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Economy, Tourism and Energy Committee

Comataidh na h-Eaconamaidh, Turasachd agus Cumhachd

Tuesday 29 September 2026

Session 7

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ECONOMY, TOURISM AND ENERGY COMMITTEE
6th 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)
*Martyn Day (Falkirk East and Linlithgow) (SNP)
*Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con)
*Kristopher Leask (Highlands and Islands) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Flynn (Cabinet Secretary for Economy, Tourism and Transport)
Stephen Gethins (Minister for Europe, External Affairs and Energy)
Ross Loveridge (Scottish Government)
Frances Murphy (Scottish Government)
Catherine Williams (Scottish Government)

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Economy, Tourism and Energy Committee

Tuesday 29 September 2026

[The Convener opened the meeting at 09:00]

Scottish Government Priorities (Economy and Tourism)

The Convener (Duncan Massey): Good morning, and welcome to the sixth meeting in 2026 of the Economy, Tourism and Energy Committee. We have apologies from Daniel Johnson this morning.

I remind all members and witnesses that they do not need to operate their own mics during the public meeting.

Agenda item 1 is an evidence session on the Scottish Government's priorities for economy and tourism. I refer members to papers 1 and 2. I welcome to the meeting Stephen Flynn, Cabinet Secretary for Economy, Tourism and Transport, and his officials from the Scottish Government, Colin Cook, director of economic development; Aidan Grisewood, director of jobs and wellbeing economy; and Frances Pacitti, director of business and better regulation.

I ask the cabinet secretary to make some brief opening remarks before we move to questions from members.

The Cabinet Secretary for Economy, Tourism and Transport (Stephen Flynn): Thank you, convener, and good morning to the committee. I am very pleased to be here this morning to discuss the Government's programme for the years ahead in respect of our economy.

The programme for government is clear that we want to have economic growth in Scotland. A number of levers are available to us to ensure that that happens. We have taken early action over the summer by convening the national council for economic growth, of which I am a member, and we have been clear about our intentions for a major projects office and a high-growth unit. We have also made strategic interventions and investments to help to ensure that our business community can move forward with confidence and that our public are able to benefit from the wealth that they can create.

A number of interlinked factors underpin the drive for economic growth, and I am sure that the committee is very familiar with them. We need to ensure that, over the coming years, we bring those together in a fashion that delivers for the public. I am very keen to do that, but I will not be able to do it alone. It will require significant partnership working, not just in the Parliament but with the wider business community in Scotland. Our initial interactions have been very positive in that regard, and I hope to build on those relations with the Parliament and the business community over the coming months and years.

Convener, I am very much in your hands and will answer any questions that you might have.

The Convener: Thank you very much. I appreciate the opening remarks.

I will start with a general question before I bring in members. We had evidence sessions last week. The witnesses were broadly supportive of some of the themes in the programme for government, but Professor Stuart McIntyre from the Fraser of Allander Institute called it a

"cluttered landscape of economic strategies".

Stephen Boyd of the Institute for Public Policy Research Scotland shared that sentiment, saying that there is

"no credible, coherent economic strategy … that stakeholders can unite behind."—[*Official Report, Economy, Tourism and Energy Committee*, 22 September 2026; c 13, 14.]

In particular, he thought that there was a lack of clarity and consistency.

We can see in the programme for government a huge number of new agencies, new units, new programmes and new funds. For example, AI Scotland is set out as a flagship international programme. We have a Scottish Government bond programme, a high-growth unit, a major projects office, a Scottish innovation fund, regulatory sandboxes, knowledge transfer partnerships and empowered regional economic partnerships.

There is a lot going on there. Reading that, it is hard to escape the view that it is a cluttered environment. It is hard to see what the timelines and specifics are for getting those organisations or programmes up and running. That all seems to be set against the backdrop of public sector reform, whereby we seem to be consolidating various bodies, from the national health service to councils. Here, we seem to be doing the opposite and introducing many new bodies and programmes. What would you say in response to those comments?

Stephen Flynn: You have done a remarkably good job of listing all the positive things that we will do during the period ahead to ensure economic growth. The business community, in my early interactions with it, has been supportive of the measures that we seek to take, particularly in

relation to the national council for economic growth, the major projects office, the high-growth unit and our plans to simplify processes that can often pose a challenge for businesses as they seek to grow. I do not believe that there is a contradiction between seeking to empower our regions and ensuring that there is a strategic approach from central Government.

The Convener: I guess it is a question of delivery as much as anything else. There are many new bodies, programmes and so on. How will you deliver them in a timely and measurable manner so that people can see progress? Everyone can see that the things that I listed are useful in themselves, but when we bring them all together it is hard to escape the criticism that there is a cluttered landscape. What would you say to that criticism?

Stephen Flynn: I am glad that you agree that the list could be useful—your recognition of that is an incredibly important starting point. I would be more than happy to respond if there is a specific item that you wish to draw my attention to, but if you are simply saying that you feel that there is a cluttered landscape, that is an observation that you have sought to make.

I contend that, through public sector reform, we will be able to streamline our interventions and empower our regions in the way that we detailed in our manifesto, which was also reflected in the manifestos of several other political parties. I draw the committee's attention to the Muscatelli report, which came out earlier this year and built on previous work that Anton Muscatelli had undertaken in years gone past that emphasised the importance of our regions.

We are taking that work forward through public sector reform, and we have introduced several other initiatives to ensure that we can be strategic about where our investments go and that we capitalise on the potential for economic growth in a way that benefits people in every community across Scotland.

Gary Bouse (Falkirk West) (SNP): The initial reference to the cluttered landscape was more about all the different things that have come in since 2007, and the economic strategy in 2007 was recommended as one of the best ones. From the point of view of businesses, one of the problems is talking about things too much but not actually getting them done. The convener listed several initiatives that are being put in place, but how will those things get done? Taking action is probably more important than just sitting and talking about things.

Stephen Flynn: That is a fair question, Gary. I draw the committee's attention to our enterprise agencies, Scottish Enterprise, Highlands and Islands Enterprise, and South of Scotland Enterprise. The money that has been put into those organisations is substantial, but so are the jobs figures that come out the other side and the strategic support that the agencies can provide, not just in the important regions in the north and the south but right across Scotland.

Over the summer, I had the opportunity to meet with many of the businesses that have been able to grow and expand on the back of investments made by the enterprise agencies. However, it is about much more than that. It is not just about start-ups or the wider economic landscape; it is about the scale-up landscape as well. Techscaler has been a particular success story for the Government—I am sure that the committee is familiar with that.

There is much more work to be done. As we embark on public sector reform, it is important that we recognise the strategic strength of our regions. It is also important that we empower our REPs and continue the good work of our enterprise agencies in a way that is focused on outcomes so that we ensure that there are jobs, we secure investment and, ultimately, we help to increase the tax take that allows us to do all the other positive things that we are able to do across the public sector through the budget process.

Gary Bouse: Thank you, cabinet secretary—and I apologise, as I should have welcomed you to the committee this morning.

