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Economy, Tourism and Energy Committee

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Tuesday 22 September 2026

Session 7

The Scottish Parliament
Pàrlamaid na h-Alba

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ECONOMY, TOURISM AND ENERGY COMMITTEE
5th Meeting 2026, Session 7

CONVENER

*Duncan Massey (North East Scotland) (Reform)

DEPUTY CONVENER

*Daniel Johnson (Edinburgh Southern) (Lab)

COMMITTEE MEMBERS

*Gary Bouse (Falkirk West) (SNP)
*Kate Campbell (Edinburgh Eastern, Musselburgh and Tranent) (SNP)
Kristopher Leask (Highlands and Islands) (Green)
*Martyn Day (Falkirk East and Linlithgow) (SNP)
*Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Tom Arthur (Minister for Business and Fair Work)
Stephen Boyd (Institute for Public Policy Research Scotland)
Professor Paul de Leeuw (Robert Gordon University)
Professor Stuart McIntyre (Fraser of Allander Institute)
Alison Moore (Scottish Government)
Susan Robb (Scottish Government)

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Economy, Tourism and Energy Committee

Tuesday 22 September 2026

[The Convener opened the meeting at 09:31]

Decision on Taking Business in Private

The Convener (Duncan Massey): Good morning, and welcome to the fifth meeting in session 7 of the Economy, Tourism and Energy Committee. We have received apologies from Kristopher Leask.

Agenda item 1 is a decision on taking business in private. Do members agree to take agenda item 7 in private?

Members *indicated agreement*.

Subordinate Legislation

Employment Tribunals Extension of Jurisdiction (Amendment) (Scotland) Order 2026 [Draft]

The Convener: Agenda item 2 is consideration of an affirmative statutory instrument: the Employment Tribunals Extension of Jurisdiction (Amendment) (Scotland) Order 2026. That is a bit of a mouthful. I refer members to paper 1. I welcome Tom Arthur, the Minister for Business and Fair Work, and officials from the Scottish Government: Alison Moore, fair work and labour market team leader in the jobs and wellbeing directorate, and Susan Robb, solicitor.

I remind members that Scottish Government officials can participate in the initial evidence session but only MSPs can participate in the formal debate when we move to agenda item 3.

I invite the minister to make a short opening statement.

The Minister for Business and Fair Work (Tom Arthur): Good morning. Thank you for giving me the opportunity to speak on the Employment Tribunals Extension of Jurisdiction (Amendment) (Scotland) Order 2026.

The order seeks to make a straightforward but important change to the time limit that applies to contract of employment claims in employment tribunals in Scotland. Currently, employees have three months to bring such claims. The order will extend that period to six months. The purpose of that change is to align time limits for contract of employment claims in Scotland with time limits for other employment tribunal proceedings, following the introduction, through the Employment Rights Act 2025, of wider reforms across Scotland, England and Wales. It will ensure that workers and employers in Scotland benefit from a consistent approach to tribunal time limits.

Before I turn to the benefits of the change, I should note that ministers explored whether commencement could be aligned across England, Wales and Scotland by asking the United Kingdom Government to consider delaying the corresponding provisions for England and Wales. In doing so, we highlighted that the Scottish Parliament election and the summer recess placed significant constraints on the available parliamentary time. In March 2026, the UK Government confirmed that it intended to retain its planned commencement date of 1 October 2026. Consequently, the order was introduced at the earliest practical opportunity.

For many people, workplace disputes can be stressful and difficult to navigate. Someone who has lost their job or experienced a breach of contract of employment might need time to seek advice, understand their rights and consider their options. Extending the time limit from three months to six months will give people greater opportunity to do so. The change should also allow more time for workplace issues to be resolved, possibly avoiding the need to resort to a tribunal. In many cases, disputes can be settled through internal procedures or through an Advisory, Conciliation and Arbitration Service early conciliation, helping employers and employees to find a resolution without the need for formal legal proceedings. It is important to be clear that the order does not create any new employment rights, nor does it change the role of employment tribunals; it simply extends the period in which a breach of contract of employment claim can be brought.

The proposal is a technical amendment with no significant financial implications, and assessments have concluded that it has no impact on children’s rights. Ultimately, it is about improving access to justice, giving individuals a fairer opportunity to pursue their existing rights and ensuring consistency across England, Wales and Scotland. It is a practical and proportionate change that will benefit both workers and employers. I commend the order to the committee and am happy to answer any questions that it might have.

The Convener: Thank you for your statement, minister. Colleagues, do you have any questions?

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): Good morning. The bit that interests me is whether the workplace issues that are happening right now will be resolved. Will some be thrown out because they have not made the deadline? Will some incur more costs? How did you come to the conclusion that this was the right thing to do? To me, it looks like there is a policy point that divides between ensuring that issues are resolved internally through an ACAS conciliation, on one hand, and helping workers and strengthening their rights, on the other. How did you come to understand that the order would be beneficial for Scotland?

Tom Arthur: On cases that are potentially live now, I draw your attention to the transitional provisions that are contained in the amendment order.

I am also conscious—although I know that you did not ask about this specifically—of the time difference in commencements between 1 October and 9 November. We sought to avoid that difference, but it is a practical consequence of the electoral cycle in which we found ourselves as we went into the May election. We have worked at pace to introduce the order at the earliest possible opportunity.

I touched on the fact that this is about consistency of approach across England, Scotland and Wales. The nature of the provisions is such that ministers must make the order with the agreement of the Secretary of State. That agreement has been sought and confirmed, which is why we are able to introduce the order.

We are moving the time limit for claims from three months to six months, which brings wider consistency with similar measures, as I said in my opening remarks. Although the order does not ultimately necessitate that an individual pursue a particular means of addressing or remedying instances that they find unsatisfactory, it provides the opportunity to engage through processes of conciliation, whether internal or otherwise. Fundamentally, that gives greater flexibility.

It should also be recognised that, even with the existing Employment Tribunals Extension of Jurisdiction (Scotland) Order 1994, which set out a three-month limit, there is the opportunity for flexibility—if individuals seek it and permission is granted.

I ask officials to give a bit more detail on the flexibility that exists, to provide clarity about what is changing legally and how that compares to what is changing practically.

Susan Robb (Scottish Government): There is currently provision to extend the timescale if someone requests it, so the period may be longer than three months. However, the change under the proposed order will ensure that the longer period of six months will always be available if it is needed. That is not to say that issues cannot be resolved before then, but people will have a longer period of time if they need it.

Rachael Hamilton: I would like further detail. My concern is that it will take longer for current workplace issues to be resolved. I am not objecting to the change in any way—it is good to have a consistent approach in England, Wales and Scotland. I am simply interested in the details of the change. An opportunity to resolve workplace issues internally will cut the number of tribunals, but this could also be detrimental to people who are currently in the queue. An issue will take longer to resolve and may incur further costs. I just want to put that on the record.

Tom Arthur: It is an interesting point, which is applicable not only to this matter. When we are considering any period of prescription in a statute of limitations, there is a question as to where we set a particular deadline. Does this change incentivise people to work in a more focused way to find informal internal means of addressing the issues that have given rise to the complaint, or do people ultimately just roll with it? Do they feel incentivised to resolve the issue internally and that a longer deadline provides more space for that internal conversation? Does a shorter deadline ultimately push people into formal proceedings? There are arguments both ways, and your point touches on a number of areas in which a time limit of any sort is drawn with regard to when one can seek to enter formal proceedings. Ultimately, it is a question of judgment.

As I tried to convey in my opening remarks, this change brings a degree of consistency, so that the approach is consistent with that of the other nations in Britain. To go back to Susan Robb's point, existing provisions offer the opportunity to seek an extension. Therefore, I think that the new approach is proportionate and balanced, and that it—I reiterate—brings a degree of consistency with the other parts of Great Britain.

The Convener: I will come in on that point with a more general question that builds on the theme that Rachael Hamilton talked about. In the programme for government, minister, you set out a commitment to reduce bureaucracy and align with better regulation principles such as regulating last, regulating simply and regulating flexibly. Did you assess this regulation against that desire as set out in the programme for government?

Tom Arthur: The focus on the better regulation principles in the programme for government is an ongoing process. There was a real focus on it during the early to mid part of the previous parliamentary session. For example, the new deal for business process involved a lot of concentrated work in partnership with business to identify opportunities to consider not only existing regulation but, importantly, the processes by which future regulation would be considered. That is reflected in the programme for government and will inform and shape the Government's approach to regulation as we move forward.

With this change, we will see consistency more broadly within the changing employment rights landscape, as we have seen with the Employment Rights Act 2025. We very much welcomed the 2025 act. We felt that it could have included stronger interventions, but it nonetheless represents progress. Fundamentally, in many respects, it put a lot of what we have been trying to achieve through our fair work principles and conditionality in grant funding on a statutory footing. As such, we saw it as beneficial; its requirements provided clarity and helped to create a level playing field for those who voluntarily pursue fair work objectives in line with what the Scottish Government seeks to incentivise. The 2025 act should always be envisaged as a floor rather than a ceiling.

More broadly, we are thinking in a careful and considered way about the proportionality of regulation in the employment rights landscape. We want to ensure that regulation is undertaken in the context of our fundamental aim during the current parliamentary session, which is to grow the economy, as we recognise how important that is to achieving all the other outcomes that we wish to realise over the next five years. Proportionality around all regulation is important. Although that approach to proportionality predates this parliamentary session, it is reflected in the programme for government and is, of course, brought to bear in any ministerial deliberations with regard to introducing regulations.

The Convener: Okay, thank you. There are questions on this from all members. I will bring in Martyn Day first.

09:45

Martyn Day (Falkirk East and Linlithgow) (SNP): I think that this change is broadly positive and I am grateful for the minister's explanation, as it answered most of the questions that I had. However, there is one outstanding area that I would like clarity on. How will workers and employers be informed when this new six-month limit applies? Also, will there be any mitigation or confusion in relation to the earlier English start date?

Tom Arthur: The point about avoiding confusion with the start date for England—and, indeed, Wales—is an important one. I do not want to get ahead of myself, as this is subject to the agreement of Parliament. However, should the committee agree and should Parliament ultimately approve this order, the Government would, of course, seek to communicate in the usual ways. It would be confirmed as having been approved by Parliament, and it would come into effect on the designated date.

I am happy to ensure that we engage with the appropriate authorities so that the correct notification takes place. Understandably, the order will be on the radar of relevant parties and those with relevant interests. They will be monitoring its progress through Parliament, and that would naturally be disseminated through their networks without any involvement from Government. However, I am happy to consider what more could be done to support Government communications on the matter, subject to the agreement of Parliament on passing the order.

Gary Bouse (Falkirk West) (SNP): There is no sense in me asking my question now, as I have found the answer.

Kate Campbell (Edinburgh Eastern, Musselburgh and Tranent) (SNP): I have no questions either.

