage. That would probably require

legislation, which, at this point, will not necessarily be possible.

The Deputy Convener: Transport connectivity is the glue in the economy that brings it all together, which is critical.

I want to turn to a slightly different issue—that of bus manufacturing in Scotland. Last summer, the Scottish zero emission bus challenge fund provided funding for the manufacturing of 252 electric buses, which will be distributed across the bus network. Various companies submitted bids for some of that funding. Of the 252 electric buses that are being funded through ScotZEB 2, 44 of them will be manufactured in Scotland. That represents 17 per cent of the overall funding package. The remaining 208 will be manufactured by Pelican Yutong in China.

In effect, we are using taxpayers' money to subsidise the manufacturing of buses in China by a company that probably does not have to comply with fair work principles in the way that companies such as Alexander Dennis in my constituency do. What more can we do to ensure that, when we invest Scottish Government funding in supporting further electrification and decarbonisation of our bus network, we also support manufacturing jobs here in Scotland and do not simply subsidise companies in other parts of the world that do not comply with fair work principles?

Fiona Hyslop: When it comes to transport procurement, everyone will be aware that there are issues around what we can do in allocating procurement and ensuring subsidy control. It is part of the UK requirements that we must ensure that competition law is recognised and met. I am well aware that the member has a keen constituency interest in the ScotZEB programme. He will be aware that Alexander Dennis has received, by a clear margin, the highest number of allocations of any company in that area. As part of ScotZEB 2, as you identified, it is working on 44 zero-emissions double-decker buses as part of the successful consortium led by Zenobē.

In relation to ScotZEB 2, it is not correct to say that the rest of the buses are being produced in China. An additional 28 zero-emissions single-decker buses were originally going to be allocated to Alexander Dennis, but there was an issue around delivery to do with the lifespan of ScotZEB 2, so Volvo is producing those buses. They will not be made in China.

As to what can be done, there is still a desire by companies to expand their zero-emissions fleet. With ScotZEB, we have looked at—I am sure that the member will be very familiar with this—how we can crowd in private funding and use leasing to generate increased funding. That has grown, so we are encouraging bidders that were

unsuccessful in the most recent round of bidding to work with interested funders to procure additional fleet. In that way, the private funding mechanism that we helped to develop and innovate as part of ScotZEB will be able to continue, regardless of the public funding that is available in that area. That is increasingly important. We are learning from that for heavy goods vehicles, which is an even more challenging area than buses. From next year, there will be funding available to identify how we can help with that.

With regard to fair work practices and how we can police a consortium that has submitted a bid, there is a degree to which we can do that, but the measures that we can take are constrained by the subsidy control regime. I am very supportive of investment in manufacturing in Scotland. I hope to visit Alexander Dennis at some point soon, at its invitation. Alexander Dennis is benefiting from ScotZEB 2, although it might not be doing so to the extent that some people would want. Companies such as Volvo have also received work through ScotZEB 2. Can we prevent people from procuring from companies outside Scotland? It is increasingly difficult.

Alison Irvine might have more to say on that.

Alison Irvine: There is one other aspect to add. The types of vehicles that Alexander Dennis manufactures are relatively limited in relation to what the bidders were looking for when we went through ScotZEB 2. For example, the bidders wanted to procure 166 coaches, and Alexander Dennis does not manufacture coaches. There is a combination of issues. As you can imagine, it is not necessarily straightforward.

The Deputy Convener: Okay. I do not know where the Volvo buses are being manufactured, but it is certainly not in Scotland or the UK. I suspect that it is in Turkey, which is outwith the European Union and therefore its fair work practices.

If we are going to deliver a just transition and decarbonise the bus network, we need to not just decarbonise the buses but create a manufacturing capacity in Scotland to deliver that decarbonisation of the network because, otherwise, we will not be delivering a just transition. You will be aware that companies such as ADL are laying off staff, largely because of a reduction in work in the second round and because of the national insurance increase. It is important that we do everything within our £4 billion budget to help to support economic growth for manufacturing capacity in Scotland to achieve our objectives of decarbonising our transport system.

Fiona Hyslop: I absolutely agree with that in relation to what we can do. We want to try to achieve that as best we can within the legislative constraints in which we must operate, particularly in relation to subsidy control. That is why, as you will be aware, there has been a substantial investment on the economic side of things in order to help to promote that and, in particular to support Alexander Dennis in the development of its capacity to meet new markets as part of transition. The point is that that is part of what the market needs and that includes moving into coaches. Again, it is about how we help to develop the capacity to deal with the new demands that the market requires.

The Deputy Convener: Thank you.

The Convener: I am conscious of time already. We have been on the buses for 30 minutes and there are other aspects of transport, so, as always, short answers to short questions would be helpful—to me anyway. Mark Ruskell has a couple of brief follow-ups on buses before we move on to something else.

Mark Ruskell: Cabinet secretary, you have spoken about the importance of investment in publicly owned transport, ferries and ScotRail. Obviously, largely, we do not have that situation with the buses, which are run by private companies. The community bus fund was an attempt to support local authorities to look at more public control through franchising and potentially through municipalisation. That standalone fund has been scrapped and is now part of the bus infrastructure fund for the next year. How will local authorities be able to take forward that work, given the new budget line? Does that approach meet the aspirations of councils to procure their own buses and run their own bus services, or at least control those services through franchising?

Fiona Hyslop: I point out that Lothian Buses is successfully in public ownership and is recognised as one of the best services—if not the best service—across the UK in its provision.

Unfortunately, because of the challenges we had on funding during the last year, we were not able to progress the community bus fund, due to the fact that it would have been for new, additional work that was not already legally contracted.

On where the budget lies, generally we have more pressures on our resource budget than on our capital budget. The bus infrastructure fund will help to reintroduce support that local authorities are asking for on bus infrastructure and I want to try to be as flexible as I can to help support those things for which the community bus fund would have been used. I will give you an example—although, I am not saying this is how it would be used. Highland Council has purchased a limited

number of buses for a limited number of routes in relation to Inverness—I am not sure whether it was the community bus fund that Highland Council used for that. However, that is one use of it.

There is a lot of focus on Glasgow and Strathclyde and the Strathclyde Partnership for Transport in particular, but all the regional transport partnerships are looking at what suits them; for example, SWestrans is looking at what the south-west of Scotland's needs are.

I will try to be brief. Although we have had to pause—I used that phrase deliberately last year—the bus priority fund, there will be funding for buses that can be used for infrastructure and for what the community bus fund would have been used for. I am not currently in a position to tell you what that is, but that is what I will try to do with the budget for 2025-26.

Mark Ruskell: You are saying that the community bus fund will continue in some form or another. That is revenue. You also mentioned the bus partnership fund. However, there has only been about 5.8 per cent of the initial £500 million that was promised during this session. Can you give us some clarity as to whether that will meet the aspirations of councils to get buses moving quicker and avoid congestion within our towns and cities?

Fiona Hyslop: My recollection is that the community bus fund for the previous year was capital.

Mark Ruskell: Sorry, I think that it was split between revenue and capital.

09:45

Fiona Hyslop: There was some split. There was a small amount of revenue. Most of what the new fund can be used for is help for capital works that the councils are requesting and needing for infrastructure.

Mark Ruskell: Okay, but I think that £500 million was set out originally. We are way short of that—we are just talking about tens of millions, tops.

Fiona Hyslop: It was made clear—in fact, there was a correction from one of my predecessors—that it would be long term. Given that billions have been taken out of the Scottish Government's capital budget, we cannot expect all our previous ambitions to be realised. Particularly in transport, so much of our budget has to go on keeping our existing system safe. That means that a lot has to go into rail. We have just finished negotiations on the control period 7 position for rail and there is a massive investment there.

Would I want to have more on bus? Yes. Do we have the capability to do it this year? We certainly have more than we had last year, which was a challenge. We are getting back the momentum on bus investment, but it is not at the level that we would have wanted. However, Scotland's finances are not at the level that we would have wanted and are certainly not at the level that we had at the time of that commitment.

Mark Ruskell: You have commitments around the A9 and sections of the A96 as well, which are an enormous pressure.

Fiona Hyslop: I also have ferries and fleet replacement. There is a whole load of different things that are in that capital budget.

The Convener: I know that there are a couple of other members who want to ask questions on buses. If we get time at the end I will come back to buses, but I am afraid we have to move on to the next subject.

Douglas Lumsden (North East Scotland) (Con): Cabinet secretary, moving on to ferries, the cost for the provision of the Clyde and Hebrides and Northern Ireland ferry services has near doubled in the past decade. That does not include fleet replacement and harbour upgrades. Can you give us some of the reasons behind why there has been such a massive increase over the past 10 years?

Fiona Hyslop: Which figures are you referring to as having doubled?

Douglas Lumsden: Service provision in 2015-16 was £174 million and it is now due to go up to £334 million.

Fiona Hyslop: There is a particular increase in more recent years and for this year coming. There will be increasing costs in relation to bringing in the six new vessels, the payment for that and the loan arrangement that was put in place for that. As you will recognise, over 10 years, there are big increases from inflation and our costs on the harbours and ports investment work, and so on. There are also significant pay issues. The biggest subsidy that we have put into services has been in relation to the road equivalent tariff, which came in substantially around that time—in 2015. If you look at the journey from Oban to Craignure, for example, with RET that fare for next year will be £4.70, whereas immediately before RET was introduced, that fare was £5.65.

We need to identify subsidising our fares structure as a way of realising income to an area. If we are in a position that ferries from Oban to Craignure are cheaper now than they were almost 10 years ago in 2015, that shows the level and degree of subsidy that we have put into the ferry services to make sure that our lifeline ferry

services are providing the value that our islanders need.

You will know that one of the consequences of bringing in RET is that it also made tourism more attractive. That has brought challenges in some of our island communities, but it has certainly brought economic benefit to our islanders. They have been able to benefit economically from more tourists coming to visit our islands. RET is a substantial increase in subsidy. I am not sure whether you are suggesting that you want us to remove road equivalent tariff—I hope not. We know from our islands' connectivity plan, and I suspect from the investigations of the committee, that RET has proved very popular with islanders.

Douglas Lumsden: No, cabinet secretary, I am not saying that. In respect of RET you mentioned 2015, and this increase came about post-RET.

Fiona Hyslop: That is because subsidy is not a one-off thing. Subsidy carries on each year.

Douglas Lumsden: Is it an increased subsidy because of increased passengers? I am trying to understand the almost doubling in cost. Is it because passenger numbers have doubled, which means that the subsidy has doubled? Why has it increased by so much?