Kate Campbell (Edinburgh Eastern, Musselburgh and Tranent) (SNP): Thank you for the presentation, cabinet secretary.

I was checking my notes, and I have terrible handwriting, but I think that one of the points that was made in the discussion about the cluttered landscape was that it would be good for us to focus on comparative advantage and on what we do best. I am interested in the high-growth unit and in how we will focus on Scotland's strengths. I would like to understand a bit more about what that would look like.

Stephen Flynn: The same question has been put to me in relation to the major projects office and how that will operate. What the high-growth unit and the major projects office will do—indeed, what the Government is very committed to doing—is ensure that, where we are able to make interventions and work with the private sector to deliver the greatest impact, we do so. That can be through providing a one-stop shop through the major projects office that allows investors who come in to know where the regulatory and planning barriers are, to know where the investment support can be, and to have the wraparound support that they require and deserve. That would ensure that their investment can be delivered and that we get

the economic benefits on the back of it. The high-growth unit will very much supplement that work and the work of our enterprise agencies, ensuring that we are able to provide the streamlined strategic approach that the private sector has been calling for.

We have seen actions in other nations, such as Canada and New Zealand, and the success that those interventions can bring about. However, those interventions are not enough in and of themselves, which is why I would go back to the regional empowerment piece, because a very fluid conversation is going on about where Scotland's strategic strengths lie. That is not to say that a single region should seek to follow one economic group, because the strength of our economy is its diversity. We know that, in the north-east of Scotland, the predominance of the energy industry is huge. In Edinburgh and Glasgow, our financial services sector is robust, and we have a burgeoning life sciences sector, not just in the University of Dundee but across all our universities. The question for the Government is how we can be strategic and work with the private sector, our universities and our regional economic partnerships to deliver the greatest value for the public and ensure that we have as high a tax take as possible through increased investment and output. We are seeking to complement the work that has been done to date—which has been successful, as was reflected in the election earlier this year—and ensure that we go further and faster. I am keen to ensure that that happens.

The Convener: I will bring in Kristopher Leask in a minute, because he has questions on the major projects office and local economic development.

The underlying question, which this committee will have to take a deep interest in, is whether those programmes or agencies—whatever you call them—will help or get in the way. How much will they cost to set up, how many members of staff will they need, and how long will they take to get going? Those questions will be common to all those offices, projects or funds—whatever you call them. We certainly hope to be kept informed about that.

Kristopher Leask (Highlands and Islands) (Green): Good morning, cabinet secretary. I am glad that you raised the issue of the major projects office. I am very supportive of it in principle, because we need to be better able to deliver capital in Scotland. At every level, be it community, local government or national Government, we have slowed down on that far too much.

I hope that you can expand on something that concerns me. Where is the additionality that the major projects office will bring? Will it have new powers? Will it be able to act more quickly in relation to the capital development process at every level? Where will that come from? Otherwise, I do not see how it will accelerate capital delivery, other than by providing advice or support. Can you expand on the thinking behind it?

09:15

Stephen Flynn: The additionality comes from the fact that, in effect, the office will operate as a one-stop shop for investors coming to Scotland. We will seek to identify key major projects of significant value to Scotland's economy and basically wrap our arms round them and help them to be delivered. That is an important concept and one that the private sector would welcome. The strength of the vision is borne out in the fact that it has been spoken of quite highly by those in the business community who I have engaged with. To respond to your concerns about additionality, I see that coming from the ability to ensure that projects that have profound economic benefit to Scotland can be delivered at scale.

Kristopher Leask: I welcome and support that principle and the work that you have outlined. Is it fair to say that the office is about attracting and supporting capital rather than delivering capital infrastructure or expenditure?

Stephen Flynn: Both things can probably be true at the same time, although that will depend on the projects that are taken forward. We are keen to get to work on this. I hope that, in the coming weeks, and certainly by the end of the year, we will be able to provide the committee and Parliament with significantly more detail on the projects that will be taken forward to ensure that we unlock strategic investment in Scotland's economy.

We are all probably paying attention to the news this week in respect of the potential expansion of Heathrow airport, and we will all be familiar with high speed 2 and the fact that it has taken a significantly long period to be delivered. One of those involves a key infrastructure delivery arm of Government, and the other is a private sector project. However, they are both underlined by the length of time that it takes for something to happen. If we can ensure that things that are of strategic value to Scotland's economy happen more quickly, that can only be welcomed. Ultimately, we will be judged on delivery in that regard. I am keen to take forward the office, and I am glad that there is broad support for it across the political parties in Parliament.

The Convener: Kris, do you want to talk about local economic development?

Kristopher Leask: Yes, we can move on to that topic, if that is okay.

Cabinet secretary, you touched briefly on the empowerment of regions, the role of local government and enterprise agencies, and how we do better regional economic planning, which is important. For the past two years, I sat on HIREP, which is the Highlands and Islands regional economic partnership, although I am not on it any more. I have seen at first hand how effective or, to be frank, ineffective those partnerships can be.

As a councillor in local government, I have always found that economic development for councils is, in a way, a tax on their budget of conscience or availability. They do not get anything directly back from economic development—they do not get the increased taxation. There are no incentives, other than the laudable and real ones of improving wellbeing and local economies and stimulating more jobs locally. Those are all good things and things that councils want to do, but there is no incentive for them to do that work when they are under financial pressure, because they do not make the return that the Scottish Government does in increased taxation.

Have you thought about that quandary that local government faces? How can we circumvent that to create more incentives for local government to do place-based economic development?

Stephen Flynn: There is a public sector reform piece that underpins some of that conversation, but I think that economic growth is not just the Government's and the Parliament's responsibility; it is everyone's responsibility.

If you are a local authority, notwithstanding the challenges that you face with your budget—which we face, too—you have to be strategic about your interventions. The more start-ups you have, which you might achieve through working with the likes of Business Gateway, the more people there will be with money in their pocket in your local area, which can only be a good thing for a local authority. If increased investment in your local area ensures that more people are paying tax, that can only be a positive thing for a local authority.

I know from having been, in the dim and distant past, a board member of Business Gateway through the Convention of Scottish Local Authorities that there is real appetite in COSLA, and in local authorities more generally, to do their bit to facilitate economic development, because they recognise its importance not just to their area but to the wider Scottish economy. As we go through public sector reform—and I know that Mr McKee and the Deputy First Minister are fully engaged with COSLA on that—we must ensure that we have that foundation of regional empowerment of our economies resulting in delivery and outcomes that benefit local areas. I think that it makes sense to do that on a regional basis, and many of the conversations that I have had up to now have been very supportive of that, too.

As I have said, there appears to be broad agreement not only in this Parliament but in the wider business community on the importance of empowering our regional economies, and we are very keen to get on and do that as part of the wider public sector reform piece. Therefore, I want to encourage our colleagues in local authorities to be ambitious where they can, and I am more than happy to work with them to try to deliver on any ideas that they might want to bring to me or to the Government as a whole.