Daniel Johnson (Edinburgh Southern) (Lab): This order is undoubtedly welcome. Having more time to lodge proceedings with employment tribunals clearly gives more flexibility—I think that three months is very short. However, we know that an increasing volume of cases are being brought to employment tribunals. I am interested in the Government's view on the possible impact of the change on that volume and on the projected resolution of employment claims. Also, given that there are additional, and very welcome, rights coming from the Employment Rights Act 2025, are there any other workload considerations? Ultimately, a swift resolution to these matters is important and throughput is an important consideration.

Tom Arthur: I covered some of those points in my supplementary answer to Rachael Hamilton, recognising that, in other areas, the desired outcome and intention of deliberations around extending timelines have been to provide more opportunity for internal resolution by giving a greater period of time in which someone can consider whether to pursue a matter formally. As such, one would hope that extending that window from three months to six months—not discounting the existing provision for an extension to be sought—would afford a greater opportunity for matters to be resolved without the need to bring them into formal proceedings.

To be clear, those formal proceedings exist in statute. If this order is passed, the timescale for them will extend from three months to six months. I do not want anything that I say to be construed as suggesting that they are not an appropriate avenue or channel for someone to pursue—it is there in law. However, one would hope that, with that longer time period, the greater opportunity for resolution short of formal proceedings could have a positive impact on the workload that was being generated.

On your broader point about understanding the implications of the strengthening of employment rights following the 2025 act, we will have to see how that plays out. The act was passed last year, but some of the provisions will take time to come on stream, so we will have to pay careful attention to and monitor what happens. The committee will understand that this is a reserved area of legislation, but we need to recognise where it interacts with devolved competences as well. We will continue to monitor the situation. If there are indications that additional resource is required, ministers will consider that.

Alison, do you want to say more about the Government's role in monitoring any demand that might be generated as a consequence of the Employment Rights Act 2025?

Alison Moore (Scottish Government): As the minister said, employment law is a reserved area, but we are engaging with United Kingdom Government officials to ensure that there will be no issues and that no further backlogs will build up because of the time limit being extended. We will keep that under review and will raise any issues with the UK Government to ensure that resolutions are put in place. We do not want the time limit extension to cause any further difficulties; we want it to streamline the process for individuals and employers.

Gary Bouse: I have found another question for the minister.

I agree with the order and think it is positive. My understanding is that one reason for the extension is that three months is a very short period for an employee to reflect on what happened when they lost their employment or when there was a breach in their employment. I think that giving people six months will do one of two things: it will either allow them to move forward to an employment tribunal, or it will give them a bit more time to take advice so that they can do the right thing. Is that a reason why the change is coming in?

I am not sure that it will lead to more tribunals, because, after reviewing the situation, more people might not want to go forward, even if some still do.

Tom Arthur: That is a key point. The change will give people more time to consider their options and to think about whether and how they wish to pursue a tribunal. It will give greater flexibility.

As I said, in any consideration of the time period during which one is afforded the opportunity to exercise a particular right, there is a balance between affording rights and opportunities to the individual who might wish to utilise the process and providing certainty for the organisation that might be subject to that process. Those considerations must always be taken into account.

I spoke earlier about generalities. Those instances can bring opportunities to pursue the matter via other means. I am not speaking specifically, but an organisation may have internal processes, or an individual may wish to pursue or explore other means. This is about giving flexibility. It is a proportionate intervention that brings a degree of consistency with what we will see being implemented in England and Wales next month.

Gary Bouse: Dare I use the expression "common sense"? That is what it sounds like to me.

The Convener: We now move to formal consideration of motion S7M-01019.

Motion moved,

That the Economy, Tourism and Energy Committee recommends that the Employment Tribunals Extension of Jurisdiction (Amendment) (Scotland) Order 2026 [draft] be approved.—[*Tom Arthur*]

The Convener: As no members wish to make any other points, I invite the minister to wind up.

Tom Arthur: I thank members for their consideration and press the motion.

The Convener: The question is, that motion S7M-01019 be agreed to. Are we agreed?

Members *indicated agreement*.

The Convener: Are members agreed to delegate authority to me, as convener, to produce a short factual report on the instrument?

Members *indicated agreement*.

The Convener: I thank the minister and his officials for their time. I will briefly suspend the meeting to allow them to leave, and we will continue shortly.

09:54

Meeting suspended.

09:58

On resuming—

Cyber Security and Resilience (Network and Information Systems) Bill

The Convener: Agenda item 4 is consideration of a supplementary legislative consent memorandum on the Cyber Security and Resilience (Network and Information Systems) Bill. I refer members to paper 2. The timescale for consideration of the bill in the UK Parliament means that the legislative consent motion will need to be taken in the Scottish Parliament before the October recess, which limits the options for scrutiny that are available to us. Do members have any comments on that?

Martyn Day: I have a question not on the timescale but on the whole thing. Maybe our witnesses for the next item could answer it. [*Laughter*.]

The Convener: No, they are here for a separate session.

Martyn Day: It would obviously be unfair to ask them.

Rachael Hamilton: You could give it a go.

Martyn Day: When I read through the papers, my only area of concern was that ministers seem happy with an informal arrangement that they will be consulted. I do not doubt that that commitment has been made in good faith or that that will be the case, but how can we be certain that, 10 years from now, several ministers later, such an arrangement will still be honoured? We cannot. That might be an inconsequential issue, which I presume is why ministers are relaxed, but I would like someone to tell me that.

The Convener: I think that that is the case. Do our colleagues from the Scottish Parliament information centre have any comments on that? They do not, but Kate Nevens wishes to comment.

Kate Nevens (Edinburgh and Lothians East) (Green): I, too, had made a note about whether we should seek a written assurance from our Government that it is content that there are guardrails in place for when the UK Government makes amendments to primary legislation, including acts of the Scottish Parliament. I am also keen to understand what is meant by the statement that the powers in question are "narrowly focused". Could we maybe write—

The Convener: Given the timescale, if we are not content to recommend today that the

Parliament should agree to the draft motion, we can write to the Cabinet Secretary for Justice to ask for a quick reply before we do so. Are members content for me to sign off such a letter on behalf of the committee?

Members *indicated agreement*.

10:00

Rachael Hamilton: Obviously, some of our key sectors have been subject to cyberattacks. Looking at the papers, I am slightly concerned about the almost relaxed approach to clause 45, which Martyn Day referred to, and the fact that there is no statutory requirement to obtain the consent of the Scottish ministers on issues such as the resilience of the Drinking Water Quality Regulator for Scotland, because responsibility for that is devolved to Scotland and lies with the Scottish Parliament.

We need an assurance from ministers. I am happy for you to pursue the issue, convener, but I am not convinced that, when it comes to something as important as the resilience of our drinking water quality body, we should trust ministers to speak up.

The Convener: That point is noted. We will write to the cabinet secretary and ask for a speedy reply.

Economy and Labour Market

10:01

The Convener: Agenda item 5 is an evidence session on the state of the Scottish economy and the labour market. I refer members to papers 3 and 4. I welcome to the meeting our witnesses: Professor Stuart McIntyre is from the Fraser of Allander Institute, and Stephen Boyd is from the Institute for Public Policy Research Scotland. I ask them to introduce themselves and to make some opening remarks, after which we will move to questions.

Professor Stuart McIntyre (Fraser of Allander Institute): Thank you, convener. I thank the committee for the opportunity to appear before it today.

I am professor of economics at the University of Strathclyde and, as of this year, head of the department of economics. The Fraser of Allander Institute sits within the department of economics at Strathclyde, so we are all together and all one.

I will kick off the session by trying to draw a distinction between the immediate economic picture and the longer-term challenges. That is an important distinction to make at the outset. In the short run, the picture is relatively mixed. The Scottish economy has continued to grow over the past few years, but business conditions remain difficult. The labour market is starting to soften on key metrics.

In addition, as members of the committee will be aware, for the past few years, there have been a series of challenges around labour market measurement. As a result, we are increasingly having to triangulate across different metrics to understand what is happening. That means that—this has been wise advice for a long time—it is important to look at a broader range of statistics to understand what is happening, but also to look over the longer run and not focus too much on any single data point.

Beyond those short-term movements, which often get a lot of attention, what is more important for the Scottish economy, and more important for the committee to think about, is the longer-term challenges and some of the more structural challenges. Like the UK, Scotland has faced a prolonged period of weak productivity growth. The Office for National Statistics has recently done some work, which I am sure that SPICe colleagues will be able to share with the committee, that slightly revises that assessment as a result of improvements in data quality and measurement. However, fundamentally, that picture remains the same. The situation with regard to productivity growth is not as bad as we thought it was, but it is still an issue.

At the same time, there is a series of issues around labour market participation, especially in relation to economic activity. Those changes are predominantly driven by poor health. Alongside those issues are long-standing challenges to do with demographic and workforce pressures and so on, which several members of the committee will have looked at in the past.

Ultimately, those elements matter because they are the key drivers of improvements in living standards and growth in the tax base, and hence have a direct link with the budget. I know that this is a new committee in a new parliamentary session, but I think that focusing on the fundamental constraints on growth and judging policies on whether they contribute to alleviating those pressures would be key.

We have not lacked economic strategies over the period of devolution. The Fraser of Allander Institute got into a bit of trouble at one point for describing the cluttered landscape of economic strategies; I do not think that we were wrong or that it has gotten particularly better. Reflecting on that period, I think that the 2007 economic strategy was probably one of the best ones—Stephen Boyd might have a different view—because it explicitly was not an invitation to a plethora of different initiatives but instead wanted to focus on the key structural challenges in the economy in order for policies to be judged against them. Whatever views members might have about those policies, the principles were sensible ones for governing an economic strategy. Focusing attention on how particular interventions and policies affect those key underlying structural changes and issues in the economy is much more sensible than thinking about what they mean for next quarter's gross domestic product.

As Stephen Boyd and I have discussed, and as we have mentioned to the convener privately, that connects to the much broader agenda around public tax reform that is at the heart of this session of Parliament. Fifteen years ago, the Christie commission identified a whole series of issues and priorities; looking back at it ahead of this parliamentary session, I see that they are as relevant today, if not more so, than they were then. I do not think that there would be much disagreement about what those issues are; the question is, what will we do to try to address them? For me, the focus of attention in the Scottish economy really needs to be on what those longer-term challenges are and how we address them.

Stephen Boyd (Institute for Public Policy Research Scotland): Thanks for the invitation. I am delighted to be here today.

I have been the director of the Institute for Public Policy Research Scotland since the summer of 2024. Before that, I worked for the Scottish Government for seven years in a variety of economic and labour market policy roles, and between 2003 and 2016 I led on economic and industrial strategy for the Scottish Trades Union Congress.

Stuart McIntyre and I might disagree at some point, but I agreed with pretty much all his opening comments. I will zoom out a bit and make some initial comments. Scotland is doing okay in terms of the economy; I think that it faces similar challenges to all Organisation for Economic Co-operation and Development countries at this moment in time. My concern is that other countries are much better positioned than Scotland is to navigate the great technological, demographic, environmental and distributional challenges of the 21st century—that relates to some of what Stuart has said.