Fiona Hyslop: This is basic economics, I suppose—it is finance. Even if you had the same numbers of passengers, you would still accrue the subsidy level each and every year thereafter. It is a substantial amount to subsidise passengers. It is a good and popular policy. We are not seeking to remove it unless that is a recommendation of the committee, but I sincerely hope that it is not.

Douglas Lumsden: I will move on to Ardrossan harbour. We had Caledonian Maritime Assets Ltd in a couple of weeks ago. It said that no decision had been taken on upgrades that would be required to Ardrossan. Can you give us any update on whether there is any money allocated in this year's budget for those improvements or when a decision will be made on when those improvements could take place?

Fiona Hyslop: I absolutely appreciate everyone's concerns around what can be done to ensure that our commitment to Ardrossan is realised. I am not currently in a position to give you the information that everybody is looking for. We are coming to a conclusion. I spoke to the leader of North Ayrshire Council at the tail end of last year. We are very clear that our commitment to Ardrossan is there, but the issue is how we realise that. We need to identify the conclusion of the business plan that we requested.

Of course, coming into this post, I looked at the history of the project. Originally, the partners to deliver the improvements were North Ayrshire

Council and Peel Ports. Over the period, the Government has had to become involved and it is one of the items that is at the top of my priority list. I would like to give you information at this session; I cannot, but I am very conscious that I will need to report to the committee as soon as I can.

Douglas Lumsden: Would you be able to set out a timetable on that, cabinet secretary? We are looking at the budget for 2025-26. I do not think that there is any money allocated in that.

Fiona Hyslop: There is funding in the ports and harbours budget line, which, as you will notice, is increasing.

Douglas Lumsden: That business plan got the go-ahead. Is there money set aside to move forward with it in the coming financial year?

Fiona Hyslop: There is funding that will be made available for Ardrossan over the coming year should we get to the position that I can make a decision that makes sense for the Government, North Ayrshire Council and the provision at Ardrossan.

Douglas Lumsden: Can you not yet give us a date on when that decision will be made?

Fiona Hyslop: Much as I would like to, no, I cannot.

The Convener: Cabinet secretary, can I just push you slightly on that without asking you to give everything away? Basically, as I understand it, Ardrossan needs a longer quay and more gantries to support the new boat. It would also need a liquefied natural gas storage tank. We are talking millions of pounds to do all that. Have you done an assessment of what that would cost? Can you confirm that there is sufficient money in the reserves to allow you to do that?

Fiona Hyslop: In terms of delivery, at any point it will be more than one year for that investment.

The Convener: Yes, I understand that.

Fiona Hyslop: That is exactly what we have been looking at—part of looking at the business plan was to identify the cost base.

The Convener: So, have you costed that out?

Fiona Hyslop: The business plan will have looked at the different areas of investment is how I would put that.

The Convener: Okay. I note what you said, but Kevin Hobbs came in here the other week and said that the negotiation on Ardrossan ports was in the middle of nowhere. You are suggesting that it is not in the middle of nowhere. The suggestion of the middle of nowhere terrified people because it meant that after more than 10 years since we knew we needed to do it, we were going nowhere.

Is that process in the middle of nowhere or do you think that we are in a better position than that? I will accept “better” because it will give islanders some hope.

Fiona Hyslop: We are in a better position than that. Although I would not have used those words, I understand why Kevin Hobbs would have wanted to relay that from his perspective. From the Government’s perspective, I can tell you that, as I said, I hope to be in the position sooner rather than later to be able to come to the committee to advise on what our intentions are.

The Convener: Well, some good news. I think that is enough on ferries. Oh, the deputy convener wants to come in on ferries.

Michael Matheson: Yes, it is just on the issue of Ardrossan harbour, which is owned by a very wealthy private company that is highly profitable. Cabinet secretary, can you clarify whether a significant portion of the investment that is needed in Ardrossan harbour will come from the private company that profits significantly from the use of Ardrossan harbour or will it all have to be on the back of taxpayers’ money because Peel Ports is not prepared to cough up any investment in the facility?

Fiona Hyslop: You reflect some of the tensions that there have been historically over the situation at Ardrossan. You identify the ownership and the fact that the harbour is not in public ownership. Members will be aware that there is variation in the ownership of ports and harbours: some of them are owned by CMAL and some are not; some are owned by local authorities; and there are harbour trusts and other models. When we are looking at the different partners coming together to look at investment, Peel Ports has a clear responsibility as the owner. North Ayrshire Council also wants to identify its role and responsibilities. The scale of that will be variable depending on what works are done at Ardrossan. For example, there has been some distressing news in recent times about the Irish berth, which has caused some issues. Part of the work is to look at the different scope of what would be required. You are right to identify that one of the challenges that all parties have been working on is that it is a multi-partner business plan that is currently being developed.

Michael Matheson: Peel Ports owns the Irish berth as well, and its lack of maintenance is its responsibility. It has not invested in the berth, which is why it is not useable. Can you clarify whether Peel Ports is a willing partner? Will it make a significant contribution towards the capital investment that is needed in Ardrossan harbour or is it dragging its feet on how much it is prepared to invest, with a view to trying to get the taxpayer to meet the full bill?

Fiona Hyslop: I know that the deputy convener has a lot of experience; he might reflect that it could be difficult for me to identify publicly some of the challenges. Discussions are on-going. I want to respect that space so that we can have those on-going discussions.

Michael Matheson: I hope that Peel Ports will play its part in any investment that is needed in the port.

The Convener: Perhaps between us, deputy convener, we got some positive news out of that. Let us move on to the next question, which comes from Mark Ruskell.

Mark Ruskell: You mentioned the fair fares review earlier, cabinet secretary. The review set out some longer-term options for where we go with concessionary travel and investment. Some short-term measures were identified as well, including a pilot for a cap on bus fares. Is that reflected in the budget? If it is not, what options are there to bring that forward, and when will that happen?

Fiona Hyslop: I was keen to have a pilot, but it proved particularly problematic because of last year’s emergency measures. It was very difficult to get financial approval for anything that was new or additional due to the adjustments that had to be made, particularly around the autumn budget. There were other pressures as well.

There are challenges with undertaking pilots. As we know, if you have a pilot then do not continue it, that can cause issues from a passenger perspective.

The bus companies are less than enthusiastic, so—this takes us back to the deputy convener’s point—what leverage we can apply? Currently, there is no provision in the budget for a pilot to cap bus fares, although I would note that the vast majority of the fares in Scotland are under £3.

Mark Ruskell: There is no provision in the current budget for that.

Fiona Hyslop: No.

Mark Ruskell: Okay. If you do not introduce a cap on fares, how will you dramatically increase patronage? Everything that we have talked about today leads us to the conclusion that bus services are largely stuck. We cannot take them into public ownership overnight. Concessionary travel is expensive, and it is working to an extent. However, with regard to getting adult fare-paying passengers and working people to travel by bus, I am struggling to see how this budget changes the picture. We seem stuck without something like a fair fares type of cap.

10:00

Fiona Hyslop: Reliability is really important, and we are investing in buses to ensure that we have reliability. On the paused funding, we are now releasing funding for bus infrastructure, which is very welcome.

I reflect that Mr Fairlie and I had very good meeting with the Scottish road works commissioner, who will focus on the information that can be provided for buses. There is an increase in the amount of emergency works that are being carried out on bus routes. Clearly, as those are emergencies, they must be dealt with. Utility works are increasing, which causes disruptions. If bus companies know about problems with road works, they can put in place diversions and so on. We are looking at everything that we can do to identify how we can help to make buses more reliable, and I welcome the fact that the commissioner, who has responsibility for looking at such issues, is engaging directly with bus companies, which will be helpful.

On what we can try to do to leverage in funding, I will just reflect on my comments to the deputy convener. There is a significant amount of funding in buses, some of which goes on free travel for the under-22s. That is determined by legislation that is scrutinised by this committee and passed by this Parliament. Making changes—to leverage that into providing more security for more rural routes, for example—will take a significant amount of thought. We are working on that.

Mark Ruskell: Okay.

The Convener: Thanks, Mark.

We have drifted back on to buses. As I have been particularly hard on Monica Lennon, who wanted to ask a question on buses, I will let her to do before she goes on to her other questions. I am not sure that that was a good segue, but there we go—it is the best that you are getting.

Monica Lennon (Central Scotland) (Lab): There is lots of interest in buses today, which is not surprising. I bring some good news: the X1 bus between Glasgow and Hamilton has recently been reinstated. When I was on the bus last week, I remembered that I have asked the Government lots of questions before about work to improve journey time and reduce congestion. That is a barrier to people using buses. They think that journeys can take too long.

With that infrastructure commitment, particularly on the M8 in and around Glasgow, when will we see some progress on bus prioritisation? Although my experience was very good and the bus was punctual and swift, we know that improvements must be made so that people have more confidence that they can get around quickly.

Fiona Hyslop: I will make two points on that. One is that the bus infrastructure fund will enable work to help with easing congestion. On a recent visit to Dundee, it was quite clear to me what they could do should they get approval for funding. I had a good conversation with McGill's Buses as well on what that would mean for reliability.

Secondly, in relation to the M8, I am recused from talking about that issue, because I have a constituency interest—the M8 and the M9 go through my constituency. I will maybe ask my officials.

Monica Lennon: Yes, perhaps your officials could help out.

Fiona Hyslop: It is either that or we can come back to you in writing. I had better not talk about that issue.

Alison Irvine: I will go first and then I will bring in Bettina Sizeland if I need to. I suspect that Ms Lennon is talking about a different part of the M8.

Fiona Hyslop: People in Whitburn travel to Glasgow.

Alison Irvine: Okay. The work around the M8 had to be paused this year for a number of reasons, primarily related to resources. One thing that we will need to talk about with the cabinet secretary is where we should be directing the funding that we have for the next financial year to make the most impact, given all the constraints on which we are working.

Bettina, is there anything that you would add to that?

Bettina Sizeland: We are talking to all of our partners about the bus partnership projects that we had previously to identify which ones would be most appropriate for this year's funding and the coming year's funding and which ones should be the priorities. It is a live conversation.

Monica Lennon: It is concerning to hear about some of the constraints around resources, because the strong view is that that needs to be a priority. Maybe we can explore that later. That was just a brief supplementary question, convener.

I will move on to some other questions. Last December, Transport Scotland published research that covered the pros and cons of the national road user charging scheme. The research said that the scheme could achieve a 20 per cent reduction in distance driven at minimal social cost while raising revenue for sustainable alternatives. With that in mind, can you explain why the Scottish Government has ruled out national road user charging schemes?