Kristopher Leask: I agree with you, cabinet secretary. There is broad agreement on that, and you have outlined well the ambition of, and opportunity for, local government to change things for the better in their communities and, indeed, for themselves. The crux of this, however, is that, when the Scottish Government invests in stimulating the economy, it makes that investment back indirectly or in some other way, while local government does not. Do you agree that we need to consider how we can create that financial incentive, perhaps within the public service reform agenda, for local government to do more place-based economic development?

Stephen Flynn: If there are any specific suggestions in that regard, I am more than happy to engage with them, and I am sure that colleagues across Government are, too. I would gently challenge you, though, by suggesting that more people being economically active and coming to a city, region or rural area to live and work is a good thing for local authorities; it increases the council tax base for a start, but it also enables a whole host of other important factors that help to underpin a local economy. Local authorities have an important role to play in that regard, both now and in the future. That said, I am more than happy to work with you on any specific suggestions that you might have.

The Convener: Continuing with the theme of organisations, I call Rachael Hamilton, who has a question on the Scottish National Investment Bank.

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): Good morning, cabinet secretary. Am I right in saying that, in answer to an earlier question, you said that economic development agencies should be judged on their record? Do you believe that?

Stephen Flynn: I think that I referred to the Government. We will always be judged on our record, but I also think it important to constantly review the investment that our enterprise agencies put in, the jobs that they create and the economic

opportunity that comes from that. I would also note how successful their interventions have been, as you will have seen directly with SOSE.

Rachael Hamilton: I have a specific question on the Scottish National Investment Bank, which we will be bringing in to give evidence and which, having been in operation for five years now, has just posted a £138 million loss. I note that John Elvidge has said, quite rightly, that the public are concerned about the losses, but he has also pointed out that there has been no

"external analysis of the broader economic impact of its activities".

Are you concerned about the bank's losses, and about the value for money for taxpayers?

Stephen Flynn: In fairness, I read the work that Sir John undertook, and I think that he gave a very balanced view in respect of SNIB. Certainly, in reading it, I was encouraged that SNIB is pointing in the right direction. Of course, we do not want losses to be realised, but we recognise that, ultimately, SNIB deals in patient capital. That capital will, I hope, come to fruition over a considerable period of time, as it should.

It is important that, as parliamentarians, we give SNIB the space that it rightly requires to make that patient investment to deliver those returns over the long term but also to be strategic in its approach to making interventions. Whether in relation to the energy sector, housing or a host of other interventions that it has made, many people are incredibly grateful for and recognise the support that they have received. Over the years to come, I am confident that it will come to be a success story that the Parliament will recognise.

Notwithstanding the numbers that you highlighted, I state the fact that SNIB has deployed about £1.2 billion, which has leveraged in about £1.9 billion. Those figures are not inconsequential. They make an important contribution to Scotland's economy.

Rachael Hamilton: I will take you back to the report. It said that there was a "lack of clarity" about the purpose of the service, and a lack of understanding. A billion pounds early on and another billion by 2030 is quite a lot of money to be forking out on early-start businesses that are failing. How many of the companies that were invested in returned a profit?

Stephen Flynn: We are not just talking about early-start businesses. I have engaged extensively with a host of businesses that have a significant economic legacy in Scotland and have sought to invest strategically to ensure that they are able to deliver growth for themselves, their employees and the economies in which they sit. That is a positive thing.

If you are saying that we should not be supporting start-ups, which you referred to in your question, I contend that that is the wrong approach. We should support businesses across our economy, and I am very pleased that SNIB has an important role to play in that.

I gently suggest that Sir John's report offered a balanced view on both the challenges and the opportunities. My focus and, I am sure, SNIB's focus, will be on making sure that those opportunities are realised, because that is of benefit to all of us, across Scotland.

Rachael Hamilton: This is my last question on SNIB. You mentioned value for money in economic development agencies. Sir John Elvidge recommends a review of SNIB's performance. Do you agree with that?

Stephen Flynn: Irrespective of whether the work involves SNIB, Scottish Enterprise, HIE or SOSE or the work that is undertaken through Business Gateway—any of the strategic interventions that we make that involve public money—it is important that we are fully aware of delivery, impact and outcomes. The Government continually assesses that.

When it comes to SNIB, we need to recognise the fact that it involves patient capital, which takes time to deliver the benefits that we all—I think—want to see, and it is important that SNIB is given the space to do that. I am sure that you, Ms Hamilton, as someone who is keen on economic development, would support that.

09:30

The Convener: That has been a good first half hour of the meeting. We have talked at a high level about some of the agencies and have taken an overview of the programme for government.

I would like to use our next half hour to dive into some more specific areas, and I have one that I want to dive into first. It was in the news recently that Alexander Dennis did not receive the furlough money that it was promised during its recent restructuring. It feels to me as if we are letting Alexander Dennis down if it is getting no furlough money. There is also limited bus procurement, with the bulk of Scottish orders going to China and even that limited procurement now being uncertain due to a legal challenge. That contrasts quite starkly with bus orders from some English regions such as Liverpool and Manchester. What is the cabinet secretary's view of that and has he been to Alexander Dennis to discuss how the Scottish Government can help the company from now on?

Stephen Flynn: There is a lot to unpack there and I will seek to take all your points in turn, if I may.

The furlough money was not paid out because the conditions in relation both to bus manufacturing and to job retention were not met. I hope that you are not suggesting, as you appear to be, that public money should be given to a private enterprise when furlough conditions are not met.

Regarding support for Alexander Dennis, it is well known that the Scottish Government has provided millions—tens of millions—of pounds' worth of research and development support to the business over many years. We remain engaged in discussion and the First Minister met the company on 31 August. I was unable to make that meeting, due to personal circumstances that I will not delve into if that is okay with you, but I am fully apprised of that meeting and of the discussion that was had. For my part, I have met the trade unions and have absolute confidence that my officials will continue engaging constructively with Alexander Dennis to provide the support that we can provide to ensure that the company can deliver an optimistic future for its workforce and for the community that it sits within.

Convener, I simply reiterate to you, a Reform politician, that I do not think it is wise for parliamentarians to suggest to the Government that it should pay out to a private company in cases where furlough conditions are not met.

The Convener: Thank you for that statement, cabinet secretary. The point that I was trying to make was that it feels to me as if Alexander Dennis has been let down a bit. I understand that furlough comes with detailed conditions attached, but it feels as if we have let the company down when bus orders have been held up, with most of them going to China—

Stephen Flynn: Convener, are you suggesting that the Government should make the furlough payment, given that the conditions have not been met? Is that your position?

The Convener: Please do not interrupt, cabinet secretary. No, I was not suggesting that.

Stephen Flynn: Good. I am glad you have clarified that.

The Convener: I was suggesting that the Scottish Government, nevertheless, has let the company down because we have not come through with significant bus orders. I think that Alexander Dennis has acted in good faith to restructure operations in the face of significant competition from Chinese bus manufacturers, especially when it comes to electric drive chains, an area in which China essentially dominates the supply chain.

Our approach is simply not good enough when a company is acting in good faith to maintain operations and manufacturing in this country. Will you now visit Alexander Dennis to see what the Scottish Government can do to support the company?