There is currently no credible, coherent economic strategy in Scotland that stakeholders can unite behind. I believe that the current national strategy for economic transformation is not fit for purpose in that respect. There is no clarity around the specialisms and capabilities that the Scottish Government should prioritise, nor around where Scotland would be most effectively positioned in global supply chains.

As Stuart has said, there was quite a bit of clarity and consistency through the economic strategies of 2003, 2007 and 2011, but a lot of that has been lost in the past couple of strategies. This is not a criticism of just the Scottish Government; within the wider debate, there is at times an almost comical failure to connect Scotland's economic challenges to secular global trends and constraints. For instance, what does China's ever-growing dominance of global manufacturing mean for Scotland and for Scottish Government policy with regard to what industries Scotland chooses to support?

Stuart is right to highlight the fiscal challenge that will, I think, dominate this parliamentary session. However, we must be careful about believing that growth will ride to the rescue of that fiscal challenge over the next few years. As you will see on a daily basis, global geopolitics is not conducive to much more rapid growth. We must be frank in understanding that Scotland's devolved powers are important to the country's long-term economic health but can do little in the short term to boost growth.

My final point is that current economic debate is being dominated by artificial intelligence, and we are being fed a daily diet of very exciting stories about what it will mean for the future. Again, I would caution against assuming that AI will ride to the rescue or that there will be an AI-induced productivity surge any time soon. One of my favourite quotes from recent times comes from a 2018 research paper that looked at the impact of AI on economic growth. It concluded that

"growth may be constrained not by what we are good at but rather by what is essential and yet hard to improve."

That is very much the situation that we are in at the moment.

The Convener: Thank you very much for that great introduction. It sounds like you are trying to get us to go back and read some papers from 2007—we will maybe add that to our homework. Colleagues, do you want to come in first?

Daniel Johnson: Just yesterday, the Scottish Government published a paper on regional structures and local government reform. It made me think about Stuart McIntyre's paper on Scottish city regions that was published by the University of Glasgow. I wondered what you made of that Government paper, Stuart, because my reflection is that it looks a bit different from what we might have expected. Would a fair summary of the paper that you published in conjunction with other academics be that it is about collaborating within existing structures rather than creating new, bigger regional structures, or is that an unfair characterisation?

Professor McIntyre: For that piece of work, we went round and spoke with the Edinburgh, Aberdeen, Tay Cities, and Glasgow city region and growth deal groups, teams and partnerships, and carried out a number of sessions with them. I will come to the specifics of that.

One of the key takeaways was that each, in its own way, had done a lot to develop a local partnership spanning local authorities, agencies, higher education, further education and the private sector, which gave them some real strengths on which they were then able to build. The key point was that, rather than starting afresh with a blank sheet of paper, there was recognition that the investment had already been made, the relationships were already in place and—this is a crucial and perhaps underappreciated point—there were also lots of ideas. I do not think that there is always appreciation of the strength of local actors' views on how to develop their own economy. That ought to be reflected in some of those more national policies.

I saw yesterday's announcement. I was looking for lots of detail that did not appear to be there, which was surprising, given the scale of the reorganisation. However, I imagine that it will come. The principle of trying to empower more regional bodies in economic development is a good one, and the right one, given that the economy does not stop at administrative boundaries. Take Edinburgh and south-east Scotland, for example. East Lothian benefits hugely from its proximity to Edinburgh in economic terms. The spillover effects across those boundaries are really important, and we do not want to lose sight of that in our economic decision making.

Daniel Johnson: The reason I am interested in this is that, if you are looking to have a plan for growing the economy, the regional level is a much more sensible and manageable level at which to plan. Certainly, when it comes to things such as infrastructure investment and strategic planning, it makes a lot more sense to do that at a regional level than at a national level, because you can take a more joined-up approach. Would you agree with that? Should the regional level become the primary level as we look towards implementing economic plans that generate real and beneficial growth for the people of Scotland?

10:15

Professor McIntyre: It depends. The principle of asking about the appropriate spatial level at which policies should sit is right, but the conclusion across particular policy areas is a separate thing. I concede that we must think clearly about the appropriate spatial scale at which policies are exercised, as was perhaps nodded to, or reflected, in yesterday's document.

I will give an example that is popular in debates about English devolution. There is a suggestion that fiscal powers should be devolved to mayoral authorities in England, but what would the implications be? A couple of years ago, I worked with Graeme Roy and James Mitchell to write a paper about risk and reward. Politicians often focus on potential rewards without recognising the potential risks. It is easy for local leaders to say that they want those powers, but we need a conversation about why. What are they going to do with those powers? We must also accept that devolving further powers to Scotland brings risks as well as rewards.

Daniel Johnson: There is a lot there. Stephen, do you have any views on that regional question? Did yesterday's paper put us on the right track?

Stephen Boyd: I spent yesterday on a horrendous 14-hour train journey from Penzance to Glasgow and got no chance to read the paper, so I will have to sit that one out.

Daniel Johnson: It does not take long.

Stephen Boyd: In general, we could do regional development better, and the local aspect is another economic component. In other European countries, where the units of democracy are far smaller than ours, there is also a far broader spread of economic activity. I have been searching for years for serious research that tries to connect those two things, because there is a relationship there that I am not sure we can explain.

The Scottish Government is seeking to reconcile having both stronger regional government and stronger local government, but that is a tough task and the timescale for trying to do it is optimistic. We have been falling out about these things for 27 years, so I am not sure how we will reach a workable consensus within three months, but I am glad that we are having the debate.

Daniel Johnson: My other question for you both is about the labour market and skills policy. Stuart McIntyre spoke about economic inactivity and demographics. We need to get much better at upskilling and reskilling, so that we constantly maximise talent and match that to the requirements of the labour market and industry. We are not good at that. To characterise it bluntly, the skill system focuses on young people who are entering the labour market for the first time rather than ensuring that people constantly maximise their skills and talent throughout their working lives.

What should we do to maximise engagement in the labour market and to maximise people's potential? Will creating a single agency within the Scottish Funding Council put us on the right track or do we need to go further?

I put that question to Stephen Boyd first, given his STUC background.

Stephen Boyd: You asked whether there should be more focus on upskilling and retraining. In my introductory comments, I spoke about real challenges, particularly because of our ageing society and technological change, so I think that there will have to be that focus. One reason why the current debate about AI is so unhelpful is that there is an underlying assumption that we have too many people, when we actually do not have enough people in many sectors of the labour market. We must be clear about that.

You could argue that that is not just a Scottish issue but a UK-wide one. We have never done vocational training particularly well and there are many reasons for that. Yes, we probably have not got the public sector support right, but we also have to be clear that employers in Scotland and the UK are not engaged in vocational training in the way that happens routinely in other European countries. In those countries, employers feel an obligation to train young people, whereas such an obligation just does not seem to exist in Scotland.

Looking back through history, there have been a range of attempts to change the institutional framework, but they have all floundered. We have tried to copy institutions and qualifications frameworks from other countries, but employers here do not play ball. We should look at how the public sector in Scotland organises its support, but we also have to be much more demanding with regard to how employers engage with the system.

Again, I do not have a strong view on what the institutional framework in the area looks like. There are some basics—for example, over time, more funding will have to be shifted to support workplace training. That is very difficult, given how stretched budgets currently are. However, we believe that employees will, through the course of their careers, have to upskill and retrain, and funding will have to recognise that.

Professor McIntyre: There is a lot in that question, so I will jump in on a couple of bits.

Stephen Boyd touched on an important point. The data on training in the workplace—I think that it was set out in the committee papers—shows that the trend over time is uniformly heading down. Even within that, a lot of the training is not on new skills that will prepare workers for the future; it is more routine workplace training. That is a big challenge, and Stephen Boyd is right that funding is a big driver in that regard.

On the point about the SFC taking over apprenticeships from Skills Development Scotland, let us see. It is an idea—it might improve the situation, or it might not, but it is going to happen, so let us see what impact it has. There is a huge demand for apprenticeships in manufacturing in particular, and that is one of the things that we should invest in a lot more.

To go back to what was said about regional partnerships, I would be slightly critical of some of those partnerships. They have fallen somewhat into the trap of talking about artificial intelligence and the frontier economy and, around that, about higher education, whereas there is not enough about vocational training and further education. I understand entirely why, and it is not only those partnerships that do that. Nevertheless, it is important to keep reiterating the importance of vocational training and further education.

Stephen Boyd: I have a quick general point about institutional change in the realm of economic development and skills policy. Very often, politicians want to make a quick impact, and one of the ways in which they can be seen to do that is to create institutional change of one form or another.

The problem is that economic development and skills policy is a people business, and the tacit knowledge that exists is hugely important. I think back to the abolition of the local enterprise companies back in 2008. When LECs were abolished, we lost a whole tier of economic development specialists who were embedded in their areas and able to build links between the public and private sector and between different firms in the private sector. When we speak about institutional change in the area, we have to be cautious because, when we do it, we risk losing those people and the tacit knowledge that resides with them.

Daniel Johnson: I have one final follow-up question, based on what Stuart McIntyre just said. You talked about focusing on the frontier economy. I was recently told of another statistic, which is that 40 per cent of Scottish businesses have never accessed any form of formal finance.

Is there a risk that, when we look at economic policy, we are constantly looking at the frontier rather than the everyday, whether that is skills, investment or enterprise support. With all those things, should we be looking at the 80 per cent rather than the 20 per cent—maybe even looking at the 20 per cent would be an improvement, rather than solely at the absolute cutting edge—in order to see growth across the wider economy?

Professor McIntyre: Most of the bandwidth is probably taken up by thinking about those frontier firms, which are competing globally. I know from talking to such firms that they are used to working in different jurisdictions with different policies, and they do not react particularly strongly to any specific policies. Let us consider the Scottish business base. About 4 per cent of businesses in Scotland are owned outside of Scotland. They are responsible for more than half of turnover and more than a third of employment. It depends on the question whether you want to focus on that 4 per cent or on the 96 per cent. In different contexts, you might wish to focus on one group rather than the other.

Stephen Boyd: I agree with that. For delivering clear economic policies, focusing on the 4 per cent is much easier, as those businesses are easier to identify. As Stuart McIntyre will know, there is a great deal of literature in the UK about the long tail of low-productivity firms. There have been myriad policy interventions over the years to try to deal with that, with very limited success.

One that I was involved in, with the Scottish Government, was the productivity clubs initiative, which was launched by Ivan McKee just before Covid, in 2019 or 2020. The purpose of that initiative was to get clubs of small businesses working with and learning from each other about how to introduce new technologies into the workplace and how to use them efficiently. I have not seen any up-to-date evaluation of that initiative, but you might want to pursue that with Prosper colleagues.

Martyn Day: I am new to the committee, and I am getting my head round the sheer scale of what we need to look at. I have a fishing sort of question, which is for both of you. The programme for government has been published, and we are now starting to look at it. Which area of the programme for government is most likely to improve our economic productivity? Equally, which area would have the weakest impact?