Fiona Hyslop: That research informs our debate, but it is not Government policy. In looking at how we deal with national resourcing for

transport, particularly road transport by car, a big issue is how the reserved powers of the UK Government are deployed in relation to fuel duty replacements. It is not just the UK that has to deal with that. Every country will have to identify how it moves from gathering revenue from individuals using carbon travel and what will enable investment in any new system or in any alternatives, such as public transport—which is a very effective measure—in order to reduce car use.

I raised the issue with the then Secretary of State for Transport and the previous ministers for transport in the UK Government, as well as with the current minister, the Minister for Future of Roads. I will certainly raise it with Heidi Alexander, the new Secretary of State for Transport, when I get a chance to meet her.

A UK Parliament committee has identified a big issue. The UK is about to lose £35 billion in fuel duty as sales of carbon cars decrease. This committee will also be involved in the vehicle emissions trading schemes and the zero emission vehicle mandate to reduce the sale of carbon cars and to phase them out.

My strong view is that we should not just leave revenue-raising replacement measures to the Treasury and the issue of how to replace £35 billion of funding for services to the UK Government. I am concerned that that is what will happen. I am constantly being told the issue is being referred to the Treasury. We should probably be looking at it more from how that helps to support the climate change agenda and what that means for road usage more generally.

The issue needs to be dealt with on a UK-wide basis. Last week, I had a very good meeting with Ken Skates, the Cabinet Secretary for Transport and North Wales. At some point, I hope to get that on the agenda with the other ministers in the UK. The decisions will have to be made, so why not do it in a sensible way and try to take a four-nations approach? Of course, the levers in relation to and the decision making on what the replacement for fuel duty should be lie with the UK Government, but we have an interest in the matter and we should keep actively involved in it.

Monica Lennon: The Scottish Government is committed to a constructive four-nations approach in exploring what the replacement for fuel duty should be. Is it a distance-based charge that you feel is right? Do you have a view? What would you bring into those discussions with the UK Government?

Fiona Hyslop: In terms of the scoping of that, I am happy to take advice from the committee. There is a range of things that can be looked at. That can best be done on a four-nations basis. I

am not going to prejudice those discussions by speculating.

Every country in the world will have to look at the issue, so how can it best be done? We need to look at not only a budget replacement mechanism. We also need to look at how you replace fuel duty in a way that helps to invest in public transport or whatever.

Monica Lennon: I want to come on to some Government policy issues. However, it sounds like the discussion is at a very early stage. Does the Scottish Government intend to consult with the public?

Fiona Hyslop: I think that the UK Government should. To be fair to the UK Government, it has been in power only since July. I am sure that the issue will be at the top of somebody's in-tray, particularly of those in the Treasury. I want to make sure that discussions are also informed by transport ministers.

Monica Lennon: Okay. I just have a couple more questions. I think that the Scottish Government route map was mentioned earlier. There is a bit of frustration that the route map is not yet published in final draft. Will you give an update on that?

Fiona Hyslop: Work on the route map has continued. You will be aware that the draft route map was published together with COSLA. We want to do that in partnership with local authorities. As you can imagine, local authorities will have different views. I know from my discussion with Gail Macgregor, the transport lead for COSLA, that she is very supportive. She has to take the route map through the COSLA process.

There has been a delay with regard to when I would have wanted the route map to be published. There are genuine issues. People wanted to see the research that was referred to, for example. Some of those who wanted to see the research were very positive and supportive of what is in the route map, and some of them were not.

We have helped to inform their discussions about that, but, more important, we have shared what our thinking is, and our officials have engaged actively. The ball is probably in COSLA's court with regard to getting agreement with local authorities on a way forward.

From a national point of view, we know that local authorities are critical in some of these areas. You will recall that this committee's inquiry in 2021—I think that it was its first inquiry in that year—was on local authorities and their partners delivering net zero. The route map is part of that. We have to respect our colleagues in COSLA and the time that they want to take in looking at that.

Monica Lennon: However, ultimately, we need to see progress and delivery in order to reduce car kilometres by 20 per cent by the end of the decade. We are midway through the decade. Is good enough progress being made? Are you confident that things are on track?

Fiona Hyslop: I do not think that we will be in that position, but I would rather take the advice from the Climate Change Committee. Part of what we are intending to do is to see what it says in relation to that. I think that we would need to make more progress. I do not think that progress is at the level that it needs to be to make the shift. We are making progress, but we need to identify how we best do that.

Again, I come back to the point about having more reliable public transport for people to use. That is the incentive for people to make the shift, as well as availability, which is one of the key areas.

I know that the committee in its wider analysis is looking at how we tackle climate change and emissions. Reducing car use is important in that regard. However, let us put that into perspective. We know that fewer people are travelling by public transport as more of them are working from home. People choosing to not use their car one day out of five working days and using public transport instead is a 20 per cent change. In addition to having national plans, there is something around how we popularise the use of public transport and make it a real responsibility for individuals. We have to make it achievable for people.

Monica Lennon: I have a final question. You have talked about the importance of reliability and availability. In the earlier exchange, the deputy convener raised some important issues, and I think that you used the umbrella term of transport equity. There is still real disappointment that peak rail fares have been reinstated, and we know that means that many workers are taking a hit. Have you done any analysis on the impact of that and what that could mean to the important aspiration and commitment to reduce car kilometres by 20 per cent?

Fiona Hyslop: One of the disappointments of the trial is that it did not lead to the shift in people making the decision to travel by rail that we all wanted to see. There is a challenge in the temporary nature of the trial, although you will remember that the Scottish Government extended it, beyond what the Greens had negotiated, to the autumn, to give it more space and time. The result was a disappointment.

10:15

We have replaced the measure with other offers, including changes to the flexipass option. I

have written to all members with the options and what that means. I think that we are discussing commuting. Eighty-six per cent of the commuting market can now use a flexipass. It has recently been expanded further to Perth, Stirling and Bathgate, for example. That is helping to provide reductions in costs. In some instances, that is cheaper than the peak fare—this is not always the case, but the cost is in the same ballpark. It is still providing a subsidy and much reduced costs to the public sector.

Yes, I am monitoring that. I want to look at it over the piece. I want to see a more settled period, particularly over the autumn, to be able to do the right comparison. I am expecting to have information sometime around spring, I think. That might be an area in which the committee is interested. I would be happy to share that when we have an understanding of people's behaviour and of the numbers of those returning to rail travel.

Monica Lennon: I am looking at the convener—I will hand back to you. Thank you.

The Convener: If you have asked all your questions, Monica, I am happy to move on. Mark Ruskell has a question to ask.

Mark Ruskell: I want to turn to active travel. There was a previous Government target to spend 10 per cent of the transport budget on active travel, but, in this budget, we are quite a way short of that aspiration. Has the target been dropped? If so, is there anything to replace it with? Is there another aspiration, another target or another commitment from the Government?

Fiona Hyslop: The Greens brought in the target for that percentage spend on active travel as part of the Bute house agreement, which, as members well know, has ended. Our challenge is how we ensure that we continue the momentum of very welcome investment in active and sustainable travel.

As we wrote to the committee—I think Gillian Martin wrote, with input from me and my transport officials—on 4 December 2024, last year's budget for active travel had to be scaled back. The active and sustainable travel budget went down to £157 million. As you will have identified, that has increased in this year's budget, so we are trying to recover from where we were.

We had challenges last year. You will remember that some of the active travel funding went to support the extension of the peak fares removal pilot. Some of it obviously had to be returned to the Government in the spring budget review, and the spring budget figures will identify the extent of that. We are now able to increase active travel funding to about £187 million, which is an increase from what it was last year, but we are not getting back to the targets about which you are talking.

The most important thing is deliverability, and all these schemes can sometimes take longer to deliver than others. We do not want to lose the momentum in the projects that are available to be invested in, which is why I am pleased that, should the budget pass, we will be able to keep the momentum of investment for active and sustainable travel. Local councils are very keen to see this investment.

Mark Ruskell: Yes, the momentum or pipeline is really important. However, we have heard concerns from stakeholders that the active travel infrastructure fund is announced only from one year to the next, and that that lack of a multiyear funding commitment disrupts the pipeline.

Fiona Hyslop: That is one of the challenges in the transport budget—full stop; end of story. Most transport projects are not deliverable year to year; they are long term. If we could get a three-year budget from the UK Government in its spending review, that might provide the opportunity for the Scottish Government to have more longevity in its funding. If that were realisable, it would benefit our portfolio, in particular, and it would benefit lots of other areas, too.

Mark Ruskell: You would look to provide more certainty if you had certainty from the Westminster Government, particularly for active travel. Is that what I am hearing?

Fiona Hyslop: The answer is “if”. It is important because, when you get that momentum—or pipeline, which I think you referred to it as—people develop expertise. We have had a change whereby it is now regional transport partnerships that take a big part of the responsibility for many projects, although individual councils can apply as well. It is important to keep the experience and expertise; that provides value for money in and of itself. There is something around keeping the pipeline and momentum, which is what we want to do.

Do we want to make multiyear commitments? Yes, that would be desirable. However, we are not currently able to do that. Instead, we have yearly budgets that we have to report to the Parliament on.

Mark Ruskell: I have one further question if there is time, convener.

The Convener: If it is a brief one, that is fine.

Mark Ruskell: There has been a welcome increase in the road safety budget this year. I want to understand which particular projects will be focused on for local authorities to bid into. I am interested in certainty in investment from that fund for 20 mph zones and some other work that might happen at local council level but is nationwide.

Fiona Hyslop: There is an increase in road safety investment. Even this year, it was at a record level, but we have managed to increase it again in the 2025-26 budget. A significant amount of the investment is for road safety work by local authorities. There is already a road safety improvement fund, which continues; it allows local authorities to identify support. Junctions, in particular, can be an issue. Individual councils can bid into that, including for road safety work related to 20 mph zones; councils are also allowed to use local authority transport grants for that work.

Some local authorities are moving swiftly ahead with the roll-out of 20 mph zones. Scottish Borders Council is an interesting example that is already seeing the benefits of the roll-out. As more councils deploy 20 mph zones in key areas, the investment to support that is reflected in the road safety budget, as well as in local authority grants.

Kevin Stewart (Aberdeen Central) (SNP): Good morning, cabinet secretary. You said earlier that the 2025-26 budget includes £158.6 million for the train fleet. I have an interest in the inter7city services, particularly when it comes to Aberdeen. You have indicated previously in answer to me and other members that diesel trains will operate on those routes until 2035 or even 2040. The high-speed trains, although immensely popular with the public, are quite old; they are not so popular with the drivers and engineers who have to maintain them. When will the HSTs be replaced on the inter7city routes? Will part of the £158.6 million be used to procure the replacements?