Stephen Flynn: First, convener, the Scottish Government does not order buses. Do you understand that point? The Scottish Government does not order buses: we do not own buses and we do not order buses.

The scheme that you are referring to is the decarbonisation of the bus fleet in Scotland. It has run for many years and been incredibly successful in enabling us to make the transition to an electric fleet. You will see the benefit of that in Aberdeen, the community in which we both live, in the same way that I have.

There are specific matters relating to the Scottish zero emission bus challenge fund—ScotZEB—that I cannot get into, due to ongoing legal proceedings, but I simply reiterate to you that the First Minister of Scotland met representatives of Alexander Dennis on 31 August. There is no higher office in this land to engage with the company. I am very comfortable with the level of engagement, both at ministerial level and through our officials.

I wish to draw something to your attention, convener. The mistake that you have made in your comment or question about bus orders—I am not quite sure which it was—is the same one that the Prime Minister has made. I listened very closely to his interviews over the course of the weekend. He argued that the Scottish Government had not been ordering buses from Alexander Dennis. The Scottish Government does not order buses. These are two very different things. We do not procure; we provide subsidy. It is important that, as the committee's convener, you recognise and understand the difference.

The Convener: I would point out that the Scottish Government has a very strong role in ScotZEB3.

Stephen Flynn: That is a subsidy role, not a procurement role.

The Convener: Nevertheless—

Stephen Flynn: You understand the difference, yes?

The Convener: Please stop interrupting, cabinet secretary.

Stephen Flynn: I am just trying to help you, convener.

The Convener: I always appreciate some help, but we have a formal process here.

The Scottish Government has a significant involvement with ScotZEB3. We have seen

alternative approaches in Manchester and Liverpool. It seems to me that the Scottish Government had a very good opportunity to influence things, but it has not delivered in the same manner as those city regions have, and—

Stephen Flynn: Convener, I will need to help you in this regard, in the same way that I apparently need to help Mr Burnham. The Scottish Government does not procure buses—do you understand? You are making the same point repeatedly, which is not accurate. We do not procure buses; we subsidise private operators to do so. We do not procure buses.

The Convener: I acknowledge—

Stephen Flynn: Both you and the Prime Minister appear to be very confused in this regard.

The Convener: I do not think that we are. With the subsidy that you provide, you have a strong opportunity to influence where the purchases of buses go. You seem not to be using that subsidy in that manner.

Stephen Flynn: You understand the law that we must adhere to in that regard when it comes to subsidy, yes?

The Convener: I am not aware of that law, but I still think—

Stephen Flynn: You are not aware of the Subsidy Control Act 2022. I am surprised that, as a Reform politician, you are not aware of it, given that the 2022 act had to be brought in to replace the European Union directives that were there. I would have thought that, given your own political background, you might be more apprised of that, but you appear to have the same level of knowledge in this regard as the Prime Minister does.

I will therefore repeat it for you: we do not procure buses.

The Convener: Well, I will repeat this: the Scottish Government has an opportunity to influence that procurement through the subsidy that it directs.

Stephen Flynn: Are you suggesting that we go against the terms of the UK Subsidy Control Act 2022?

The Convener: I am suggesting that other cities have managed to manage procurement better.

Stephen Flynn: That is because they procure. We do not. This is a pretty simple point, convener.

The Convener: I will bring in Gary Bouse.

Stephen Flynn: Just as well.

Gary Bouse: I will try not to pre-empt the question that I am going to ask tomorrow—Wednesday—but I can advise that there is indeed a Subsidy Control Act 2022. People may wish to look at section 17(1), which gives an indication that the Scottish Government cannot do what the convener is asking—it provides a subsidy. The Scottish ultra-low emission bus scheme—SULEBS—and ScotZEB have provided subsidy support for the difference in price between a diesel bus and an electric bus. That is a subsidy that is given. I appreciate that the convener has a point of view, but I would suggest that it may be helpful to look at the law, as the cabinet secretary has said. Then, we start to look at the matter in the round, and in Scottish terms. Furthermore, Scotland is not a city. We will go with that right away: we are actually a nation.

I will move on and extend this point a bit, rather than concentrating on Alexander Dennis—as much as that matters to me. I am trying to avoid covering the question that I have coming tomorrow. I think that the Subsidy Control Act 2022 is itself a major problem for Scotland, and not just with buses. I can see it being a challenge for developing heavy industry in particular, because we cannot subsidise heavy industry. Although we should have the cheapest electricity in Europe, and we have the water supply for various things as well, I am concerned that the 2022 act holds Scotland back severely from using our national resources to develop industry.

First, does the cabinet secretary agree with me on that? Secondly, what can we do about getting it changed? Doing so is important. I have a letter ready to go to the Prime Minister, and I am sure that the cab sec has, too.

Stephen Flynn: As one of the individuals who sat on the Subsidy Control Bill Committee in the United Kingdom Parliament, I feel like I probably know more about it than perhaps I should.

For me, the important point—I probably did not convey this to the convener in the most articulate fashion, so it is probably best to start here—is that I want to see Alexander Dennis thriving, which is why we have provided so much research and development support over the years, and why both I and the First Minister, and officials, continue to engage with the company. Alexander Dennis is hugely important to the area that you represent, and it is equally important that it is able to add value to Scotland's economy. I would be keen to have a discussion with the Prime Minister—as I am sure that the First Minister would—in respect of where opportunities can be realised to help support domestic manufacturing.

With regard to the 2022 act, I think that it is fair and reasonable to be moderately frustrated by aspects of it, but it is the law, and we need to make sure—as I tried to outline to the convener—that we

adhere to that. If there are to be any changes, they would need to happen with the four nations of the UK fully engaged, and we would need to be cognisant of the potential impact that that could have on relations with our friends and allies in the European Union, too.

The Convener: I look forward to more questioning on that matter; it is obviously significant, and if the Scottish Government is continuing to engage with Alexander Dennis, I think that we, as a committee, would like to understand that. However, we will move to another topic. Martyn Day wants to come in on something.

Martyn Day (Falkirk East and Linlithgow) (SNP): It is good to see the cabinet secretary here today. He can probably guess which subject I am going to raise—it is project willow, Grangemouth and the industrial sector there.

Project willow identified nine key projects, many of which are dependent on policy change, future supply chains and low-cost hydrogen. Which of those projects do we think are realistically achievable within the original timescale?

Stephen Flynn: Thank you for your question, Mr Day. I will start by letting the committee know that Grangemouth was the very first place that I visited on taking office, because I recognise its profound significance to Scotland's economy and the impact that decisions that were taken elsewhere have had on its future. I had positive and constructive engagement with the unions, and I am very keen to continue that. I was actually on site with Ineos just last week to discuss the current situation.

More broadly, in response to your question, there are a number of options on the table that are being properly reviewed, both by my officials and by Scottish Enterprise, in terms of their deliverability. My great frustration is that £200 million was promised from the UK Government to help ensure that there can be a transition at Grangemouth and, to date—although I have not checked my emails this morning—not a single penny has been spent. We had a promise from the Labour Party prior to the last general election that it would save the refinery at Grangemouth, and that promise was broken. We then had a promise of £200 million from the UK Labour Government, and not a single penny has been spent.