Professor McIntyre: I will kick off on the first part of that. Stephen Boyd has been talking about the importance of institutions. One of the real gains of the past 10 years or so has been the advent of the Scottish Fiscal Commission and its work to shine a light on factors affecting long-term fiscal sustainability. The commission’s recent report, which came out earlier this year, before the election, puts down a challenge around public sector reform. I do not think that anyone fundamentally disagrees with the conclusions of the Christie commission in 2011, but it has not had momentum. If the PFG puts proper momentum around public sector reform—given what the Fiscal Commission set out as the implications for the budget of not engaging with it—that is undoubtedly welcome.

Stephen Boyd: It is a great question, and I feel unprepared to answer it, to be honest. Our analysis of the PFG was that it focused heavily on public service reform. We have published extensively on that over the past few months, and we are sceptical about the Government’s ability to deliver its objectives over the course of this parliamentary session. As Stuart McIntyre says, it is an appropriate and laudable objective in many respects but, given the nature of the services that the public sector delivers in Scotland and our ability to shift the rate of productivity growth within those services over the short term, it is a massive challenge. Indeed, the scale of the challenge is generally underappreciated.

There is also a question about how we think about productivity growth in Scotland. It has been structurally low for a very long time. At times, it has been low compared with that of the United Kingdom, and it has been very low compared with productivity growth in some of the countries in Europe that the Scottish Government often wants to compare itself against. Why is productivity growth here structurally lower than in those other countries? The answer to that covers a range of areas, and we would be here for the rest of the morning if we tried to discuss that.

It is generally unhelpful to think in terms of specific policies. Productivity growth is about how the whole ecosystem is functioning—how labour market policies, fiscal policies and business growth policies are functioning. One real problem, which I think is also underappreciated, is the inability to grow companies of scale within Scotland. The PFG's commitment to establish a business growth unit is interesting. In and of itself, establishing the unit is unlikely to achieve much, but it will be interesting to see how that is developed, what it looks like and what agenda is in place.

10:30

Martyn Day: We have so many different enterprise agencies and, to borrow your expression, a cluttered environment. How should we get those agencies to demonstrate the additional economic activity that they create, so that we can monitor and evaluate it?

Professor McIntyre: We come at that in two ways. Daniel Johnson mentioned the work that I have done on city region deals; one of the interesting elements of that work is considering how to make some of those national agencies accountable at a more regional level.

The second way is through the role of the committee. To draw on work that I did on fiscal sustainability and scrutiny, when we talked to former committee members, someone said—this is not the most polished language—that the committee is most effective when it hunts in a pack. Instead of asking an agency such as the Scottish National Investment Bank to say what it has invested in, you could ask it why, and to explain the thought process. Although it could not show you all the confidential documents, you could ask it to explain its rationale.

You could ask the enterprise agencies, SNIB, the SFC and so on to talk you through their thinking. They will not get everything right and they will make mistakes, which you will learn from but, fundamentally, it is about asking them to explain why they think that something is the right thing to do. Then, instead of telling them, "You invested in this business that failed," you can have a conversation about whether their rationale stood the test of time. In SNIB's case, given what it is trying to do, that is kind of inevitable, so assessing its rationale would be a much more useful focus of scrutiny, and the same applies to other agencies.

Stephen Boyd: I would challenge your premise a wee bit, Mr Day. I agree with Stuart McIntyre's introductory remarks that the landscape of strategies is cluttered—that is undeniable, and it has been generally unhelpful for economic development. However, I have never been convinced that there is a cluttered landscape in relation to agencies and various institutions. We have three economic development agencies with clear geographical remits. We need to remember that South of Scotland Enterprise was established as a product of a review in 2016-17 that had been designed to consolidate things, so we have to imagine some kind of coherent rationale for establishing that agency.

I have done a lot of work over the years with Highlands and Islands Enterprise, which pursues a slightly different remit from Scottish Enterprise, for very sound social and economic reasons. Then you have SNIB, which does what it does, and Skills Development Scotland, which does what it does. You often hear that that is a difficult landscape for firms to navigate but I do not think so. I have spent 20 years speaking to firms that have received crucial support from the networks at various points in their journey. They tend to draw on those networks for support with internationalisation and technology development, and then they do not need the agencies any more and move on. That is as it should be, even if part of the consequence is that the agencies do not derive the credit for that support that they perhaps should.

The whole landscape suffers from the lack of strategy to unite around, which I mentioned at the start. The pre-2015 strategies were all based on traditional comparative advantage—they asked what Scotland did best and how we could become better in those areas, and the networks were formed around delivering on those objectives. The lack of clarity around a national strategy has fed into uncertainty and lack of understanding about what the agencies are trying to deliver. We should remember that it is the Scottish Government that directs the agencies to do what they do; they do not have carte blanche in that respect.

Martyn Day: My last area of questions has to do with the international aspect. Why has Scotland not been able to get more international exports? We seem to be stuck at around 20 per cent of GDP.

Stephen Boyd: Some of that is down to industrial structure—we specialise in areas that are perhaps not as conducive to international trade as others. Our manufacturing sector is now about a third of the size that it was 40 years ago. Public sector support has generally been pretty good in that regard. I could cite loads of instances in which Scottish firms went to Scottish Development International and other networks and received useful support with internationalisation.

There is something to be said for ambition and a willingness to take risks, because a firm starting to export is undertaking a risky endeavour. The issue is very tightly related to the business growth point that I mentioned earlier. We simply have not been able to develop companies of the scale that other countries seem able to produce on a reasonably regular basis.

Professor McIntyre: I do not have much to add to that. To go back to the point about enterprise agencies, there was a time when, under Lena Wilson, the big focus of Scottish Enterprise was internationalisation. Scottish Enterprise has iterated through successive leadership regimes, with quite different focal points. That was a priority of the organisation in the past, but you could argue that that has not been the case for a while, as it has pursued other priorities.

Martyn Day: Looking at international trade in a bit more detail, goods exports to the European Union are lower now than they were in 2019. How much of that can reasonably be attributed to Brexit, and how much to other factors?

Stephen Boyd: I am now embarrassed that I did not mention Brexit in my initial comments. It would be fair to assume that the vast majority of that can be attributed to Brexit. Exporting to the rest of the EU has become much more difficult than it used to be, so it is not surprising that we see the impact of that in the statistics.

Professor McIntyre: You will find—the Scottish Parliament information centre might have already provided you with this information—that the Scottish Government's office of the chief economic adviser undertakes ongoing analysis in its updates of Scotland's trade before and after Brexit. It does a bit of technical analysis behind the scenes to try to show, relative to a counterfactual, the impact, and that impact is clear.

Martyn Day: The UK now has in force its first major international trade agreement since Brexit. I do not know whether you have seen the Scottish Government's "Scotland-India Strategic Market Insight Report", which seemed to be a very well-written paper, with a lot of good direction in it. Do we have sufficient permanent overseas representation to deliver that programme?

Stephen Boyd: We have much stronger overseas representation than we used to. I am not entirely sure what it looks like in India. I have known a lot of the Scottish Enterprise and SDI people who have worked in Asia over the past 10 to 15 years, and they are doing a really good job there.

We need firms in Scotland with the capacity to export, and the public sector can help them to exploit those markets. Looking at the public sector side of things is entirely appropriate for the committee, but that will never provide the full answer.

Professor McIntyre: I am unfamiliar with the extent of our representation in India.

Rachael Hamilton: I want to pick up on some of Martyn Day's points. When the First Minister talks about the economy, he says that foreign direct investment is stronger in Scotland compared with the rest of the UK. Why do we not see the benefits of that FDI in the economy? Why is it that Scotland's business investment, as a percentage of GDP, is among the lowest of the countries in the Organisation for Economic Co-operation and Development? Do those things correlate?

Professor McIntyre: I will kick things off and then hand over to Stephen Boyd. The stats to which you refer are produced by, I think, EY—it is one of the big four accounting firms. Essentially, they measure the number of FDI projects. They say nothing about the number of jobs or the economic value that is associated with those projects. We do well in terms of the number of projects, but that does not really tell us anything else about their nature. Earlier, we discussed health warnings about economic statistics. That is one of them.

However, I reiterate the point that I made earlier about the fact that the 4 per cent of businesses that are responsible for 55 per cent of our turnover and about 37 per cent of our employment are owned outside of Scotland. You could view that as FDI, and, as I say, it is 55 per cent or so of our turnover.

Stephen Boyd: I agree that there is an unhealthy focus on the EY statistics that come out every year, because they do not really tell us what the Scottish Government sometimes suggests that they tell us. I do not think that the FDI projects are having no effect, but they are clearly insufficient to overcome long-term structural problems in Scotland. However, we are in a better place because we are receiving the projects than we would be if we were not receiving them.

Why Scottish business investment has been structurally low—for ever, pretty much—is another of those questions that we have never really nailed. The factors that are most commonly identified are tax and regulation. You can have a debate about various tax and regulatory instruments, but, when you look at the tax and regulatory burdens that Scottish businesses face compared with other countries that have much higher rates of investment, that does not seem to be the story. There are other countries with significantly higher taxes, significantly higher product market regulation, and labour market regulation that is at least as high as it is across the UK, yet they invest much more. Therefore, there is clearly something about the business environment—how Scottish and UK companies are owned and controlled, and the incentives for the executives that run them—that is a factor. However, it is a really complex question, and anyone who offers you a simple answer to it is not to be trusted.

Rachael Hamilton: I am very—

The Convener: Apologies, but I just want to come in with a clarifying question. The high turnover of foreign-owned businesses was mentioned a couple of times. Oil and gas is obviously a sector with an extremely high turnover. Does that skew the figure somewhat? I am from an oil and gas background, so I am interested in that. Do exports skew the figures? We are in the decline phase for the volume of oil and gas exports; they used to be very significant, but they have declined. It is the same with ownership, which tended to be large international oil companies with huge turnovers. Will that make a difference in the future?

Professor McIntyre: As far as I understand the definition of the stats, that is about the onshore economy. There will be an impact from oil and gas because of its onshore elements, but the offshore element—the oil itself, which is kept separate in the national accounts—is separate. However, to the extent that there is onshore activity, it might well have an impact. I do not know what it is; I cannot quantify that for you.

The Convener: Thank you—I just wanted to bring that up. Rachael, please come back in.

Rachael Hamilton: Thank you. Stephen Boyd, you disagree with Muscatelli where he talks about regulation hampering economic growth in Scotland, as well as growth in relation to the tax base performance gap. However, we have seen evidence that with a different approach, £1 billion would have been put back into the public sector over the course of the period of fiscal drag when the gap appeared. Will you explain a little bit more about your thinking on that?