Fiona Hyslop: We are in the process of procurement for replacing the HSTs, which I announced to the committee at my previous appearance, I think. That is live and current. We will make the decision on that, and the funding that you have identified will support it.

You capture the challenges well. I am keen that my officials work with the rail unions on what the replacements will look like. I have had regular discussions with the unions on what their requirement is.

Whatever fleet is procured, we will certainly see reductions in carbon emissions. That is what is required. It is quite clear that we need to de-risk in terms of where we need to get to by 2045 to meet the overall national targets for carbon emissions. Rail will contribute to that, and 75 per cent of journeys by rail are already decarbonised.

In addition to the work on HSTs—Kevin Stewart’s particular interest being those that serve the north-east—and the other intercity routes, work is progressing on the suburban fleet replacement.

I am conscious of time so I will perhaps just identify the fact that part of our budget helps with

the rail infrastructure to assist with the Fife and the Borders decarbonisation projects. There is substantial investment in feeder stations in Thornton in Fife and in Portobello, and we are investing in another feeder station, too. The Haymarket to Dalmeny work has already started, which will help with the decarbonisation of the railway in Fife. I know that that is not Kevin Stewart's constituency area, but I am giving you an overview of the investment in progressing decarbonisation.

Kevin Stewart: You have been open and transparent about the slippage around phasing out diesel. Would it be easier for you, your officials and for those working in rail if we had a multiyear spending review for the planning of decarbonisation across the rail network?

Fiona Hyslop: Decarbonisation is a long-term project. It is not even a three-year timescale; it involves a longer time period. Kerry Twyman might want to comment on how, over the piece, the Scottish Government manages an annual transport budget—obviously, we get annual allocations—when a lot of what we have to consider concerns big-budget issues that must be dealt with over not only the next three years, but the coming five or ten years.

Kerry Twyman: Yes, I can have a go at that—Alison Irvine may want to come in, too.

Transport is pretty much in the best-practice space in that regard. We have the strategic transport projects review and now STPR2. Those reviews are the start of the process in which you identify your hierarchy for the long term and the projects that you want to proceed with and then map that process out. We feed all of that into the Scottish Government. I know that colleagues in health, justice, education and other areas are also doing long-term planning, and there is a lot of work going on at the centre looking at all that and bringing it together. Ironically, as we speak, our executive team is meeting to consider how we get ahead of the game on the multiyear planning while we await the announcement of the UK Government's plans. We are optimistic about the possibility that we might get three-year capital plans, but I think that, at the moment, we are hearing that it will be less than that, which is a bit of a disappointment. In light of that, we need to handle the uncertainty, which means that we need to build flexibility into our programmes and our thinking.

That is very much what we have been doing on rail, for example. We need to ensure that we have viable fleets, so we are engaged in advance planning but being as flexible as possible. We are putting forward our plans to the centre and being very clear about what the absolute bare minimum is to keep everything safe and reliable, but we are

retaining that ability to move very quickly if we receive funding. That is what we did when the UK Government budget was announced in October and we saw a small and welcome uplift to capital funding: we were able to deploy that quickly for next year in order to get value for money to the taxpayer.

Kevin Stewart: Compared with the timescales that our EU partners use, three-year funding is a minuscule timescale. At some point, the UK Treasury will adopt the practice that is used elsewhere, where there are funding announcements that cover decades.

I will move on. There is opportunity within transport for further decarbonisation. At the outset of this meeting, you talked about EV charging points, but in Scotland we have only three hydrogen refuelling stations, two of which are in Aberdeen. There are opportunities for hydrogen not only in road transportation but also in other areas including rail and maritime.

Cabinet secretary, in your liaison with colleagues to use budgets as best as possible, what are you doing to ensure that our transport system benefits from Scotland's immense capacity for the production of hydrogen?

Fiona Hyslop: I will approach the issue from two directions. Colleagues who remember when I was a member of the committee will know of my personal interest in hydrogen and its potential in relation to the wider energy mix of Scotland, our exports and demand from mainland Europe and Germany in particular.

On what can be done for Scotland, there is long-term potential around green hydrogen and how it can be deployed, particularly for the transportation of heavy goods, including maritime transport, in relation to which I think that it will be used at some point. Obviously, we are not in the lead on those areas but having the capacity for refuelling will be essential. That is why deep water ports are increasingly important from a global point of view. What is unfortunately happening with the polar ice cap will open up routes that previously were not there. In the long term, we are looking at 30-year cycles particularly for freight, which is relevant with regard to our moving into the hydrogen area. Might Scotland be well placed to take advantage of that, particularly with regard to the routes, but also with regard to the manufacturing of green hydrogen? How might that manufacturing capability be deployed in particular parts of the country? For example, might the north-east of Scotland be extremely well placed to take advantage of the opportunities?

10:30

I have taken interest in the development of hydrogen for rail and keep apprised of that. It might be used in some far north lines, for example, or lines that do not yet exist.

I want to see the use of green hydrogen in that vision of where the country could get to. I will not say that that is happening any time soon, but we should be exploring that. I am open to the issue and I engage with colleagues in the energy sector who deal more with hydrogen.

In the short term, we established a truck task force that looked at how we could map provision for a decarbonised approach to heavy goods vehicle transport, working with the sector—obviously, it is a commercially competitive sector, so there are issues around sharing data about where the optimum routes would be. The UK is interested in that work and would like to see it explored further. That task force also identified the potential for hydrogen fuelling as well as for electric power. That was a more immediate piece of work that has already reported. The work was done with Heriot-Watt University, and I am continuing to take an active interest in it.

Kevin Stewart: It is good to see the future proofing of some investment. The port of Aberdeen has future proofed to ensure that it will be easy to put in hydrogen infrastructure in the new south harbour. As I said earlier, we have only three hydrogen refuelling stations in Scotland. Sometimes, permissions around such infrastructure are difficult to obtain. Obviously, there has been a push for the UK Government to change hydrogen transportation and storage regulations, and I am sure that you will continue to push for that. However, is there a way that we in Scotland can make it easier for folk to get permission to, for example, deploy joint hydrogen and EV charging stations throughout the country, so that we can maximise the benefits? In my city, Aberdeen, the presence of those two recharging stations has enabled us to make moves with regard to getting buses and local authority vehicles to use hydrogen to a greater extent than elsewhere in the country.

The Convener: Cabinet secretary, could you focus on the budget aspects of that rather than the policy and the guidelines? We are really meant to be concentrating on the finance.

Fiona Hyslop: Yes. In the transport innovation space, I am not sure whether the Aberdeen bid has any joint application for EVIF funding in relation to hydrogen, but I do not think so.

Kevin Stewart makes a good point around perspective. I do not know how I can tie that back to our budget provision, but I will look into the point about permissions and so on in relation to what

the challenges are. When I was still a member of the committee, before I became the Cabinet Secretary for Transport, we visited the hydrogen fuelling station and I was interested in the work that has been taking place in Aberdeen. However, I think that I will need to come back to the committee with regard to what strategic work has been done in that area.

Kevin Stewart: What would be interesting for me and probably for others is information about the melding of budgets across portfolios to make sure that we are advancing those possibilities when it comes to innovation.

Fiona Hyslop: I hear what you say.

The Convener: We have a couple of follow-ups on this, first from Douglas Lumsden and then from the deputy convener.

Douglas Lumsden: In 2016, the Scottish Government pledged £200 million to reduce the average journey times between Aberdeen and the central belt by 20 minutes by 2026. Will that still happen? When I look at the budget, there does not seem to be the necessary money there.

Fiona Hyslop: The work that is being done, particularly in the Aberdeen area, continues to develop the scope of that £200 million investment in enhancements. The options selection process for the project concluded in 2023. The final package selected comprises signal enhancements, improvements to station layouts at Dundee, Aberdeen, Arbroath and Montrose, and specific capacity alternations including freight loops to facilitate the mixed operation of faster and slower trains on the same route.

On the challenges, you referred to a position in 2016. For a variety of reasons that I have relayed, involving the Scottish Government's overall financial challenge, particularly with the capital reductions from the previous UK Government, some of the realisation of those rail investments will not have been made at the speed that we would have liked. However, as I said, that is the most up-to-date position that I can reflect on.

Douglas Lumsden: Can you give us a new timetable for when the 20-minute reduction will be met?

Fiona Hyslop: Part of the work on that selection process will help identify what time reductions would be provided. On the update about the implications for journey times, we have already seen some improvement as a result of some of the investment that has taken place, but I will be able to come back to the committee in writing if there is anything additional to what I have set out to you in my answer.

Douglas Lumsden: However, it is quite clear that the 2026 deadline will not be met.

Fiona Hyslop: There are improvements and changes. We have talked about the fleet replacement, which is important in terms of that north-east investment. We have talked about the selection process, which has concluded and has identified improvements there. However, on project timelines, I think that it was said in January 2024 that the timescale for the delivery of the commitment to deliver journey time improvements and increase capacity between Aberdeen and the central belt was under review. The position is the same as it was a year ago, so it is not a new reflection that there are challenges in the timescales. That was reflected to the committee in 2024. I cannot remember whether you were a member of this committee a year ago, so I apologise if that is news to you.

Douglas Lumsden: I am just looking for the openness and transparency that Kevin Stewart mentioned. The people of the north-east just want some transparency on whether it will still be delivered and on what timescale, and I do not think that we are getting that at all.

The Convener: I do not think that you have got that, Douglas, but, anyway, we will move to Michael Matheson, who will be followed by Mark Ruskell.

Michael Matheson: I want to go back to the HST replacement programme. Does that involve refurbishment or new stock?

Fiona Hyslop: It has been an open procurement. Whatever happens, there will be reduced emissions—that is a priority for us. However, as said, and as I relayed to the committee when we announced the procurement—obviously, ScotRail made the formal statement—it has been an open procurement, and we will have to identify what comes back from that.

Michael Matheson: So, it could be brand new rolling stock, or it could be refurbished rolling stock.

Fiona Hyslop: We need to determine what the market can deliver, and then identify how to get best value.

Michael Matheson: It could be one way or the other, or a combination.

Fiona Hyslop: Let us see what the market comes back with.

Michael Matheson: Okay, and will the existing HST rolling stock remain in place until the replacement is ready to be rolled out?

Fiona Hyslop: Obviously, we need to continue the services, so we would want to continue using the stock until such time as it is replaced.

Michael Matheson: Yes. The reason why I am asking that is because of the pain that there was in the introduction of the HST programme because of the delay in the refurbishment programme, which meant there was a reduced service on a lot of routes. What I am getting to is, given the history of the introduction of HSTs when I was transport secretary—the issue was not with us but with the refurbishment company, which was unable to deliver on time—I would like some reassurance that the existing HST rolling stock will not be withdrawn until the replacement rolling stock is ready for introduction, in order to prevent any reduction in the service provision.