09:45

We will continue to engage constructively with the UK Government; I think that ministerial responsibility for the task force of which I am a member has changed from Mr Shanks to Mr McDougall. At ministerial level, we will continue to engage as constructively as we can, because I want to see opportunities realised on the site.

I can assure you, Mr Day, that my officials and Scottish Enterprise continue to work at pace to try to ensure that we can make further interventions through the support that has been provided by Scottish Enterprise, because there have been interventions—I have visited one of them. However, we need to recognise that that is public money, and that requires due process to be followed.

Martyn Day: Thank you for that. Following on from those comments, would the Government be willing to publish a project-by-project timetable showing the progress of developments as that is happening?

Stephen Flynn: Let me take that away as a suggestion and look at the practicalities of doing so. I say that with quite a bit of weight, because I am conscious of the fact that we are engaging with commercial entities in that regard. Where there are ongoing commercial discussions about the deliverability of a project, those matters would traditionally be kept confidential, for obvious reasons. Although I understand the principle of what you suggest, the practicality might be significantly more challenging. Nevertheless, I am quite happy to have that discussion with my officials and to write to you and to the committee—although, even as I am talking, I am growing more sceptical as to whether that would be deliverable, for the reasons that I have outlined in relation to commercial sensitivities.

Martyn Day: Understood—thank you.

Do we have any figures on the destinations and outcomes for the former refinery workers? How many have found other local employment, gone into retraining and so on? Has that been quantified?

Stephen Flynn: I can certainly try to secure that information for you.

On a slightly different note, I was at the Mossmorran task force meeting just two weeks ago, and much of the discussion was framed around the outcomes for the staff there, who have, regrettably, lost their jobs as a result of decisions that were taken elsewhere. There was some pretty positive news in that digital room with regard to destinations, and I would certainly hope that that would be the case for the workforce who were impacted at the refinery.

I can get the specifics to you in that regard, based on the information that we hold. You are right—this is about the workforce. As much as we want to talk about big projects and big sums of money, the workforce is imperative. We are talking about a highly skilled workforce who deserved better, and who deserve better in the future.

Martyn Day: Thank you. To go back to project willow, it had identified a number of significant skill risks. How far have we gone in identifying those and addressing the skills shortages in the timescales that we are looking for?

Stephen Flynn: We are fortunate in that we are able to work closely with Forth Valley College in that respect. I was able to see at first hand, when I visited the site, the investment that has been made there and the opportunities that will be realised on the back of that. It is about partnership working to ensure that we are able to identify where the potential skills gaps exist for individuals and where there are opportunities for future employment. I can give you an assurance that the work that I have seen in that regard up to now, through the investments that have been made on the back of the refinery closing, has been very good.

I also draw the committee's attention—because I think that it is worthwhile, and an opportune moment to do so—to the fact that, in the news today and over recent days, we have heard about the potential for diesel shortages on these isles, which will be of profound concern to all our constituents. You will be all too well aware of the role that the refinery played in diesel production for Scotland's domestic market over many years. It is deeply regrettable that the promises that the UK Labour Government made to the workforce and the people of Scotland were not fulfilled. Much as we had a very difficult situation in relation to aviation fuels, we potentially face a very difficult situation in relation to diesel because of decisions taken elsewhere. I am sure that the committee will be as unhappy about that scenario as I am, at a time when all of our constituents are very concerned about what they are seeing in the news and the price that they are paying at the pump.

Martyn Day: I have eaten up my allocation of time, so I will save my other questions for your next visits.

The Convener: The committee is interested in that issue, and we will try to take a deeper dive into it at a later date.

Rachael Hamilton: What evidence does the cabinet secretary have that a food cap will bring down household prices? He will be aware that 23 Scottish organisations have raised concerns about the SNP's election promise, including concerns about rising food costs, supply chain issues, reduced availability, displacement and the passing on of costs to retailers and food producers.

Stephen Flynn: I think and hope that all of us—although I cannot be presumptive in that regard—are worried about the cost of living and the fact that many of the people whom we represent cannot afford the basics in life, whether that is a pint of milk, eggs or bread. That is why we made the commitment to the public during the Scottish Parliament elections. We were elected to implement our manifesto and that is what we are seeking to do.

As you and the committee will be aware, the consultation is under way. If I recall the date correctly, it closes on 24 November. I assure you, all the business organisations that have written to the Government, and all other interested observers that we will go through the consultation responses with a fine-toothed comb.

However, we cannot have this conversation without recognising the fact that far too many people in Scotland cannot afford the basic essentials. It is incumbent on the Government to explore absolutely every opportunity and avenue available to us to right that wrong. That is what we have sought to do. It is a commitment that we have made to the public, and I am very pleased that we are taking it forward within the timeframe that we set out.

Rachael Hamilton: Can you give us a commitment that you are not doing this simply to save face because it was an election promise? A similar measure failed in Hungary and Croatia.

Stephen Flynn: I cannot be more explicit with you than to say that during the recent election, the one before that and probably the one prior to that as well, I spoke to many people in Aberdeen and elsewhere in Scotland who could not afford to turn on their heating or go to the shops. It is incredibly important for the Government to explore all the options that are available to it to try to right that wrong.

We cannot intervene on energy prices. The Labour Party made that promise and has broken it. I see in the news today that GB Energy, which was going to bring down energy bills by £300, has had its budget cut in half. However, where we can take action in relation to a food price cap, it is absolutely incumbent on us to explore that. We made that commitment to the public, and that is the action that we are taking forward.

I am sure that we will be able to continue this discussion beyond 24 November, in the chamber and in committee, once we have the full consultation responses in front of us.

Rachael Hamilton: I have a question about non-domestic rates. I will be quick, as I am conscious of the time.

The non-domestic rates revaluation methodology that the Scottish Government applied has resulted in the total rateable value rising by £800 million. Some businesses are experiencing a fivefold increase in their bills. You have already described the pressures that

businesses are facing, including higher energy costs. Some of them are shutting shop. Should an urgent response to the fact that people are closing their doors right now be delivered before Christmas?

Stephen Flynn: An urgent response was provided when the First Minister met Sir Tom Hunter and when the Deputy First Minister and the finance secretary stood up in the chamber and outlined our intentions in relation to undertaking a review. That work is very much under way, as Ms Hamilton will be acutely aware.

I recognise the cost pressures that businesses face and the cumulative impact of those pressures on businesses—I think that we all do. Although we have responsibility for some of those costs, we are not responsible for the vast majority of them, whether that is energy prices or employer national insurance contributions, which have had a crippling effect on the business community in recent times—particularly on small businesses that would otherwise not have to pay business rates, thanks to the policies of the Scottish Government—

Rachael Hamilton: Yes, but the revaluation forces those businesses out of that small business bonus scheme—

Stephen Flynn: Indeed it does, which is why the Deputy First Minister set out the actions that she intended to take in that regard and why we are working towards them. We recognise and understand the challenge that exists there—just as we, of course, need to take a holistic view in respect of non-domestic rates. Ms. Hamilton and a lot of her colleagues like to come to the parliamentary chamber and ask the Government to spend money, but to spend money, we must have money, and we need to raise money in a sustainable and sufficient way. That is a conflict that we have to resolve in Government; we do not have the benefit of sitting in Opposition and saying, "Cut taxes and spend more money!", as many others do.