Stephen Boyd: I am certainly not arguing that all regulation is as efficiently applied in Scotland as it should be. However, as an answer to your previous question on why business investment in Scotland is structurally low, I do not find the point about regulation very convincing given that we are being compared with a range of other countries where the tax burden and regulatory burden—the OECD does really detailed work on this in terms of product and labour market regulation—is often significantly higher than it is in Scotland. That is not to say that every regulatory move that happens in Scotland is necessarily desirable or as efficiently implemented as it might be. There is always a reasonable debate about specific regulations. Are they necessary? Are they being efficiently applied?

10:45

Over the past few years, the business community has raised a range of concerns about various regulatory mechanisms, and it has sometimes been right to do so. Are any of those mechanisms, in and of themselves, sufficient to explain Scotland's relatively weak economic performance vis-à-vis that of the other countries to which I referred? I really do not think so. The changes that the business community wants may be desirable, and they might accumulate to make a very small difference, at the margins, on economic growth. However, the argument that those regulatory mechanisms are the final explanation for Scotland's relatively weak performance does not stand up.

Rachael Hamilton: That brings me to the substance of what I hope will be my final question—I say that to give the convener an idea of time. It is about decentralisation of economic policy, which seems to be being discussed in many circles at the moment.

In the programme for government, the First Minister announced his intention to have a high-growth unit and a major projects office. Ivan McKee is looking at public sector reform but is perhaps not looking at the Christie commission's recommendation that we should use preventative spending to deal with the health issues that Professor McIntyre talked about. What is the right approach here? Should we have more centralisation or less centralisation?

Professor McIntyre: I return to what I said to Daniel Johnson: we need to think about what the appropriate level is at which to exercise such policies. We might well want them to be exercised centrally in some cases, but, equally, for other things, a much more local approach might be needed.

On the moves that have been announced in the past 24 hours, I do not know how much thought has gone into how what the Government is proposing aligns with the appropriate level at which to exercise particular policies. The Government talks about the fact that we have existing regional partnerships. Are the areas for those existing regional partnerships to become the same for whatever the upper tier is, or are they to be something different, as is the case with the three enterprise agencies, which do not align with the city region deal areas? Is the plan to try to align the various bodies and to give a bit of thought to what the appropriate level at which to exercise the policies should be?

I do not know the answer, but that should be part of the conversation, because we need to think quite deliberately about whether we want particular types of policy to be operated across a whole region, which might bring efficiencies and economies of scale, whether we want them to be operated much more locally or whether we want them to be held centrally. We have not yet had that conversation, and, like Stephen Boyd, I am worried that three months might not give us enough space to do so.

Stephen Boyd: The high-growth unit and the major projects office are potentially very welcome additions, but establishing the institutional structures, in and of itself, will not achieve very much. We look forward to hearing much more about what those offices will do and how they will do things differently from what has gone on in the past. In particular, what the high-growth unit understands the problem to be and how it intends to go about addressing it will be crucial.

I have very little to add to what Stuart McIntyre said. All that I would say is that we need to have a credible and coherent national economic strategy from which we might choose to decentralise components, and I do not think that we have that at the moment.

Kate Campbell: Thank you for what has been a very thought-provoking discussion. You have presented us with quite a few challenges that we will not get answers on today but will need to reflect on.

I want to pick up on the issue that Stephen Boyd raised in his opening remarks about how, since 2015, there has been no clarity in the economic strategy on specialisms and capabilities and how those should be prioritised. You came back to that in one of your subsequent answers. As a committee, what can we do to help in that regard? Who should be responsible for identifying the priorities for those specialisms and capabilities? In your view, what should that prioritisation look like?

Should we be prioritising employability or education opportunities? Is it about how we look at regulation in those particular sectors? I am interested in the detail of how you would see that working.

Stephen Boyd: There is quite a lot in there. Again—I am sorry; I am at risk of repeating myself here—I go back to the first three economic strategies that were published since devolution: the framework for economic development in 2003 and the first two strategies that were published under the Scottish National Party Administrations in 2007 and 2011. Those strategies all articulated what they understood Scotland's economic strengths to be, and they had a story to tell about how the Government would support Scotland to develop and extend those strengths.

Although the 2015 strategy was far from being a bad strategy, at that point we started to lose some of that clarity. We have gone through a range of stages since then, such as the wellbeing economy, community wealth building and the national strategy for economic transformation, which tried to cover myriad different areas. The type of clarity that we had previously on what Scotland is good at and how the Government can support us to be better in those areas has now been lost.

The reason that I talk about specialised capabilities is because that language is used by an economist called Richard Baldwin, who is one of the world's main trade experts. He argues that in the current world, it makes no real sense to talk about comparative advantage, because very few countries can produce the final product. At the end of the day, there is a whole supply chain that goes into making a product. Countries should therefore think about their specialisms and capabilities and where they fit into global supply chains.

At the moment, with Scotland remaining in the UK but out of the European Union, and with the world's biggest and most powerful economic countries becoming increasingly interventionist, there is a rich debate to be had about what that means. I do not think that we have had that debate.

I will give an example. There is a lot of talk about how the Scottish Government has supported Alexander Dennis in Falkirk, which is our only bus manufacturer of any scale—it is almost solely responsible for the line on vehicle manufacturing in Scotland's gross domestic product statistics. When the company's only main competitors are based in China and they are being flooded with cash from a Government that wants to dominate every manufacturing supply chain, what does that mean for it? It raises profound questions about the extent to which we can support firms that are up against that kind of competition. I am not pretending to have a final answer to that, but we need to have that debate.

That brings me to your second question about who should be responsible for doing that thinking. The Scottish Government has to take the lead, but it can do so effectively only by working in close partnership with the academic, business and trade union communities, and others.

We should be trying to form something that looks like a national consensus around these issues. We do not have to agree on everything, but there should be some kind of agreement about where we should be focusing our limited economic support and means in helping with development. That would be useful.

I think that you asked me something else, which I have forgotten.

Kate Campbell: It was mainly about the what and the how. I will not put you on the spot and ask which sectors we should prioritise; I am thinking in a broader sense—ach, it is just so hard. Are we thinking about where we sit globally, and therefore about things that we can export? Are we thinking about our own internal economy and things such as services and building homes?

How do we make those comparisons? You have set us a big challenge to think about our economy. We often think about our economy within itself, but thinking about where we sit globally and about the challenges, as you have outlined, creates a whole new set of problems that we have to consider. How should we, as a committee, approach that?

Stephen Boyd: We have to think globally at the moment. The world has changed profoundly in the period since the financial crisis. We can look at how the current US Administration approaches the economy, and at the incredible success of China's 2025 industrial strategy and that country's ability. As we sit here today, it looks as though China, if it puts its mind to it, can dominate any manufacturing supply chain. There are profound questions for Scotland around that.

As you also say, there is a range of other issues that we need to think about. There has been an unhelpful discussion around industrial strategy in which industrial is synonymous with manufacturing. We are good at financial and professional services, and any industrial strategy must look at the services that we are good at providing.

On what the committee could do, we are reluctant to tell you your job.

Kate Campbell: You can make a suggestion.

Stephen Boyd: Some of these questions should be put to ministers and to all stakeholders. Our economic debate is much too insular and parochial at times, and I think that people should be tested on the issue. I understand the political imperative. The national strategy was a 10-year plan, so you do not want to dump it after four or five years—I get that—but the changes in the world economy since 2022 have been really profound. Ministers should be tested on why they believe that their current economic strategy remains fit for purpose, where they see Scotland fitting into global supply chains and what they think we are good at. The public sector does not have to support everything that we are good at; some of those sectors will take care of themselves. We need to consider how we can support and nurture the sectors that really need that support and where we should be putting our money.

Kate Campbell: You spoke about focusing on what we are good at, and you were, I do not want to say disparaging, but slightly dismissive of there being too much inclusion of the wellbeing economy, for example. I will give you an opportunity to respond to that.

To me, it feels important that the things that we are good at are also things that are good for us. When it comes to any analysis of what Scotland is good at and how we should support those areas or sectors in the economy, should we also be thinking about how those parts of the economy contribute to Scotland in terms of good employment, well-paid jobs, not taking too much out of the environment or our resources, and other such factors? I feel that they are important parts of how we consider the economy.

Stephen Boyd: Absolutely. I was not being dismissive of the wellbeing economy as such; it is just that there was a flurry of different strategies between about 2017 and 2022 that I think introduced a lack of clarity to what the Scottish Government was trying to achieve around economic development.

In my opening comments, I spoke about the great demographic, environmental, technological and distributional challenges of the 21st century, and I would emphasise the last one, which is very often overlooked. We talk a lot about AI, but, again, much of the debate is profoundly unhelpful. We know that technology companies have very concentrated ownership structures, and the wealth derived from those concentrated ownership structures has been used to influence politics and the structure of the economy; therefore, we must be very clear about those issues.

Gary Bouse: I will try to run through a few points quickly.

I will talk to you another time about the 4 per cent and 96 per cent of businesses, but I probably disagree with what you said about that. The international companies have been using AI, but they understand it; they have good staff, so they retrain and upskill them. That is my personal experience with a couple of those companies. Councils are also doing a bit of that, so I think that the 96 per cent is probably where the work is. I think that you are pushing at an open door with the 4 per cent.

There are many things that I could ask you, but you have already covered a number of points. Taking into account the banking crash and then austerity, followed by Brexit and the pandemic, I understand why there have been a number of changes since 2007, so I will take your recommendation and take time to read the 2007 strategy.

On the higher rates of investment in other places—although we have more projects—are energy costs part of the issue in bringing large industry here? We all know the problems that we have with energy costs in Scotland.

11:00

I am the MSP for Falkirk West, and I live in a place called Larbert. You brought up Alexander Dennis. The situation there concerned me before I became an MSP. I was in meetings with the people at Alexander's where subsidy control and purchasing regulations often came up, but those things are not in Scotland's hands. Beyond Alexander's, the fact that we do not get to give that support to industry in Scotland presents us with a problem. I had a look at purchasing for Alexander's, which provides a good example. The Scottish Government tried to put in some sort of local support. I know that the UK Government was talking about putting 10 per cent on, but I think that 20 per cent is already in the contract, so I do not know whether 10 per cent coming from the UK is going to help.

The big question really is: how is regulation that is not in Scotland's control, particularly the Subsidy Control Act 2022 and the purchasing regulations, affecting investment? I know that that is a huge question—apologies.

Professor McIntyre: I will take the first couple of those questions and maybe Stephen Boyd can take the latter ones.

I am not sure that we disagree on the point about 96 per cent versus 4 per cent of businesses. Our point was that those 4 per cent of firms operate globally and do not require to be told what to do or to receive much support in that sense. They are operating in global markets, recruiting and seeking to retain staff globally. I am not sure that we disagree on that.

One of the good things about the 2007 strategy, like the previous strategies, was that it recognised that the powers that sit with the Scottish Parliament, then and now, are focused predominantly on the supply side of the economy, so the strategy's emphasis ought to be on the supply side, too. It told the public sector "If you are coming forward with policies or proposals and taking action, you should be thinking about how they help to strengthen the supply side of the economy, because the powers to do that sit with you." That clarity was important. The strategy asked, "What can we influence?" and then challenged the agencies to align with that.