Fiona Hyslop: I hear what you say. All lessons will be learned and your advice is much appreciated.

Michael Matheson: Okay, thank you.

Mark Ruskell: I want to go back to concessionary travel. Obviously, the under-22s scheme has been hugely successful. I think that the majority of people getting on the bus on my own rural bus route are under 22 and are probably making journeys that they would not be making unless they had the card. However, it is a big investment in private companies—I am just looking at the reimbursement rates. For the older and disabled persons scheme, the rate is about 55 per cent of an adult fare; for the young persons scheme, it is 81 per cent of an adult fare.

Private bus companies are carrying passengers—young people—who probably otherwise would not be travelling, yet they are getting 81 per cent of an adult fare paid to them. Given the amount of money that we are spending on both concessionary travel schemes, which is substantial, that feels almost like profiteering by the bus companies. It does not feel like a reimbursement; it feels like quite a hefty subsidy is being paid to the private companies to carry passengers who otherwise would not be travelling.

Fiona Hyslop: The rates for reimbursement for concessionary travel are subject to negotiation with the Confederation of Passenger Transport and industry representatives, and they are agreed annually. To make changes to the reimbursement rates, amendments to secondary legislation are required annually—I think that there is a Scottish statutory instrument due to be laid in the Parliament on 27 January; I hope that I am correct about that—which this committee will obviously scrutinise. Part of the process is the negotiation of the rates, and, with the young persons scheme being a fairly new scheme, our experience of that scheme will obviously inform the level of reimbursement. That negotiation is happening now, and you can take a view as to whether that is appropriate.

The benefits of increased patronage and the increasing number of people using the buses are a behaviour change among our young people, who will continue to use the bus—that is the intention—and, I suspect, the fact that they are keeping some routes going. Many operators have reflected that the concession scheme has helped to support the bus industry, which was in a very difficult position during the pandemic, so it has been very welcome.

The issue with adjusting the reimbursement is that, if the bus companies say, “If you reduce the amount that you are investing, we will have to reduce our services,” that compounds the problem that Monica Lennon set out around the vulnerability of routes and weekend services in some areas. It is not an easy task to negotiate a level of reimbursement that the bus companies see as fair, meaning they will not reduce services, but that also provides value for the public purse. We are obviously learning lessons from the young persons scheme in particular.

Mark Ruskell: Yes, but surely the principle is that there must be no detriment and the scheme should not result in profiteering—profit making—by the companies. Although the scheme is encouraging more people to use the bus, it should not cost them. I just do not see how a rate of 81 per cent really ensures that.

The Convener: The committee is going to look at the SSI, because it will have to come forward and present the actual figures. You have given the cabinet secretary fair warning of some of the questions that the committee will be asking.

Fiona Hyslop: The SSI is also constrained by the current legislation.

Mark Ruskell: Okay—I will end on the words “no detriment”.

The Convener: We will definitely get a second bite of this apple.

Douglas Lumsden has a brief question, and then I will ask a couple to finish, unless any other committee members have any.

Douglas Lumsden: I want to go back to the subject that the deputy convener raised about the buses that we are helping to subsidise that are coming from China. You mentioned the difficulties resulting from state subsidy rules, but are there other ways that we can do it? Electricity production in China is mostly from coal, so it almost seems that our path to net zero is being fuelled by Chinese electricity that is being produced from coal. Are there any other ways in which we can potentially do it, such as by looking at purchasing only from countries that have moved to net zero energy production?

Fiona Hyslop: That is an interesting proposition. When I was on the economy committee, we looked at how we measure carbon miles, and that would obviously need to be done. Such issues are live and current. There would need to be reciprocal international agreements and so on, and we could see the EU collectively moving more quickly in that area than Germany. If you have defensive procurement, which some countries are alive to and considering as we speak, there are knock-on consequences. For every action, there is an equal and opposite reaction, which tends to be in imports and exports.

I understand that you have the UK minister coming to give evidence to you, and that may be an appropriate question to ask them.

Douglas Lumsden: You do not see a way of trying to restrict our purchasing from countries that use coal as their primary source of energy.

Fiona Hyslop: In a carbon market, there is an issue around how we can try to reduce climate change emissions. Even if we wanted to do that, the question is whether Scotland would have the powers to do that under the current devolved Administration arrangements. Even on a UK basis, could that be done in a way that would not be to our detriment through unintended consequences and retaliatory action? That is the international issue of markets in relation to imports, exports, tariffs and so on.

I think that it is going to become an increasingly live issue if the world collectively gets serious about what it is doing to reduce emissions.

10:45

The Convener: I have a couple of quick questions on the replacement of high-speed trains in 2035, which you are budgeting for. One of the key lessons that we learned from the Edinburgh to Glasgow improvement plan was that a huge amount of work needs to be done on the rail infrastructure. We decided to go with electric power, but a lot of the bridges did not take the electric cables that went under them. Once you have identified how the new trains are going to be powered, when will you start the infrastructure improvements, to make sure that, when the replacements come in, which is barely 10 years away, everything will be ready? There is a massive amount of work to be done.

Fiona Hyslop: I have made it clear that the 2035 target for electrification and decarbonisation of the railway will not be met but that the target of 2045 will be met. Depending on what type of fleet replacement we have, that procurement will allow us to determine exactly what you are asking about and to spread the investment. The industry has

told us that it would prefer to have a pipeline of investment.

Those of us who lived through the EGIP project will know that the disruption for regular rail commuters is substantial, and we see that at the moment in East Kilbride. A major electrification and enhancement project is currently taking place in East Kilbride and the line will be closed for a substantial amount of time. It will benefit everybody once it is done, but we have to plan for it. We are alive to the need to spread the investment and the disruption over a period and, depending on the procurement level, to de-risk it from being as disruptive as it might otherwise be. That is why the 2045 target makes more sense than the 2035 target.

The Convener: Yes, but if electric trains came in in 2035, they could not run on the infrastructure that is there at the moment. Even if you have a pipeline of trains and run some on electricity, some on diesel and some on hydrogen—as Kevin Stewart suggested—the improvements that are needed to the infrastructure will probably have to start in less than five years' time.

Fiona Hyslop: There are different options, including electric trains with a better battery, that would allow some decarbonisation when we do not have full electrification. Across Scotland, that is exactly the territory that our officials are exploring.

The Convener: I think that we need a lot more clarity, so that people can understand what effect it will have on the service for those who use the train from Aberdeen or Inverness down to—

Fiona Hyslop: It is not just about that line. We are looking at what the roll-out might look like on the suburban lines, too. There might be a different combination of trains at various times. We want a pipeline of work, so that the industry can keep the trains running. Once we know what we are procuring for the suburban lines and for the HST fleet replacement, that is exactly what we intend to happen. You are right about the need for clarity around what the disruption will look like, but I am sure that the deployment will be very much welcomed by everybody.

The Convener: I have a very simple question for you. You have probably given us the answer before, but I may have missed it. The MV Alfred is costing £15 million for this session of rent. It is not being rented again, is it?

Fiona Hyslop: I am not sure what has been communicated to the committee about the timeframe for that, so I will check. If we need to update—

The Convener: So far, we have spent £30 million on it, have we not? If we are going to rent it

for another session, that will cost another £15 million.

Fiona Hyslop: We obviously need reliability and resilience in the fleet. We know that, and that is what we are providing. We are also very keen to have a spare vessel for deployment when there are—

The Convener: I understand that. I am just asking whether there is £15 million in the budget to rent the vessel for the third year running.

Fiona Hyslop: We have increased funding in the ferries line for a variety of reasons.

The Convener: Have you specifically earmarked £15 million for that?

Fiona Hyslop: If there is a requirement for it, it will be able to be funded, but we have reported to the committee when that lease—that rent—will end. If that is not the case, I will come back to the committee on it.

The Convener: Lastly, there has been some keenness to shift from road to rail, and I think that you are in discussions with industry about its proposal for “48 tonnes for 48 miles”, which would allow containers to be taken from trains directly to distribution points. Part of that process was something that I have written to you about—the modal shift revenue support scheme, which was in place but was then cut. Has that been reinstated? I know that it was only £750,000-odd a year, but it made an enormous difference to getting vehicles off the road. Have you got it back in the budget?

Fiona Hyslop: The modal shift revenue support scheme is not in the budget, but the freight facilities grant is. The freight facilities grant is a larger amount—about £4 million, I think, but I can be corrected—that is for modal shift from road to rail and, potentially, to water as well. It is a bigger amount.

The Convener: Will it achieve the same as the modal shift revenue support scheme?

Fiona Hyslop: Alison Irvine can reflect on the amounts in capital and in revenue.

Alison Irvine: The two schemes did slightly different things. There is no revenue funding for the one that the cabinet secretary is referring to. The freight facilities grant, to which the cabinet secretary is referring, is infrastructure related and provides support, where appropriate, to improve infrastructure in order to encourage the transfer from road to other modes of transport.

The Convener: The modal shift revenue support scheme was to make the renting of cargo trains easier, was it not?

Alison Irvine: Kerry Twyman might remember. I cannot remember the last time that we had that in our budget.

The Convener: It was about 18 months ago—it was cut halfway through the year with no reason given.

Fiona Hyslop: The freight facilities grant is a bigger amount. When I have been talking to industry—

The Convener: But it does a different job.

Fiona Hyslop: I know from talking to the industry what it is keen on doing, and there are particular areas that the grant would benefit.

The Convener: We must be talking to different industries, then, because it has asked me about the modal shift revenue support scheme, which stopped freight being moved on railways as much as it had been in the past.

Fiona Hyslop: A lot of companies benefited from the modal shift revenue support scheme—companies that make good profits and want to reduce their carbon emissions. Public funding to subsidise companies can help to kick-start that shift; it is a question of the balance of investment, and capital investment provides permanency. However, I know that there is interest in that scheme. When I spoke at a recent conference in Grangemouth about connectivity to the port there, that was a particular area of interest, as that is an example of where such funding could be used. I am not saying that it would be, but that is an example of where the industry needs it, and I was being lobbied very hard for the reinstatement of that funding.

The Convener: I look forward to seeing your detailed response to my letter on that, which was sent to you earlier this year.

I think that those are all the questions that we have for you, cabinet secretary. I thank you and your officials for the evidence that you have given this morning.

I ask the committee to reconvene at 11:00, prior to the next evidence session.

10:53

Meeting suspended.