As outlined to the parliamentary chamber, the work that the Deputy First Minister has undertaken to do is under way. As we move into the budget process, we will need to deal with the wider arguments in relation to not only taxation, whether that is non-domestic rates or otherwise, but the necessity to have public services that the public can rely on.

Rachael Hamilton: It is the cabinet secretary's role to take care of economic development and ensure that businesses do not shut up shop. That is how you can grow the economy and create more money for public services.

Stephen Flynn: Ms Hamilton, with all due respect, your early questioning was sceptical in relation to the Scottish National Investment Bank's investments—

Rachael Hamilton: Oh, I take losses seriously. I will leave it there, thank you.

The Convener: I am cognisant of time, but we have a bit of leeway, and I am conscious that a few members want to come in with questions. I bring in Kate Campbell.

Kate Campbell: Thank you, convener. I wanted to ask about skills. We had a briefing from the Scottish Parliament information centre that set out quite a lot with regard to apprenticeships. We then had a discussion this morning, and I understand from that that a lot of that work will sit with Alyn Smith. Is that right? It is obviously really important to the economy. What conversations or interaction have you had about your role in relation to funding for apprenticeships?

Stephen Flynn: When people ask us what we want to achieve, we obviously say economic growth, but what we actually mean is that we want productivity to increase, and key to improving productivity is to ensure that our workforce, whether our young people or adult learners, has the skills that it requires. You are absolutely correct to say that Alyn Smith will lead on much of that work. I will have regular discussions with him in that regard, because we share the desire for our workforce to be fully skilled up.

You are right to outline the Government's intentions in relation to the 150,000 apprenticeships that we are seeking to bring online. The programme for government was very clear in respect of the national skills plan for 2027 and we have the £10 million workforce development fund as well.

I draw the committee's attention to the fact that Audit Scotland was right to highlight that progress has been made in relation to skills. However, we recognise that more could and should be done. From the discussions that I have had with the business community, I know that it is keen to ensure that our workforce is tooled up to meet its expectations and the shortages and challenges that it sees coming forward. That is why Skills Development Scotland will be taking forward a number of actions in relation to engineering, digital and construction, and we can broaden that out into the energy and financial services spaces as well, because that is going to be crucial.

We can spend lots of money through the Scottish National Investment Bank and our enterprise agencies, but we also need to make sure that our workforce has the ability to capture

the opportunities, and we hope that the investment that the Government is putting in will deliver that.

10:00

Kate Campbell: My next question is about the huge increase in apprenticeships. Are you thinking seriously about which sectors need those apprenticeships, and about where the capacity exists to support them?

Stephen Flynn: Yes. I outlined the work that Skills Development Scotland will be taking forward in relation to the skills needs assessments. The reason why we have identified the likes of engineering, the digital space, construction, the energy sector and financial services is that we know that those sectors can grow while, at the same time, providing young people and adult learners with the skills to capitalise on that.

That strategic approach is really important, but it is also important to say to the committee that this is not just a matter for the Government. We need to work in partnership with our colleges and universities and our business community. There are some great examples of that across Scotland. I will be moderately parochial for a moment and fall back on the work that has been undertaken in the Energy Transition Zone in Aberdeen, where we have the partnership with North East Scotland College and Shell to bring forward a proposal that allows young people to harness the opportunities of the energy transition so that the economy has that stable footing both now and in the future.

From speaking with organisations and individuals across Scotland, I think that there is a very positive story to be told. However, there is, of course, more work to be done, and I will work closely with Mr Smith to ensure that that happens.

Kate Campbell: I hear a challenge in that regard from young people, who often say that they have skills, but it is a challenge to match those skills to the jobs that are available. To me, it feels important that there is an analysis of where needs exist and how we can match them up with the skills, training and development.

I have another question about skills. When Stephen Boyd gave evidence to the committee, he said that training should also happen in the workplace and that employers have to engage more with skills. That point was not just about people entering the workforce, but about progression and productivity. What can the Scottish Government do to try to influence the long-term conversation with employers and get that focus on the important role that they play in long-term skills development?

Stephen Flynn: I alluded to that in my answer to your previous question, but I probably did not provide the necessary emphasis. The £10 million flexible workforce development fund exists for that reason. It is there to incentivise employers to upskill their workforce, whether that is young people, parents or carers. The thing that heartens me in that regard is that, in the engagement that I have had with the various organisations that I have met over recent months, I have seen their willingness to invest in their employees. If we work with them and help them to do that, it will be of mutual benefit and benefit us all.

I have absolutely no doubt that Mr Smith will drive that agenda home now that he is in his new role. I assure the committee that, given the importance that I place on productivity with regard to Scotland achieving economic growth, I will be working closely with him on that.

Gary Bouse: I have a question that ties in with what Kate Campbell talked about. In the evidence that we have taken over a four-week period, we have heard that, although we have a huge base of people who have come through university and are highly qualified in artificial intelligence, they are struggling to get positions. This is not about AI data centres, but about AI itself.

This might be too big a question for you to answer in the time that we have left, in which case you could provide a written reply, but what potential do you see AI having for Scotland's economy, given our significant skills base?

Stephen Flynn: Earlier this year, the Government, led by the former Deputy First Minister and Richard Lochhead—I will take a moment to thank them for their outstanding work as parliamentarians and as members of the Government—produced "Scotland's AI Strategy 2026-2031", which outlines what we intend to do over the next five years. From that, the AI Scotland programme identified 10 key actions. I will not run through them all, because I am conscious of time, but I encourage members to sit down and read the report in full if they have not already done so.

What underpins that is, of course, the opportunity that exists on AI. We need to be clear about taking an ethical approach to AI and be responsible in how we use it, recognising that data and regulation will constantly have to be aligned. However, whether that is in relation to users, skills, companies, innovation, data centres or the associated infrastructure, there are significant economic opportunities.

One that I draw to the committee's attention relates to semiconductor capacity. That is an incredible success story for Scotland. During the summer, I met Clas-SiC in Fife, which is a world leader in that regard, primarily in relation to electric vehicles. Ultimately, if this is realised in Scotland, there will be a domestic benefit, and our

semiconductor industry can be at the forefront of achieving those gains. From an economic growth perspective, I am sure that the committee would be keen to see that realised, because not only does it give us sovereign capability but, importantly, it ensures that we have jobs and opportunities being harnessed here in Scotland.

It is not for me to outline what the committee should seek to do in the future, convener, but I am keen to come back to the committee to discuss the strategy in more detail and to bring officials with me, so that the committee and Parliament as a whole can have a full discussion on not only the challenges but the domestic opportunities for Scotland's economy.