To pick up Kate Campbell's point about the wellbeing economy, none of that changed the Government's focus on caring about a series of other issues. It simply started to quantify whether the Government had as its core focus the supply-side drivers that it could influence through policy, as opposed to a broader basket of policies that would influence a wider range of outcomes in which it had an interest but that were not core to its economic powers.

Stephen Boyd: With regard to UK regulations, of course they affect Scottish businesses. The majority of regulations that Scottish businesses face come from the UK Government, which has total control over labour market regulation and the vast majority of product market regulation. I think it is entirely legitimate for the committee that is hearing from businesses in Scotland that are affected by UK regulations to articulate that in its reports.

You were hinting at procurement law in relation to the situation at Alexander Dennis. That feeds back into my previous comments about how the Scottish Government, and indeed the UK Government, can best support local producers in a world where China and other countries are significantly subsidising their producers. I do not think there are any easy answers to that. There is a real risk that the Government gets into a situation where it is handing out subsidies with very little demand on employers, which I do not think is in anybody's long-term interests. It is also about whether it is just and fair to allow firms to go to the wall when they are facing what I would argue is generally unfair competition. Those are really profound questions.

Gary Bouse: That is a good point. I mentioned the Subsidy Control Act 2022 in particular, but procurement regulations have also been a big challenge. We were talking about Alexander Dennis, but I am also thinking about large industry throughout Scotland, where that is an absolutely massive challenge. What you said about China and the way that it is looking to go with markets goes back to 2007, and that is the circle of my questions.

The Convener: I am cognisant of time and the need to bring the discussion to a close.

In very high-level debates such as this we tend just to scratch the surface, but a number of really good themes have come out. There was quite a good comment about the lack of clarity on Scotland's strengths in this version of the economic strategy, and good context was provided by the reflections on the changing nature of the global economy, especially with the emergence of China's industrial economy, an emerging Indian economy and an emerging African economy.

Martyn Day asked an excellent question about how we should consider the programme for government. In your answer, Mr Boyd, you tended to focus on the public sector reform agenda, which is slightly outwith the scope of this committee. I understand the point that you were making, but if you were to speak directly to the cabinet secretary about economic issues, what would be your criticisms of the current programme for government? How would you phrase those?

Stephen Boyd: The cabinet secretary and I have already spoken, but I would be looking for more clarity on some key points. The high-growth unit and the major projects office are really interesting, but I do not understand what the Government perceives to be the problem and how it will address it through those new offices.

Related to that, there is no published remit yet for the national council for economic growth, which was in the SNP manifesto and has now met. The council was established in a similar fashion to the long list of such councils that have been formed during devolution, none of which have left a particularly strong mark on the Scottish economy. I would be looking for more clarity about what the First Minister and cabinet secretary expect to achieve through the council, how they are going to achieve it and what the council's remit will be. I am looking for additional detail and clarity on what the Government is trying to achieve on the economic side of the PFG.

Professor McIntyre: That goes back to something that I was going to say earlier. It is about understanding what you are able to influence, what you are able to do and what you need to work in partnership with others on, whether internationally, with the rest of the UK or with local authorities. In a broader sense, this is an area in which we have to collaborate, because powers lie in different places, and local needs are different from national priorities. There have been various iterations of the council over the years—I do not remember all the acronyms for them—but perhaps yesterday's announcement will lead to a conversation about the implications for local and regional economic development.

Before the most recent Scottish election, my colleagues and I raised the issue of working with the UK Government, which, although it does not have the policy levers that are devolved, still has a stake in the performance of the Scottish economy. It has other powers, and even where it does not have powers, it is still doing things in the economic space. Whether that is high-profile levelling-up initiatives or interventions, there needs to be a degree of recognition that not all the powers that we need to deliver all of this are in Edinburgh, and that we have to work in partnership.

The Convener: I will conclude the evidence session there. It was another tremendous session, and I thank our witnesses for answering our questions. There were a lot of wide-ranging questions, which you answered extremely well.

As we have said to the other experts that have come before the committee, if you have reports or anything that you would like to draw to our attention, we are very open to that, and the committee may want you to address questions that result from that. Thanks again for your time.

11:10

Meeting suspended.

11:18

On resuming—

Energy Sector

The Convener: Agenda item 6 is an evidence session on Scotland's energy sector, and I refer members to papers 5 and 6. I welcome Professor Paul de Leeuw, the director of the RGU Energy Transition Institute at Robert Gordon University in Aberdeen, who is joining us remotely. Thank you for joining us today, Paul. Please introduce yourself and proceed with your presentation.

Professor Paul de Leeuw (Robert Gordon University): Thank you for the opportunity to contribute to your committee meeting this morning. I apologise that I cannot be there in person, but I have another event to attend, so I am trying to manage this in the smartest possible way. I have been an industry professional through and through, and I now work at Robert Gordon University in a think-tank and advisory capacity for a wide range of organisations.

I will set the scene for what will happen in the next five to seven years of the energy transition in the oil and gas and renewables industries, particularly from the perspective of Scotland. That will build on some of the evidence that you heard earlier this month from Professor Sir Dieter Helm and others on what is taking place at the moment. If it is alright with you, convener, I will show the committee several slides and quickly go through them, which will open the door to conversation.

The big story that you will hear from me is that the world has changed and that we need to change as well. I will share my slides onscreen, and if somebody could tell me when they can see them, that would be great.

The Convener: We can see them now, thank you.

Professor de Leeuw: Perfect. Thank you.

As I said, I will give you a bit of context about what is happening in the sector. The committee has already heard from a lot of people who have provided this kind of information that the world has fundamentally shifted in the past couple of years. I want to talk about that, because a shifting world means that policy needs to shift, too.

I will give you a characterisation of what has happened in the world of energy in the past couple of years. From what played out with Covid-19, to what happened when Russia invaded Ukraine, the sabotage of the Nord Stream pipeline, tariffs and the conflict in the middle east, there has been huge volatility in global energy markets. Of course, that is nothing new; you will be familiar with such volatility. The question is what role energy plays in our national economy. From a UK and Scottish perspective, the issue relates to national security, energy security and economic security, which absolutely go together. It is now a fundamentally different conversation.

That links to the question of what role we as a nation play in this situation. At one end of the spectrum, the climate emergency has not gone away. With all the droughts, wildfires and heatwaves, the emergency has only gone one way: up. However, another global supply reality has emerged that was not previously very visible. After all the issues that you can see on the chart, the world's shock absorbers have broken down. Every time there is a shock, there is massive volatility, which puts a spotlight on our energy system. Sir Professor Dieter Helm has already talked about that in a powerful way. That volatility makes national treasures such as the North Sea critical and raises questions about how we use it as an energy base in the future.

Interestingly, that exact conversation is now live in other countries around us in north-west Europe. Norway is providing as much energy resilience to Europe as possible. Europe is highly energy-dependent and needs to get supplies from other countries. There are only two countries in Europe that provide significant quantities of oil and gas: the UK and Norway. Norway does not use its own oil and gas; everything is exported. However, it uses the proceeds from oil and gas to accelerate its renewables industry, which has been hugely successful.

The Government in the Netherlands recently changed its policy. It is considering having far more strategic investment, including exploring for more gas in the Dutch part of the North Sea, to ensure energy security in the country. Denmark, a stalwart of net zero, has redeveloped its Tyra gas field and extended licences for oil and gas to 2050, and it is now self-sufficient in gas. Germany and Poland are also changing. The world around us is changing.

A relevant question for this committee is how we ensure that our energy policy is right for the future. Getting a balance between long-term planning and the kind of investment profile that the earlier speakers talked about will be key. Energy pragmatism, which you will hear me talk about a lot, will be critical in this conversation.

That leads to my next slide. I have only four slides, so rest assured that I will not keep you much—[*Inaudible*.] This picture comes straight from the Government playbook. The picture on the top left comes from the Department for Energy

Security and Net Zero, while the picture on the top right comes from the Climate Change Committee.

I will reiterate what is happening to our energy supply. As a committee, you will be familiar with the fact that the vast majority of primary energy in this country—75 per cent—still comes from oil and gas. Renewables are growing, but that will take time. What is happening in that transition from one to the other is critical.

For those with long memories, in the years 1999 and 2000, the UK produced a supply of 4.5 million barrels per day and was among the top 10 producers in the world. Supply has been going down quite rapidly over time. It is nothing new; we have had a quarter of a century of decline. The UK is a world leader in decline management.

However, the issue is demonstrated by the top line of my graph, which shows demand. It uses units of millions of barrels of oil equivalent per day to show the amount of oil and gas that the UK needs for transport, heating and industrial processes, including chemical plants. The UK uses about 2.5 million barrels of oil and gas per day, and we produce about 1 million barrels per day. It is worth noting that, every day, as long as there is demand, we are importing the remainder. That is worth noting because the fundamental question is, where will our energy security come from if we make the transition to a far more electrified system?

That is what the picture on the right is about, which, as I said, comes from the Committee on Climate Change. There is a real recognition that oil and gas will be part of the energy mix for a long time to come. At the moment, it is predicted that we will consume something in the tune of 13 billion—yes, billion—barrels of oil and gas equivalent between now and 2050. About one third of that will come from the North Sea, and the rest will be imported. That is why what we do with Jackdaw and Rosebank is important. There is a massively polarised debate, with the climate emergency at one end and the economic and energy supply argument at the other, but the issue is hugely important because, if we do not have those projects, where else will the resources that the country needs come from? The conversation is a lightning rod.

It is worth noting that the UK is a relatively small player and Scotland is even smaller. The world consumes the equivalent of Jackdaw and Rosebank's reserves every three days. On average, the equivalent of 121 Jackdaws and Rosebanks is consumed around the world every year. Although it is an important conversation for the UK from an energy policy and long-term planning perspective, it is a relatively small issue when considered in the context of what we need to do to provide energy security and address affordability and climate emergency issues, as well as supply chain and other long-term challenges.

When we look at the transition from oil and gas to renewables, the decision is about what we do with the industry. Will there continue to be a managed decline, as has happened over the past 25 years, or will a shift in policy accelerate that decline? Every major oil and gas company has now pulled out—[*Inaudible*.] BP has just announced—[*Inaudible*.] TotalEnergies is gone, Shell is gone, Equinor is—[*Inaudible*.]—and BP is selling off assets. There is a message in that: it is not that they are not investing, but that they are no longer investing in the UK. That raises questions about the competitiveness of the UK as an energy base. We have never spent as much money on energy around the world; that money is simply not being spent in the UK. That is a fundamental question because there are implications for the energy transition. The capabilities that we need in oil and gas are exactly the same as those that we need to develop our renewable energy future.

I will take you to the next slide, which puts that in the context of what it means from the perspective of jobs and employment, which will play out in the coming years, particularly during this session of the Scottish Parliament and over the next five years of the committee. Across the UK, just over 150,000 people work in the offshore energy industry in oil and gas, carbon capture and storage, hydrogen, and offshore wind. More than 115,000 work in oil and gas, and the remainder are in renewables—[*Inaudible*.]—in the UK and the north-east of Scotland, particularly in Aberdeen and Aberdeenshire.