11:15

On resuming—

Great British Energy Bill

The Convener: Our third item of business is an evidence session on the Great British Energy Bill. I welcome to the meeting Michael Shanks MP, Minister for Energy, and his supporting officials. Minister, I think that you want to make an opening statement. This is the first time that the committee has had a UK Government minister before it. I welcome you and thank you for agreeing to take questions from us. It has not always been so easy in the past for the committee to get UK ministers in front of us, so I will give you a chance to make a brief opening statement.

Michael Shanks MP (Parliamentary Under-Secretary of State for Energy Security and Net Zero): Thank you very much, convener, and good morning to you and members of the committee. It is a pleasure to be in front of you. I am sorry that I cannot be with you in Edinburgh, but thank you for making this remote exchange work. It is a pleasure to be the first UK Government minister to speak to the committee on an LCM. I hope that that underlines the UK Government's changed priorities for our relationship with the devolved Parliaments and our keenness to engage as much as possible on these matters. Thank you for having me.

I will briefly outline three points before taking your questions. The first point is that the Great British Energy Bill is a different way of doing things in this country. It is different in two ways. First, it encapsulates this Government's ambition for the future of our energy system, which is to make sure that we have a clean power system that delivers energy security and brings down bills, that reaches every part of the UK and, in particular, deals with questions about our economic growth and builds on good, well-paid jobs of the future in every part of the UK.

The second way in which it is different is that it makes a break in terms of Government support for public ownership. We are very clear as a Government that we think that public ownership is an extremely important model and that communities should have a stake in the energy future that we are building together. Public ownership should deliver not only benefits in terms of the energy infrastructure that we want to build together, bringing communities with us on that journey, but also social and economic benefits to communities in the longer term. We are unashamedly pro public ownership and the bill is partly what will deliver that.

The second point that I want to make is that the bill represents a new way for the Government to

deliver ambitious projects. Across the whole of the UK now, we have a shared ambition about how we get to net zero, how we deliver on our climate obligations and how we deliver energy security for the future. The clean power mission that we have embarked on is about bringing the whole of Government together to deliver on clean power by 2030. That is a hugely ambitious project, but one that we think is absolutely achievable.

The third point that I want to make is that this is also a reset in how we engage with the devolved Governments of the country. We want to be partners with the devolved Governments. We will not agree on everything—of course not—and nor should we. The point of devolution is that people can make different decisions. However, where we have a common aim, we want to be productive in working together to deliver that aim. The bill, and our energy policy more generally, have been really good examples of where that reset in relationships has already achieved results.

Great British Energy is our ambitious plan for public ownership in this country. It will be headquartered, of course, in Aberdeen—where else could it be headquartered, given the skillset and experience of the north-east of Scotland? That also ensures that, as we build the transition to the new jobs of the future in the north-east of Scotland in particular, we will build on the expertise of the existing workforce as we move forward with Great British Energy.

The company is capitalised with £8.3 billion in this Parliament. Money will go to every part of Great Britain to deliver on really ambitious projects, to work alongside Governments that are already moving forward on so much of this, to help de-risk projects, to crowd in more investment and to deliver the economic and energy future that we have a shared ambition for across the UK.

I hope that the Scottish Parliament will be able to give its consent to this hugely important bill, which delivers for Scotland as well as the UK and shows that Scotland is at the heart of this UK Government. I look forward to your questions.

The Convener: Thank you, minister. The first question is from me. When the Acting Cabinet Secretary for Net Zero and Energy was at the committee the other day, she told us that the Scottish Government was looking for an amendment to clause 5 of the bill so that it would require consent from the Scottish Government rather than just that it be consulted, as the clause states at the moment. Is that amendment likely to be forthcoming, and will you support it?

Michael Shanks: You are right to outline the discussions that we have had on the matter. Context is really important. There is very little, if any, previous legislation that we have been able to

identify that has a consent clause in such a section, so our default was to put a consult clause in there. After a number of detailed conversations with not just the Scottish Government but the other devolved Governments, we have come to a position now where we agree that, in fact, where clause 5 impacts on devolved areas, there should be a consent clause. We have agreed that position. I have agreed in writing with ministerial colleagues in all the devolved Administrations that an amendment on that will be forthcoming. The timescale is that the bill is still in the House of Lords. It has its final committee reading tomorrow. The bill will then come back for report stage, and at that point an amendment will be tabled, which the Government will support.

The Convener: That is very helpful, because until we can see that amendment, it is difficult for us to consider the LCM in the context that has been given to us.

Bob Doris: I thank the minister for attending the committee. I note the genuine goodwill that we sensed from the evidence session with the acting cabinet secretary last week in relation to the shared agenda between both Governments.

It is in that context that I want to look at some of the nuts and bolts around the LCM, in particular clause 6. Clause 5 would require consent from devolved Governments in relation to the statement of strategic priorities under which GB Energy would operate. However, clause 6 gives a quite substantial power of direction to the UK Government over GB Energy. At the moment, there is no provision to consult the Scottish Government in relation to that. I wonder whether that will be amended. If a UK Government wishes to direct GB Energy in a devolved space that links into the priorities in clause 5, should that not also require consent?

Michael Shanks: Thank you, Mr Doris. I appreciate your opening remarks. This is a genuinely productive relationship, and I hope that it will continue. Your question is very important.

I will spell out the difference between clause 5 and clause 6. Clause 5 gives the secretary of state the power to set the strategic priorities of Great British Energy. We see that as not a regular statement but something that will happen more than once in time. That requires engagement with all parts of the UK. We have now come to the view, in agreement with the devolved Governments, that that should include the ability of those Governments to consent.

Clause 6 is quite different. It gives a power of direction in very limited circumstances. A number of bills include such a clause giving the secretary of state a power, on very rare occasions, to direct in a particular way. It is not a day-to-day

operational power. In fact, in anticipation of questions on the matter today, I asked my officials to look for any previous examples of where the same power in other bills has been used. It has been used very rarely and usually only in circumstances where there is an immediate need to give a direction—for example, in a matter of health and safety or in national security. It is not a direction in terms of the operation of the organisation and therefore we do not think in this case that consent from the devolved Governments is appropriate.

Bob Doris: Can I check whether that means that the UK Government is open to consulting in that area? Further, can you provide more information in writing to the committee about the reassurances that you can give of the limited circumstances in which such powers might be used?

Michael Shanks: Yes, that is very helpful. I should have said that we have agreed with the Scottish Government and other devolved Governments that I will write to set out exactly what we think the consult process will be. Of course, I should say that the context of this is that we expect to consult very regularly on all aspects. In fact, our officials have been in regular engagement. Certainly, on a formal basis, any time that there is a direction given, we would absolutely consult the devolved Governments. That will be in writing. Secondly, yes, I am happy to write to give any examples from the past of where the power has been used.

Bob Doris: That is very helpful. It would also be helpful to know specifically what on the face of the bill limits the UK Government's scope in relation to directions.

I do not expect this to happen in short order, but if the UK secretary of state were to direct GB Energy in an area that any future Scottish Government thought was contradictory to the clause 5 strategic priorities and was in a devolved space, what power or influence would the Scottish Government or the Scottish Parliament have to tackle that? Would there be a dispute resolution system between the Scottish and UK Governments?

Michael Shanks: I will separate my answer into two points. First, there is a broader context to this, which is, to reiterate, that Great British Energy will be a publicly owned company. However, it will operate in exactly the same regulatory and legislative landscape as every other company. It will not have any additional powers, and therefore it will have to operate within all the regulations, consents and laws that the Scottish Government sets out in Scotland. The secretary of state would not be able to give it a direction that would be

counter to any legislation that already applies. That is important in terms of context.

Secondly, we will not spell it out on the face of the bill, as we have agreement from the devolved Governments that our approach will be to write to them to clearly set out what the consult process will look like—I have committed to that. There is no other legislation that is a precedent for this very narrow power. For example, if there were a really urgent issue of national security, there would not be scope for anything further than, yes, a proper consultation—a phone call or whatever—but to move through a consent process would negate the urgent response that is needed on some of those issues. It is not possible to put that on the face of the bill. We have agreement on that in principle, which we will follow up in writing, but I am happy to share any further information on that with the committee.

Bob Doris: That is very helpful, Mr Shanks. I look forward to the further information so that the committee can reflect on it in due course.

Michael Matheson: Good morning, and thank you for your time. I will turn to the role of GB Energy. Given the level of investment that is presently made by the private sector in both onshore and offshore wind, what do you see as GB Energy's role in investing in those sectors?

Michael Shanks: Good morning, Mr Matheson. That is an important question. The role that we have been really clear on is that Great British Energy is not about crowding out any of that existing investment, much of which is already committed for future years. In established technologies—especially onshore wind, which is very established in Scotland—we do not necessarily see that there will be a key role for Great British Energy. It is in those less-established technologies, particularly marine renewables or floating offshore wind, where the development has not yet quite got to the stage where the level of investment is where we need it to be, that, in some cases, we would see Great British Energy being involved.

The other side of this that is important is that this is about giving the public a stake in some of those projects in the future. For Great British Energy to be a publicly owned energy champion that owns generation capacity in the country and gives a return to the British people and to people all across Scotland is a different way for us to think about the ownership of this. Yes, we want to see continued investment from all the investors that currently invest, but we also want to see the British public benefit from some of that as well.

Finally, Great British Energy will focus not just on investing directly in generation projects, but on some of the supply chains, which we really want to

see developed in Scotland and across Britain, so that the jobs follow the projects. We all know that, in far too many cases, we have been towing this infrastructure into Scottish waters and building it, and no one in Scotland has seen the benefits in terms of jobs and investment in supply chains. There are some really good projects under way at the moment. We think that Great British Energy can help turbocharge a lot of that.

Michael Matheson: That is helpful.

In terms of investment, would GB Energy be taking a stake in the technology—for example, the development of offshore floating foundation technology—or would it be taking a stake in a project overall?

11:30

Michael Shanks: Both, I think. The key thing about us setting this up as a company that is publicly owned but independent from Government is that it will make its own investment decisions. Those will include technology-specific decisions, but also decisions about the type of funding, with the key parameters being to deliver a return for the British public and to really move forward on how we drive forward clean power. Investment could take both those forms. It might be that the company takes a stake in a project overall, or it might be that, at a much earlier stage, it provides some of the pump-priming funding to get the supply chain going. In the community energy space, for example, the company might have a key role in getting some projects started in the first place.

The funding will look very different for different types of projects, and we expect the company to have a real mixed portfolio. We will be developing that approach over the next few years.

We are starting with a commitment that Great British Energy will have a key role in all of this. It is not going to become a Vattenfall or a Statkraft overnight, but those companies had to start somewhere. Our ambition is for communities and the public to have a stake in the area, and for us, through Great British Energy, to drive some of the innovation, supply chains and jobs in this country. This is our starting point.