Gary Bouse: I welcome the fact that we are taking a studied—I would not say cautious—approach. To me, that is sensible.

The Convener: Thank you, colleagues. That has been a good full session, and we have discussed a number of interesting avenues. I appreciate the offer from the cabinet secretary to speak to us about AI, which is a significant issue.

I thank the cabinet secretary and his officials for coming—haste ye back, of course.

I suspend the meeting to allow a changeover of officials.

10:08

Meeting suspended.

10:09

On resuming—

Sporting Events Bill

The Convener: We move on to agenda item 2, which is consideration of a legislative consent memorandum and two supplementary LCMs on the Sporting Events Bill. I refer members to paper 3.

I welcome back Stephen Flynn, Cabinet Secretary for Economy, Tourism and Transport. I also welcome his officials from the Scottish Government: Lucy Carmichael, head of the UEFA Euro 2028 unit; Catriona Mackenzie, major events legislation team leader; and Ninian Christie, who is a lawyer.

I invite the cabinet secretary to make some brief opening remarks.

Stephen Flynn: Thank you, convener. It is good to see you again.

I thank the committee for the opportunity to discuss the Sporting Events Bill. As the committee will be aware, Scotland has a strong track record of hosting major sporting events successfully. We saw that again this year with the Commonwealth games, which built on our experience of delivering major international events over many years. Such events can bring significant economic and wider benefits, showcase Scotland internationally, and enhance our reputation as a place to visit, live and do business.

We want Scotland to remain an attractive and trusted host for major sporting events. However, today's discussion is not simply about the benefits that events can bring. It is about whether the bill gives Scotland an appropriate framework when additional commercial protections are needed for a particular sporting event.

Until now, where those protections have been required, this Parliament has legislated on an event-by-event basis, most recently for Euro 2028. The bill offers a different approach. It would create a framework that could be applied to an individual event through regulations, rather than requiring a new act each time.

My officials have worked closely and constructively with the United Kingdom Government as the bill has been developed. That engagement has given us the opportunity to raise issues that matter in a Scottish context and to help shape the framework as it has evolved.

We have considered the bill carefully throughout that process and we have balanced a number of interests. We recognise the value of having a more flexible framework. However, that flexibility has to be considered alongside the potential impact on

businesses, local authorities and communities, and the need for enforcement to be proportionate.

I also want to be clear that having the framework does not mean that we would expect to use it for every major sporting event that Scotland hosts, nor should we assume today which future events would, or might, require it. That judgment would need to be made based on the circumstances of each event and on whether using those powers was necessary and proportionate.

The constructive work that we have done with the UK Government, and our consideration of those wider interests, have informed our recommendation that Parliament give legislative consent. Taken as a whole, we believe that it provides a useful framework for Scotland, with important decisions about its future use to be taken on its merits.

I am happy to answer any questions that the committee may have.

Kate Campbell: Thank you for that, cabinet secretary. I have a quick question. Clause 3 sets out the conditions that must be satisfied before the powers can be exercised. Previously, the Scottish Government has introduced event-specific legislation. If an event did not meet the conditions set out in clause 3, but the Scottish Government wanted to legislate, would anything in the bill prevent that from happening?

Stephen Flynn: No.

Kate Campbell: No. That is grand.

Stephen Flynn: That was an easy question.

Rachael Hamilton: Thank you for your initial words, cabinet secretary. You said that the Scottish Government does not have any examples of future events that may be affected by the sporting framework. However, in what circumstances would the Secretary of State and the UK Government exercise the powers of regulation in areas that are devolved?

Stephen Flynn: Mr Kerr, in his capacity as convener of the Delegated Powers and Law Reform Committee, wrote to me in that regard as well.

I anticipate that the Secretary of State would take such actions only with the consent of Scottish ministers where we had potential events—these are, of course, potential matters—where that would be applicable for ticketing purposes and so on.

I laid that out in writing in my response to Mr Kerr. I am happy to share that with you, Ms Hamilton, if you have not had the opportunity to see that letter.

Rachael Hamilton: I have seen a lot of information about this.

There must be some example that you could use to throw some light on this, or a scenario that you and your officials have played out. It is easier to do that and to think of an event that may be affected. I simply want to know what examples you might be able to give the committee.

Stephen Flynn: A potential women's world cup, which would be held across all four nations.

Rachael Hamilton: Thank you. That is a very useful example.

Secondly, why did the Government initially change its mind with regard to not having sufficient time to introduce a separate bill, and then why did it change its mind again and just lodge a legislative consent motion?

10:15

Stephen Flynn: If I recall correctly, the UK Government brought this bill forward in the king's speech; we had not had any engagement on it prior to that, and we wanted to ensure that there was time for consultation. Obviously, that has taken place and has, I think, been relatively positive. We have then tried to work at pace to ensure that we align with the timeframes that have been set out, and which are expected to be met for the UK Government to be in a position to pass the legislation.

However, it was all very much based upon the ability to consult. Even though we see this as a positive thing, we did not want to make a unilateral move or unilaterally make a decision without listening to those who might be impacted by it, both positively and negatively.

Rachael Hamilton: Lastly, is it the Government's default position to align with the UK Government and just accept such legislation by recommending agreement through LCMs?

Stephen Flynn: The default position is to ensure that we protect the interests of the Scottish people and adhere to our responsibilities to the Scottish Parliament.

Convener, I want to say, if I may, that I wrote to Mr Kerr on 7 September. I have the letter in front of me, and I am quite happy to ensure that a copy is shared with the committee, if that would be helpful.

The Convener: I am sure that it would be, but I think that we have had a good discussion and a good read of all the background documents.

Are members content to recommend to Parliament that the Government's legislative consent motion, as drafted, be agreed to?

Members *indicated agreement*.

The Convener: Great. Is the committee also happy to delegate authority to me as convener to agree the report?

Members *indicated agreement*.

The Convener: I thank the cabinet secretary, once again, and his officials for their time today, and I suspend the meeting for a short comfort break and to allow for a changeover of witnesses.

10:17

Meeting suspended.

10:24

On resuming—

Scottish Government Priorities (Energy)

The Convener: Welcome back. Agenda item 3 is an evidence session on the Scottish Government's priorities for energy. I refer members to papers 4 and 5. I welcome to the meeting Stephen Gethins, Minister for Europe, External Affairs and Energy, and his officials: Catherine Williams, deputy director, onshore electricity and strategy; Ragne Lowe, deputy director, offshore wind programme and investment; and Frances Murphy, head of the heat in buildings delivery unit.

I invite the minister to make some opening remarks, after which we will move to questions.

The Minister for Europe, External Affairs and Energy (Stephen Gethins): Good morning, and thank you for having me along to the committee this morning.

I have sat on the other side of the table at committee meetings, so it is good to experience the view from this side. I know from that experience what good work committees can do, and I am very much looking forward to working with all of you.

The Scottish Government was elected on a manifesto that clearly set out our commitment to ending Scotland's impact on climate change by 2045 in a just and fair way that protects jobs and livelihoods. The Government's priorities were set out in the programme for government. I will summarise them in four themes, if that would be helpful.