About one in 220 people in this country work in or support the oil and gas industry and the wider offshore energy industry. Scotland has a smaller working population, so there is a higher concentration: one in 30 people in Scotland work in or support the offshore energy industry. If we look at the AB postcodes in Aberdeen and Aberdeenshire, that figure is one in six. Including—[*Inaudible*.]—jobs, it is closer to one in five or one in four. That is a big deal because, the closer you get to the area, the trickier and more politically sensitive the issue becomes. It is no surprise that oil and gas was a major subject of debate during the by-election in June.

11:30

The obvious point that is worth noting is that, if we decline the oil and gas industry quite rapidly—I will show you this slide in a minute—there will be a real economic impact that we do not tend to talk about, and that is to do with salaries. Salaries in the oil and gas and offshore energy industries tend to be up to two times higher than the average income level in Scotland. If you want to keep the economy at the same size, for every one person you take out of the offshore energy industry, because the job is not here and they go somewhere else, you have to backfill multiple job opportunities elsewhere. That is a real challenge, which I will talk about later.

I want to spend a little time on my fourth slide, which is about timing. The committee has heard plenty in earlier evidence sessions—certainly the ones that I have listened to—about the kind of journey that this is and about clarity. This is not about the destination. We need a cleaner, greener world, and we need to take fossil fuels and hydrocarbons out of the equation. This is about the journey and how we will get there. The chart on the slide that you are seeing now maps out the workforce and the people who work in the offshore energy industry over time. What you see happening in that chart for both oil and gas and offshore renewables depends on the scenario of decline, whether accelerated decline or managed decline. You can see that, over the next five to seven years, particularly in the north-east, the oil and gas workforce will decline faster than the renewables industry will grow, which will create a dislocation.

As a result, people are saying, “Listen, I would love to transfer 90 per cent of the people in oil and gas to adjacent energy sectors, but the jobs are not there.” We call this the Goldilocks zone: if we get it right, we can take all the capabilities—the world-class supply chain, the world-class workforce and the ecosystem in the north-east and across Scotland—and apply them to the offshore energy industry and grow what is in ScotWind, carbon capture and storage, and hydrogen. If we get it wrong, all those people and the supply chain will simply go elsewhere, and we will not have the workforce that is required to develop the renewables industry.

As we wrote in our recent report, “Delivering Positive Energy”, the one thing that is really clear is that, if we want to make this a successful transition—a fair and managed transition—co-ordination over the next five to seven years, encompassing the lifetime of this committee and this parliamentary session, will be critical.

The prevention of job losses should be prioritised far more highly than impact mitigation. It is lovely to hear people say, “We will give you money to do an upskilling course”, but that might because it is a nice thing to do, politically. However, the best thing to do is to keep people in their jobs for as long as possible, so that they can make a seamless transition from one industry to another. That would really help to fill the gap, because many of the skills and capabilities will be very similar.

I am conscious of the time, so I will make a final point in summary before I come back to you, convener. We are at a critical time window. This is not something that we can simply think about. Other countries have already moved quite dramatically on this, as I explained in relation to other countries in north-west Europe. To make this work, we need energy pragmatism across the political spectrum. I have said it before, and I will say it again: we have what I call an IKEA moment here. It is pretty clear where we are going. Look at the picture on the box. It is pretty clear that we have the component parts and the tools now. What we need is absolute clarity of the plan in the middle. If we get it right, we can end up with as many jobs and as many economic—[*Inaudible*.]—as we have now, and probably more. If we get it wrong, we will lose capability and end up with dislocation, less energy capability, and will probably end up importing much more of the net zero—[*Inaudible*.]. This committee, this Parliament in Holyrood and what is playing out in Westminster at the moment will be critical to ensuring that we develop that plan, so that we do not have an IKEA moment in years to come.

I will stop there and take questions.

The Convener: Thank you very much, Paul. My apologies that the audio at this end was a bit unclear, but I hope that members were able to gather as much as possible from your presentation. Kate Campbell has the first questions.

Kate Campbell: Thank you for your presentation, Paul. We could see all the slides, but we could not hear all the words. Apologies if you have already covered this, but I am interested in the factors that you see as being critically important in terms of ramping up job creation. Are they challenges around the grid, such as constraints and curtailment; battery storage to overcome those issues; investment certainty; or other factors? What are the main challenges that we face in our attempts to get job numbers creeping up in renewables?

Professor de Leeuw: Can you hear me okay?

Kate Campbell: Yes.

Professor de Leeuw: I am sorry; I did not realise that there was a bit of an issue. I will watch your body language carefully to see whether I should correct my speech.

First, you ask whether investment is an issue. It absolutely is. Of course, Government does not have the necessary money, but it can set a framework that gets investors saying that they want to invest in the UK’s energy system. That is key, but that is not happening in oil and gas or in some of the other elements. As I said in my presentation, the world has never spent as much money on energy as it does now, but that is not the case in the UK, and that is not a good message for a G7 country that has the sixth-largest economy in the world to be sending.

The second issue concerns how we do things and what we do. That will be critically important in terms of what happens. What is happening in the oil and gas sector is a good example of what I am talking about. Over recent years, we have made more tax changes in the sector than any other country has done, so the sector needs stability.

The renewables issue is also really interesting. Just think about what we are doing in that regard. We are using the same cables to take the same electrons from the same wind turbines to the same substations as other countries. Other countries can do it in four to six years, but it takes us 10 to 12 years. We face quite an interesting challenge, as our licensing and consenting processes are fundamentally slower than those in other countries. If we acknowledge that we are in a true climate emergency, we really need to speed them up. We can do things differently. Other countries do not issue a licence to a wind farm; they issue a licence with a tie-in and a timeframe. We can give people a solution rather than all the individual parts.

We need to speed up planning, but we can also focus on how we license things. ScotWind is a lovely example. The process was very successful, with everybody involved getting one or two wind licences. However, nobody is big enough to build a factory. We might want to have a greater focus on area developments and activities that involve asking a number of companies to place contracts in the UK. That is not dissimilar to how the oil and gas industry was developed 40 or 50 years ago.

There is a great amount of learning about how to do things differently, but we just need an integrated plan. As I said, this is where Ikea moments come in. We know where we want to be, and we know where we are now; we just need a plan to make the middle part a success.

Martyn Day: I am pleased to say that the audio seems to be improving, or maybe it is just that I can follow it more because I can see your lips.

I have a couple of questions, and my sincere apologies if you covered this in your presentation and I just did not pick it up. What would be the consequences for us in Scotland for the energy transition if the Acorn project does not get a speedy final decision in the timeframe that you were talking about of five to seven years?

Professor de Leeuw: Acorn has many elements to it that represent different faces of the same coin. It is hugely important symbolically. Currently, there are six industrial clusters identified across the UK, with only one in Scotland: the Acorn cluster. If we do not have any clusters in Scotland, that sends a message that they are not a priority for the country. If you want to decarbonise the country, you need activity that will decarbonize the whole UK. Therefore, it is important that you have the Acorn cluster in Scotland.

Job-wise, different estimates are available depending on what phases of Acorn are embarked on. However, having the Acorn project up and running would give people confidence that Scotland is serious about seizing carbon capture and storage and hydrogen opportunities, which would be helpful.

Acorn is part of the mix. Will it completely change my view of the situation with regard to what I call the Goldilocks zone? We are losing more people than Acorn can make up for, so you need many Acorns to replace the oil and gas industry. However, having that project under way would be a helpful sign about the diversification of our renewables industry.

Martyn Day: That brings me to my other point. How many projected job losses are we looking at in oil and gas by, say, 2030? What number of those can we realistically replace with renewable energy jobs in the same period?

Professor de Leeuw: We wrote a report last year, which I am happy to submit as evidence to the committee, called “Striking the Balance”, which is about the UK story. We see the oil and gas workforce potentially halving by the early 2030s, going from almost 115,000 to between 60,000 and 80,000—that is the rough range. It is all to do with the level of activity. If you go for managed decline, you are at the higher end of the spectrum, and if you go for accelerated decline, you are at the lower end of the spectrum.

Losing jobs is nothing new. We have been losing jobs every year over the past 10 years. The issue now is that we need the supply chain and the workforce to build the renewable agenda. There is a real consequence of losing those roles. It is worrying, because oil and gas is declining and the renewable industry is not ready. There is nowhere for those people to go at the moment. That is why we are saying that prevention is better than mitigation and you should keep people in jobs for as long as you can until the cavalry is ready and the renewable industry can employ people at scale.

At the moment, unfortunately, that is not the case. The logic that we have is that investment drives activity and activity drives people and jobs, so if the investment does not go in, the activity does not happen and the jobs will not be there.

Therefore—this relates to Kate Campbell's question—it becomes an investment question and an investment confidence question. If we can get that to happen, we will see the activity and the jobs but, at the moment, we do not see that.

The Convener: Perhaps, on that point, you could bring up chart 4, which was the jobs chart. That was the key point, just to tee it up when the audio is a bit better.

Apologies—we cannot switch it on easily.

Oh, there it is.

Professor de Leeuw: Would it be okay if I say a bit more about what the chart means? I apologise if you did not hear what I said.

The Convener: Yes. I think that we could hear enough, but could you clarify it again and add to the points that Martyn Day asked about?

Professor de Leeuw: We can easily share the chart. It shows—this is for the north-east of Scotland, but the story for the rest of the UK is similar—that the issue between now and 2030 is that oil and gas is declining faster than renewables is growing. There is nowhere for the supply chain or workforce to go, unless you accelerate renewables or manage oil and gas smartly, or a combination of those. That will require good planning and management. That is critical, because transferability of the workforce is key. Get it right, and you can keep people employed and keep a world-class supply chain here. Get it wrong, and those people will go somewhere else. There are plenty of jobs for people to go to at this moment in time.

The Convener: The shape of the chart is to do with the error bands. The blue band is for oil and gas. The activity levels are relatively well known. There could be positives, such as Jackdaw and Rosebank but, in general, we know the direction of travel. The pink band is, in essence, a forecast. When it widens out like that, that is because of the margin of error.

Professor de Leeuw: That is mainly driven by ScotWind activities post-2030. Nothing really happens until ScotWind comes in in 2030. That is the bigger element that you can see on the chart. The top part of the bar shows lots of ScotWind, and the bottom part shows very little ScotWind, so it depends how fast ScotWind ramps up. That is what it represents.

The Convener: Yes, and the majority of ScotWind is floating offshore wind—is that right?

Professor de Leeuw: Yes. It is a combination of fixed and floating.

The Convener: I just wanted to bring in that clarification.

Daniel Johnson: We could do a whole evidence session on the prospects of ScotWind and floating offshore wind.