Michael Matheson: In ScotWind, the majority of the projects are floating offshore wind. How exactly will GB Energy operate as an organisation? Will it look to buy a stake in a project? Will project developers approach GB Energy for that funding, or will GB Energy approach them to look at taking a stake in a project? How will that operate? Many developers bid for ScotWind projects and offshore floating wind projects on the basis that everything will be paid for by private investment.

Michael Shanks: Again, I am sorry to not give a very specific answer, Mr Matheson, but I think that those are investment decisions that the company will make, and, crucially, it will not be directed on a case-by-case basis by ministers. That is a really important aspect of why we are setting up the company in the first place.

However, I imagine that both of those scenarios could absolutely happen. In fact, Juergen Maier, the start-up chair, has been in Scotland a lot over the past few months and has had a lot of engagement with developers that are keen to partner with Great British Energy.

We have enormous potential in floating offshore wind, to take that example. We are a world leader already, and we will continue to be a world leader. However, it is difficult to drive forward some of those projects, particularly because we have not quite got over the line yet with the test and demonstrator projects, which are so important for understanding the supply chains. We hope that we will see more of those projects in future contracts for difference rounds.

Critically, this is not just about how we deliver the actual capacity on the ground or in the sea; it is also about how we build the supply chains that will bring the jobs to this country. GB Energy can play all those roles. If you are a developer looking to build a floating offshore wind farm, you want confidence that you have a supply chain, and Great British Energy can help deliver that.

Michael Matheson: Could it invest in carbon capture, use and storage technology?

Michael Shanks: Clause 3 of the bill outlines some of the limits of Great British Energy, but we have been clear that hydrogen, CCUS and a whole range of technologies are within the scope of GB Energy.

The Convener: The next questions come from Kevin Stewart.

Kevin Stewart: Thank you very much, convener, and good morning, minister.

You said in your opening statement that this involves partnership, and partnership with communities. In order to have good partnerships, you have to have trust. The chair of GB Energy previously said that having the headquarters in Aberdeen could mean more than 1,000 jobs being created for the city that I represent. That estimate has since been revised down, to between 200 and 300. Can you provide clarity for us on what the real job numbers will be in the great city of Aberdeen?

Michael Shanks: Good morning, Mr Stewart. Thank you for your question. To be absolutely fair to Juergen Maier, what he very clearly said in that evidence session was that, in the initial phase, we

see a few hundred jobs being very likely while we are starting up the company, but that it is not inconceivable to see in the future that there would indeed be more than 1,000 jobs. I do not think we have moved away from that position at all, but we have to be really clear that we are setting this up from scratch. The Government is committed to £8.3 billion in the first Parliament, but, of course, setting up an organisation takes time. We want to make sure that we are delivering value for money, and therefore every job that is created in Great British Energy will have to be justified.

In the initial phase, there will be a lot of work just setting up what some of that investment will look like. In time, we really see a role for GB Energy—in fact, this is particularly why it is important that it is in Aberdeen—that is not just about having investment expertise, although that will be important, but about having engineering and technological experience in delivering projects. We want to see GB Energy not just as an investor, but as an organisation that delivers energy projects on the ground and works with communities to bring jobs to the country.

My ambition for Great British Energy is limitless. I hope yours is as well, Mr Stewart, because there is real potential to deliver jobs in the future in Aberdeen, and I am really excited about that opportunity.

Kevin Stewart: Mr Maier's change in the number of jobs—from 1,000 to 300—took place within 44 days. That has an impact on people, and trust is often lost because of such statements.

You have stated that each area will focus on different technologies. We have also heard that there will be separate offices in Edinburgh and Glasgow. Will you outline in the near future what specialities will be undertaken at each of the centres that you envisage coming into play?

Michael Shanks: First, I agree with you that trust is very important, and that is why we should be careful not to misquote. Juergen Maier, as I said in my first answer, was very clear in that evidence session that we see a few hundred jobs in the start-up of Great British Energy—all organisations start off small and build—but that it is entirely conceivable that, in the future, we will see many more jobs. Of course, this is not just about jobs in Great British Energy's headquarters; it is also about the investments that the company makes that will deliver jobs, many of which will be in the north-east of Scotland as well. We should be really clear on that. We have not changed our ambition in terms of the jobs that will be created by Great British Energy.

On your second point, we said that the headquarters will be in Aberdeen. For some time, that will be the sole headquarters of Great British

Energy. In time, we want to build on the specific knowledge that we see in Glasgow in particular, and in Edinburgh, around some of the tech innovation that is going on. I visited the University of Strathclyde recently to hear about that. In Edinburgh, there is particular finance expertise, and some of the other investment arms are based there.

However, that is a long-term aim. The key is to set up the headquarters in and focus on Aberdeen. The chief executive will be in Aberdeen, driving forward the future of Great British Energy, and that is why we are absolutely committed to making sure that it is headquartered there.

Kevin Stewart: I am glad to hear that the chief executive will be based in Aberdeen.

On the trust aspect, GB Energy was sold as something that would bring bills down, with your party pledging during the election to cut bills by £300. When will that become a reality under GB Energy? As we all know, bills have risen by an average of £449 since you came into office.

Michael Shanks: I think that you highlight exactly why the wider mission is so important to the Government. At the moment, we are still far too exposed to volatile fossil fuel prices. We said that the mission that we are on is to reduce bills in the long term; we did not say that that would be possible overnight, as that is just not credible. That is still an absolutely vital part of what we are aiming to do.

Great British Energy is a hugely important part of how we speed up the process. As a Government, we are moving as quickly as we can, working with the Scottish Government, to drive forward as much deployment of clean energy as we can. We want to move even faster on many things. GB Energy will be key to doing that, and I hope that your colleagues in the Scottish National Party will support it, because it is a key part of bringing jobs to Scotland, bringing down bills in the long term and delivering on our climate obligations.

Kevin Stewart: Bills have gone up; you said that they would go down.

The Convener: We move to questions from Mark Ruskell.

Mark Ruskell: Thank you very much for joining us this morning, minister.

One of the areas that we are looking at is the relationship between GB Energy and the Crown Estate, which operates outside Scotland, around the rest of the UK. I am interested to know how you see GB Energy working with Crown Estate Scotland, which is set up slightly differently and does not have borrowing powers. We are trying to

understand how the two Crown Estate organisations will work with GB Energy. What will that look like?

We are aware that you have a Crown Estate Bill going through Westminster at the moment. It would be useful if you could provide a little bit of clarity on how you see that relationship developing.

Michael Shanks: You raise a really important point. The relationship with the Crown Estate in England and Wales is slightly different. We have signed a partnership with it to help deliver on some of the Crown Estate's priorities through Great British Energy.

In Scotland, the relationship will be different, not least because Crown Estate Scotland has already progressed quite a lot of its leasing rounds. It is in a very different place from where the Crown Estate in England and Wales is. The Secretary of State for Energy Security and Net Zero and the Acting Cabinet Secretary for Net Zero and Energy recently signed an agreement on how public bodies in Scotland will work closely with the UK Government, but of course there is a recognition that they will have different priorities.

Day to day, the engagement has already been very good. Officials have regular contact with the two Crown Estate bodies, but also with my department, the Scottish Government and Crown Estate Scotland.

The honest answer is that we are quite open-minded about what the relationship with Crown Estate Scotland will look like. There will be elements where we can share some of the learning from England and Wales and, frankly, there will be a lot of areas where the Crown Estate in England and Wales will take learning from what Crown Estate Scotland has been doing. Together, we can build on that.

For example, in relation to supply chains, Crown Estate Scotland faces the same challenges as the Crown Estate in England and Wales. How we can make things work in that area is therefore a shared priority.

However, we are quite open-minded about what the future of the partnership looks like.

Mark Ruskell: Are there any implications for Crown Estate Scotland from the bill that is going through Westminster?

Michael Shanks: I am not directly responsible for the Crown Estate Bill, so I would need to check and write to the committee about that. Crown Estate Scotland is devolved, and my broad understanding is that there is nothing in the bill that would directly change any of the powers, funding or relationship around that.

On a practical basis, the bill will unlock a lot of potential for Crown Estate Scotland because it gives the Crown Estate in England and Wales much more power and investment opportunity to engage in some of these big areas, in particular around the leasing rounds for offshore wind. I think that Crown Estate Scotland is already much further through that process. There will be areas for joint working, but I think that there will also be areas where we recognise that we are at different places in the delivery of some of this, so we will take slightly different directions.

Mark Ruskell: Okay. Thank you. I will come back with some more questions later.

The Convener: I think that you have another question. I am quite happy to take that now before we move on to Douglas Lumsden.

Mark Ruskell: You have spoken a bit about a good and evolving relationship with the Scottish Government. When the acting cabinet secretary was in front of us last week, we got the impression that there has been change and that things are more positive. Inevitably, however, there will be policy differences. You have acknowledged that, under the devolution settlement, it is inevitable that there will be differences.

I am interested to know how you might manage those differences. Within the remit of GB Energy, there is a commitment to work with Great British Nuclear. You will understand the Scottish Government's position on nuclear in national planning framework 4. Does that cause you a problem? We have two different energy policies: one that explicitly rejects nuclear in Scotland, and the policy of your Government, which is about promoting nuclear and using GB Energy and Great British Nuclear to provide support for that. Is that a problem?

11:45

Michael Shanks: I will say something about the general point and then come to nuclear.

When we talk about a reset in relationships, that is not about us all somehow finding consensus on everything. That is not the aim of devolution, but it is also not the political reality. It is about trying to have a much more mature approach to how we deal with disagreements. I might say that this bill has been an example of that. We had a very strong position, I engaged with the devolved Governments, and we have changed our position in a way that gets the bill through and benefits everybody. That is a grown-up way of looking at the problems, which, frankly, we have been missing for the past 14 years.

A second point is that we want to look much more at dispute resolution around devolution

generally, and the Chancellor of the Duchy of Lancaster has been looking at that. That is why we have put much more emphasis on the interministerial working groups, which largely fell into abeyance under the previous Government in many areas. It is about how we bring people together to collaborate much more across the British isles. That is important, and I was pleased to join the first of those meetings in Edinburgh recently.

Clearly, we have a political difference on nuclear. I think that nuclear has an important role to play. Aside from anything else, it has huge potential for jobs. The small modular reactor programme could have real impact in Scotland. That is my party's view, and it is not going to change. However, the planning system in Scotland at the moment precludes that from happening. Great British Energy and Great British Nuclear operate within the landscape that the devolved Administrations have set. If the Scottish Government has a clear statement that there will be no new nuclear in Scotland, I might disagree with that but that is the landscape in which we operate. Therefore, there are no plans and there will be no engagement on that issue, because it is clear that the Scottish Government would block those applications.