As another aside, I am pleased that you brought up the timelines for projects, which are 12 years in this country and four to six years in others. I am talking about countries such as Norway and not low-regulation free-for-all countries. Should we be benchmarking ourselves against competitor nations on how quickly we can go from public project inception to delivery, and in particular, should we look at how Norway does things?

11:45

Professor de Leeuw: Different countries do different things. I have talked about the far east and the middle east. My argument is that, because the emergency has increased with the heatwaves, droughts and wildfires, we urgently need to go faster, and that is a compromise that we need to think about. We have democratic processes for planning, consenting and how we do all that stuff, and we need to balance that nicely.

Our argument is that there is probably a middle way. At the moment, compared with other countries, we have hugely slow systems to get our renewables elements in place, and that leads to the bridging question. In 10 or 15 years, if we are sitting here having this conversation again, the world will look very different and we will have lots of the renewables in place.

We need to take the best practice from other countries and think about how we plan things. That takes me back to the conversation that you had a few weeks ago on what the strategic spatial energy plan for Scotland should look like, the regional plan elements, and what the priority will be. We have to start thinking about managing this far more proactively, quickly and smartly as an integrated energy step for Scotland.

The other hugely important question that I would focus on if I was in your position is: what is the outcome? At the moment, as an industry and as a nation, we are in a process conversation about how we build wind farms and develop the grid. I am far more interested in having an outcome conversation. I want Scotland and the UK to have the most competitive, greenest and cleanest energy systems. Basically, we can build an economy on the back of this. How do we make sure that what we do—and the speed that we do it at—gives us low-cost clean energy that is the envy of the world? What I do not want is a slow, high-cost energy system. Nobody wants that, but there is a risk that that is where we are heading, as you heard clearly from Dieter Helm as well.

Daniel Johnson: Yes. That leads on to my other question. You are absolutely right that we want to get to a point where we have low-cost, sustainable, carbon-neutral energy. The question is how we get there. In the meantime—again, this reflects what Dieter Helm said—we are reliant on oil and gas, and that goes beyond just electricity.

One thought that occurred to me when you were making your presentation was that licence applications for the North Sea, and particularly Rosebank and Jackdaw, are treated as binary things—either we do them or we do not. Either the carbon stays in the ground or it does not. However, the reality is that we will continue to burn gas whether those projects go ahead or not. Should we be thinking about this more in terms of the opportunity cost? If so, has anyone done that calculation? If we do not get our gas from projects in the North Sea, where will we get it from? What would be the carbon impact of getting it from those other sources?

Professor de Leeuw: I apologise if you could not hear this, but I mentioned earlier that Rosebank and Jackdaw are lightning rods. There is an issue but, again—[*Inaudible*.] The demand is still there, because we still need energy to warm our homes and we still need it for transport and all the other things. Some 70 to 75 per cent of the UK's primary energy comes from oil and gas.

The question is whether we should do Rosebank and Jackdaw and, if we do not, where else the product will come from. To my mind, it makes complete sense, particularly from a gas perspective, to use what we have in the North Sea. It gives us jobs, economic benefit and funding that we can use for the benefit of other elements, and it is also cleaner than the alternative. For me, it makes sense to do it as a bridge.

We make these things a neat and binary conversation, but the world—I do not believe that you heard this earlier—is consuming a Jackdaw or a Rosebank every three days, so 121 a year. This is a big conversation in the UK, but it is not a big conversation on a world scale. We need to be pragmatic. If we do not get the—[*Inaudible*]—playing out in the middle east and—[*Inaudible*.]

We need to balance the energy portfolio. The most successful countries in the world do not have a binary choice of one thing or the other. They have nice, mitigated energy portfolios and different energy sources. It is critical that Scotland and the UK also have a balanced energy portfolio. I am completely with you—there is a real opportunity cost if we do not—[*Inaudible*.]—methods to reinvest it—[*Inaudible*.]

Rachael Hamilton: According to your report, since 2016, we have lost 14,000 jobs in the oil and gas sector, and I believe that we will lose a further 18,000 by 2035, which equates to an average of 1,600 a year. You said that we should open up Jackdaw and Rosebank to preserve those jobs, but you also argue that there should be a bridging approach to transition to provide jobs in the renewables sector in the north-east. What is the sweet point that moves jobs over to renewables? Have you done any work on that? In which year would that aim be met, and would it be contingent on the Scottish Government opening up Jackdaw and Rosebank?

Professor de Leeuw: There are a few things to note. The figure of 14,000 jobs that you quoted is for the north-east of Scotland only; the national picture is way more than that. That is absolutely right and is from our latest report. Over the past 10 years, we have lost about 18,000 jobs. We gained 4,000 renewable jobs, so that is a net loss of 14,000 jobs. We are potentially going to lose another 18,000 jobs in the north-east of Scotland. One thing to keep in mind is that the north-east of Scotland represents roughly a quarter of the jobs to be lost in the UK. On average, we are losing far more jobs on a monthly basis, which is pretty serious for the UK Government.

We have done a huge amount of modelling, working with all the authorities, and with Government officials at Westminster and in Scotland. From all the work that we have done, and particularly given the delay in the renewables agenda, we see that sweet spot—part of our Goldilocks zone—as being in the early 2030s. We need to sustain as many jobs as we can, certainly this decade and early next decade, before the bigger activity comes in in the early 2030s. That will be critical.

You asked about Jackdaw and Rosebank—the lightning rods—but they are only part of the conversation. If it gets approval, Jackdaw is built and can be on stream very quickly. You do not have more jobs attached to it, other than for operators. Rosebank is also predominantly built but will take a bit longer to get on stream. They will not give you a lot of jobs, but the main message here is that, if you want to keep the oil and gas industry growing for that period until the renewables activity is ready, you need to give investors confidence to invest post-Jackdaw and Rosebank. That would involve a combination of incremental licensing, as is happening in the Netherlands now, with far more, strategically, around it, and new activity, as is happening in Norway. All the countries around us are doing that. All that we are saying is that we should do more of what other countries around us, which have very pragmatic energy policies, are doing. Buy the nation five to seven years. Over time, oil and gas will still decline, but it is really material to get this right.

The other thing that is worth noting is the value price to the UK. I mean value price in many ways.

It includes the environmental price, because some developments, particularly in the North Sea, will have a lower carbon footprint than imports. The North Sea will generate income that we can use to accelerate renewables. It will keep the jobs in the supply chain, but every billion barrels that are extracted—remember that we need 13 billion barrels of oil in the supply chain—at the current price gives us almost a billion more in revenue that we can use to help the Scottish economy and the UK economy.

I am not saying that you should keep oil and gas going—that is not what I am saying at all, because oil and gas will decline. I am just suggesting that you use them as a bridge to help to accelerate renewables. We are going to use the funding, the money, the supply chain and the capabilities to do all the good stuff that we want to do, but we need to use it wisely. At the moment, we are not. We are letting oil and gas decline very quickly, and we are not going to renewables. We get the worst of everything, and then the rest gets imported. That cannot be a good policy for a country the size of the UK or Scotland. That is not a recommended policy.

Rachael Hamilton: Prices are almost unaffordable for consumers right now. The domestic energy prices that consumers face are about £300 or £400 extra per annum. You are arguing that we should have a more pragmatic, bridging approach to transition. Consumers are being levied for the transition to renewables. Would such an approach result in their bills coming down?

Professor de Leeuw: I will make a couple of observations. We are an energy-rich country. The North Sea is a national treasure, and it will continue to be a multi-energy powerhouse for decades to come. It is very strange for me to see a nation that is so energy rich with such a high energy price. It is very unusual; it is really strange.

It is a matter of how we develop activities. I mentioned having my Ikea moment. We know what the end point looks like: competitive, clean, green energy for the consumer. I also know what the starting point is: it is the point that I made—[*Inaudible*.]—so we need to get this absolutely right. Will doing more Rosebanks and more Jackdaws change the price? No, because it is happening in the world market. However, it will generate money for the UK Government and the Scottish Government, which can be invested in other elements that can help the public.

It is about integrated thinking and using the funding that is available in one industry to help and develop something else. That is what Norway has done. To an extent, Spain and Portugal do it. The models are there. Use them in a pragmatic way, because it is not a matter of doing one thing or the other. That is a polarised and unhelpful conversation. Oil and gas will decline and renewables get bigger. It is a matter of managing that in such a way that the consumer benefits.

The worst outcome with an oil and gas decline is to build an unbelievably expensive electricity system and then have this conversation again every single year for the next 15 years. That is really unhelpful. That is the fear: that we might be heading towards that unless we get it right.

The Convener: There are no further questions from members.

Paul, thank you again for your presentation today. How would you like to conclude? What are the key points that you are making? The questions from Rachael Hamilton brought them out, in fact. We need the jobs and the energy from oil and gas to continue to give us a chance of developing a supply chain and a jobs future from other energy that can take its place.

Professor de Leeuw: I would make this request of the committee and all the wise people around you. The world has changed. That is absolutely clear. Other countries are changing. This is the time when cross-party consensus can drive us to a long-term energy strategy for the country. We can get it right. The Holyrood election has just happened, and you are going to be in power for five years. This is the time to shape the strategy.

My request would be to build an energy system based on a comparatively low cost that is competitive, clean and smart, rather than focusing on the process and the inputs. If we do that, we will end up with a very complicated energy system that does not help consumers or the country and that is uncompetitive. That would be my main request, and it goes back to my Ikea moment: see what the product looks like and what the starting point looks like, then build an integrated plan and rely on the people who know how to do this.

The Convener: Thanks very much. You will send the committee the slides from today, and we can make them public. A number of figures about jobs were quoted, and we were sometimes not sure which related to jobs for the north-east, for Scotland or for the whole of the UK. Is there a piece of data work that you could share with us that makes those numbers absolutely clear?

Professor de Leeuw: No problem. I will send you the reports, where it is clearly stated what is national and what relates to the north-east of Scotland.

The Convener: Thank you again. We can now conclude our business for today.

Kate Campbell: Could I put something on the record?

The Convener: Of course.

Kate Campbell: I thank Paul de Leeuw for coming and sharing his thoughts with us, but I found that evidence session really difficult, because I could not hear. There are probably quite a lot of questions that I had for Paul that I could not put to him, and there were things that he was saying that I would have liked to have had more of a discussion about, but it did not feel like a proper environment to have that discussion, because it was not clear what the answers were.

Perhaps we could take some learning from that evidence session to ensure that we have a good clear connection. Not having that hindered the quality of discussion that we could have had today.

The Convener: That is a good point. Apologies to you, too, Paul, for that. I think that the majority of your message came through clearly enough, although it was hampered a little bit by the audio.

Professor de Leeuw: I will be in person next time.

The Convener: This was our first online presentation today. Perhaps we can learn from it.

That concludes our public business. Our next meeting will be next week, on Tuesday 29 September, when we will have evidence sessions with the Cabinet Secretary for Economy, Tourism and Transport and the Minister for Europe, External Affairs and Energy.

12:00

Meeting continued in private until 12:11.

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