That is the legitimate position that the Scottish Government has taken on that planning matter, and I do not think that there is a confrontation or a conflict on that. It is just the reality that both GB Energy and Great British Nuclear will operate in the legislative landscapes in Scotland, Wales and England. Of course, it will be slightly different in Northern Ireland, where energy is completely transferred.

Mark Ruskell: In effect, GB Energy will take its direction from the Administration in the jurisdiction that it is working in, and there will not be any kind of mission creep in its work. Therefore, we will not get GB Energy officials in Scotland talking about nuclear. Is that what you are saying? There clearly is not a route to developing nuclear power in Scotland under the current planning legislation, but GB Energy might take a different view.

Michael Shanks: There are two parts to that. First, the legislative landscape is that GB Energy does not have any extra powers compared to any other company, and therefore it has to conform to every rule, regulation, consenting regime, planning statement or whatever. It is not empowered with extra powers as a result of being owned by the UK Government. That is really important.

Secondly, we want this collaboration to be about not just the consent moment for the statement of strategic priorities but day-to-day engagement in the parts of the country where the company is operating, to work out how we dovetail the

priorities. The Scottish Government and the UK Government have broadly the same outcome in mind around our energy future. It is in all of our interests, and in GB Energy's interests, to work alongside that policy direction to support it and deliver it faster.

Mark Ruskell: Thank you.

The Convener: The next question is from Douglas Lumsden.

Douglas Lumsden: Good morning, minister. In Scotland, we have the Scottish National Investment Bank, which invests in renewables such as tidal. How do you see GB Energy and the Scottish National Investment Bank working? There seems to be a bit of overlap between the two organisations.

Michael Shanks: That is a good question. I would also bring the UK National Wealth Fund into the discussion. Just last week, we saw a good example of the Scottish National Investment Bank funding a project alongside the National Wealth Fund to together deliver a project around a cable factory. There are already really good partnerships.

In the short term, we will see the National Wealth Fund and GB Energy working closely together while GB Energy builds up its in-house investment expertise. In time, there will be a clear mandate about how those will separate and will work alongside other investment vehicles such as SNIB, Highlands and Islands Enterprise, Scottish Enterprise and other funding bodies across the rest of the UK. Clearly, there will be a process of engagement on individual projects to consider how we get the best value for money and what investment will get a project over the line. That could well involve co-investment opportunities with SNIB, or there might be things that GB Energy sees as a priority and that SNIB does not see as a priority. There certainly will not be a competition. It is about how we engage constructively to get the best bang for our buck.

Douglas Lumsden: Do you see a formal agreement being put in place between SNIB and GB Energy, just so that they are not competing against each other?

Michael Shanks: I do not know about a formal agreement. I am open-minded on the suggestion. Given the nature of the ownership structure and the lines of accountability, that is probably quite challenging, but I am open-minded to it if that is an option that works for us.

Part of Juergen Maier's work as the start-up chair is engaging with all these institutions. I think that he has met the Scottish National Investment Bank. He has certainly met the First Minister and the cabinet secretary and has had a number of

engagements in Scotland about how we build relationships so that we are working together with the whole investment landscape to be as productive as possible.

Douglas Lumsden: You mentioned that GB Energy would probably invest more in test and demonstrator projects. Do you see the level of risk that GB Energy would entertain as higher than that of a private company?

Michael Shanks: We have to look at risk in two different ways. Yes, the whole point of GB Energy is that we want it to invest in some of the technology development and supply chains that other investors would not necessarily look at. That goes back to Mr Matheson's question earlier. We do not see GB Energy as crowding out investment; it is about trying to crowd it in.

We also need to look at the risks if we do not act in some of these spaces, particularly around jobs. We want to invest in an industrial strategy. If the British Government, in its broadest sense—including the Scottish Government—is not investing in some of the potential, there is a real risk that, in future, we will not get the jobs and supply chains in this country and that they will go somewhere else.

There will of course be a risk appetite. GB Energy will have a board—we announced a number of non-executive directors just last week—and it will have a fiduciary obligation to look at the investment portfolio for the company. However, the whole point of setting up GB Energy is that it has a certain appetite for risk to help us drive forward projects that the private sector might otherwise not be looking at.

Douglas Lumsden: So, we should not be surprised if, in a couple of years, the number of investments on which we have lost money is quite high, because the level of risk in the investments is higher.

Michael Shanks: I think that that is right. The risk appetite of any organisation should recognise that there might be some projects that do not succeed in the way that it wants. We also want to invest in the long term. This is not about getting quick returns within six months or a year. Some projects might take a few years to develop but, if we take a stake in them—for example if we take a stake in a floating offshore wind farm—there will be an upfront development period and then a constant return on that stake as they start to generate over their lifetime.

This is a long-term project. We need to be clear that we do not expect that, by the end of the Parliament, GB Energy will be an EDF, Vattenfall or Statkraft. Over time, however, we think that it will be able to deliver a return for the British people while continuing to invest in the next set of

technologies, which we have not imagined at this point.

The Convener: Douglas, if you want to ask your last question, now is the chance to do it. Then I want to go to Monica Lennon.

Douglas Lumsden: I will do that. Thanks, convener.

I want to ask about CCUS. Obviously, the Scottish cluster has track 2 status. Going forward, will the investment vehicle for the Scottish cluster be GB Energy?

Michael Shanks: I probably cannot answer that absolutely one way or the other. My initial thoughts are that it probably will not be, but it could well be part of it. The broader point on CCUS is that, fairly quickly on coming into government, we pushed forward on the track 1 projects to make the announcement about the investment in those. That is important to give confidence to the industry. The Government remains really supportive of the track 2 projects, not least the Acorn project, but we need to move forward on the budget for that and to make sure that we have the spending commitment. That will take time, and the Government will say more about that in the months ahead.

GB Energy might play a role. However, as we see with the track 1 projects, it is also about how the Government can unlock private investment in CCUS. I do not rule out that approach, and the bill that is before us certainly does not rule it out. However, the issue is probably more likely to be a broader Government priority rather than just one for GB Energy.

Douglas Lumsden: For Acorn, are we still looking at 2030? That is my last question.

The Convener: You are right—it was your last question, because I need to get Monica in. Sorry to cut you off. Monica, the next question is yours.

Monica Lennon: Good morning, minister. In your opening statement, you reinforced the UK Government's commitment to communities having a greater stake in energy generation. Could you explain to the committee how GB Energy will fulfil its pledge to deliver 8GW of community-owned energy generation projects? As part of that, how do you see the Government engaging with local government? You have talked a lot about the Scottish Government, but I am interested to hear your take on local government's role.

Michael Shanks: That is a very important question because at the heart of not just Great British Energy but the Government's policy is thinking about ownership in a different way. We think community ownership is a very important model. You have seen that in how quickly we have

moved on public ownership of the railways across the UK and on GB Energy.

The local power plan is all about how we unlock that potential. We do that in two ways. First, there is a funding need to deliver some projects. There is a need to give investment to communities to set up projects and to have the initial investment to deliver them. However, in relation to your question, there is a broader point about the capacity of community groups and local government to deliver. After 14 years of austerity, we know that local councils are on their knees. There used to be a lot of expertise on community energy in local government but, because that is not a statutory obligation, it has gone by the wayside in many cases. Therefore, there is an issue about how we build up that capacity in councils again.

We have been open-minded and not been specific about whether community projects should be delivered through local councils or by communities acting through their own organisations. We want to support all of that. GB Energy's role will be around funding and capacity building. It will also be about how we can potentially share things such as the projects in a box approach, which builds on all the learning from good community projects and hands that over to communities that perhaps do not have the capacity to form a committee and a company and do not have all the expertise.

On your final point, clearly, the role that the UK Government has on community energy in Scotland and Wales is different from the role that it will have in England, where the UK Government will be directly involved in projects, working with other organisations in England. In Scotland and Wales, we want to work with the devolved Governments in a partnership. We do not want to reinvent organisations that already exist. In Scotland, we might work with the community and renewable energy scheme—CARES. We have had a number of useful discussions with the Scottish Government on that already.

Clearly, the UK Government is not going to circumvent the devolved processes in Scotland, so we will go through the Scottish Government when it comes to any investment in that. However, we want a huge increase in community ownership across the UK, and we think that that ambition is shared in Scotland.

Monica Lennon: I am glad to hear you talk about capacity, because it is not all about funding. This committee takes a close interest in skills and knowledge, not just for workforce and organisations but for communities, to make sure that all communities have equal opportunities.

I want to probe a bit further. You are telling us that the Government will not be overly prescriptive about what will work in different projects. However, is it your expectation that GB Energy will help communities to secure stakes in privately operated energy generation projects by providing, for example, matching capital investment? We are aware of the Danish renewable energy act, which requires at least 20 per cent community ownership for all new wind projects. Will GB Energy perform a similar role?

The Convener: Just before you answer that question, minister, I realise that time is never in our favour in committees, and I think that you have another meeting to go to. Unless you tell me otherwise, that will be the last question, and it is up to you how long you take to answer it—it is your clock that is ticking rather than ours. Over to you, minister.

Michael Shanks: Do not worry about that. I am happy to be a bit flexible.

On that last point, it is absolutely possible that GB Energy will do that. Partly we want to shift the understanding about community ownership away from the idea that it means only microgeneration projects to the idea that communities could own things at the scale of multi-megawatt projects. That might mean them owning something outright, with support from GB Energy. It might mean that they take a stake in a wider project, which is perhaps more likely in the short term.

We are not going to move down the line of legislating to insist on community ownership stakes but, in our engagement with developers, we find that, in many cases, they are quite open-minded to that approach, and they see it as a real community benefit for communities. We are certainly open to that other approach. As I said on other issues, part of the reason why the bill leaves things as broad as possible is that we want GB Energy to have as much scope as possible to develop in those innovative spaces and help drive forward community ownership, create jobs, invest in supply chains and deliver benefit for people right across Scotland.

Monica Lennon: Thank you.

The Convener: That all seems to have worked perfectly, timewise—I am not quite sure how that worked.

Thank you for giving evidence to the committee, minister. It has been particularly helpful, because we have been looking at the LCM since, I think, August last year, and your comments on clauses 5 and 6 have enabled us to look further forward than we perhaps were able to in our previous meeting.

We will work towards preparing a report on the memorandum. Thank you very much, minister.

12:01

Meeting continued in private until 12:28.

We now move into private session.

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