First, energy bills are too high. Energy must become more affordable for people and businesses. It is estimated that around 32 per cent of households in Scotland will be in fuel poverty this winter. It is a priority for me to work with colleagues in the UK Government to push for action to address that. Obviously, the issue is primarily one for the UK Government, but I will also take action where we have the powers—for example, by supporting investment in energy efficiency for homes.

Secondly, we must deliver economic growth and ensure that Scotland benefits from our energy resources. Scotland is an attractive place for investment—that is the clear message that I have been receiving from business—and it is essential that we deliver on Scotland's offshore wind potential. I want to ensure that workers across Scotland can benefit through high-quality jobs and access to training and that we support Scotland's

highly skilled existing oil and gas workforce during the energy transition. I also want community and local ownership of energy to increase, and we have committed to supporting that through additional funding via the community and renewable energy scheme and through community benefit.

Thirdly, we need to decarbonise where decarbonisation makes a difference and matters. I have started early scoping for a new heat in buildings delivery plan and preparations for a heat in buildings bill, and I recognise that parliamentary and stakeholder engagement will be key to refreshing delivery actions and accelerating progress towards Scotland's heat decarbonisation targets. That is backed by the provision of more than £330 million this year, which is expected to support around 20,000 households annually, with around 60 per cent of that support being targeted at those who are most at risk of fuel poverty.

Fourthly, we need to have secure, resilient energy supplies. I want to place Scotland at the heart of the solution to Europe's energy security. We need to think about the issue in a global context. Events in the middle east and in Russia's war in Ukraine are putting upward price pressure on the global energy market, and we must ensure that Scotland's interests and needs in relation to energy security continue to be met in an ever-changing world.

Scotland already generates more than 73 per cent of its electricity from renewables, but, of course, we generate more than that, which we export. That is providing secure, home-grown energy supplies that will protect us from future energy shocks. We need to have a diverse range of technologies, including long-duration energy storage, such as pumped hydro storage. I also recognise that oil and gas have an ongoing role to play in our energy mix, and that will remain the case for some time to come. I have had very good meetings with business in that regard as well.

Key levers across much of energy policy are currently reserved, so my objective is to work closely with the UK Government to push for action. In particular, it is essential that the UK Government's upcoming decision on the strategic spatial energy plan recognises Scotland's energy priorities.

Finally, I have committed to delivering an energy strategy for Scotland that will reflect those priorities, and I look forward to engaging with the committee on that and on other issues.

Thank you for giving me the opportunity to make some opening remarks.

The Convener: Thank you for those remarks. I appreciate the themes that you set out. Colleagues have a range of questions, which are perhaps not quite organised according to those themes, but we will try to get through as best we can.

You made a good point about the oil and gas industry and how we will need oil and gas, which you recognised as still being a key part of the energy mix across the UK and Scotland, for the foreseeable future. However, in the programme for government, you still take what I would call a very cautious approach, whereby you call on the UK Government

"to take an evidence-led and case-by-case approach to decisions on North Sea projects, with climate compatibility and energy security as primary considerations."

10:30

Given the statement that you just made, what more do you need to wait for to be a bit bolder on that? We are facing high prices due to lack of supply—of gas, in particular—in Europe and across Asia. Emissions are lower for the domestic production of oil and, especially, gas. We have an oil and gas industry that is desperate to push on with these projects and maintain its supply chain and employability. Is there a case for the Scottish Government just unambiguously backing the projects and being bolder in its programme for government?

Stephen Gethins: Thank you for the question. It is not an unfair one, but I want to make a couple of points on it. I will first note—you will be well aware of this, convener, given your past—the work that is going on across the energy sector; the skills and expertise in the oil and gas sector that give us a competitive advantage when it comes to the onshore sector; and the fact that we still have a significant oil and gas sector that is producing.

I think that the projects that you are referring to are Jackdaw and Rosebank, as those are the decisions that are coming up. I wish that I had all the powers on energy, but I do not. The secretary of state at the UK level has to make a quasi-judicial decision. You have highlighted issues such as climate compatibility and energy security, and the UK Government previously got itself into a bit of a pickle with a judicial review and the Finch judgment, so we need to let the process take its course. I do not have all the information at my disposal, because I do not have the quasi-judicial authority over it, and it is entirely appropriate to let that take its course.

The Convener: Given the high-level facts that we have, there is an opportunity for the Scottish Government to be unambiguously supportive of those and future projects. At the moment, it is being too cautious, yet there is an opportunity to move forward.

Stephen Gethins: In the areas where we have responsibility, such as training, engaging with the renewable sector and putting in place infrastructure, there is a lot of work that we can do. I just fear that going down the route of pre-judging the decisions will not be entirely helpful to anybody, given the nature of the decisions that are coming. We saw the challenges that the Finch judgment led to previously, and I know from speaking to UK ministers that they will be taking the decision-making process incredibly seriously. It is no great mystery to tell you that they are not giving me any information that will not be available to members of this committee, because we do not have responsibility for oil and gas.

What I would say is that I would like them to take a slightly different approach when it comes to where the finances go. Over the past 12 years of the energy profits levy, which we have concerns about, it has raised something like £12 billion or £13 billion. One of the great tragedies of oil and gas policy as a whole, regardless of these two particular projects, has been that the Treasury has taken more than £400 billion and we have not had a long-term benefit from that finite resource. The UK is one of the few countries in the world that has done that. Many years ago, I worked in Azerbaijan, where, even under Heydar Aliyev, they established an intergenerational fund. Depending on the decision that is made on the projects, which is not for me to make, that is an area in which taking a long-term approach to the energy sector is crucial, because short-termism has been extraordinarily damaging in recent years.

Rachael Hamilton: Thank you for coming to give evidence today. I just want to clear something up, because it is a question that many people are asking about the draft energy strategy that was published in 2023. I realise that that was before your time as minister, but perhaps you have a different stance. Do you support the Government's presumption against drilling for oil and gas, or can you explain to the public what the position is?

Stephen Gethins: I think that I have just set out the position, which is that we have the two projects and that a quasi-judicial decision has to be made.

I have said that I would look at a refreshed energy strategy. Before I make any presumptions about that, I would make a presumption in favour of engaging with this committee, and with other parliamentarians, around it.

We are in a very different set of circumstances with regard to energy security. In addition, climate compatibility rules are pivotal, and that is where the previous UK Administration found itself in some difficulty.

As much as I would like to jump into this, I think that, where quasi-judicial decisions are to be made around those two projects, it is important that I follow the process and the rule of law.

Rachael Hamilton: If you had the power, would you remove that presumption?

Stephen Gethins: If I had the power, I would have the full range of information available to me with regard to climate compatibility and energy security, which I do not currently have.

Rachael Hamilton: Okay. That has not really answered my question about being clear with the public.

The Convener: Before I open up the discussion to colleagues, I have one further, connected question. It is kind of on the positive side as well. Last week, we heard evidence from Professor Paul de Leeuw of the Robert Gordon University Energy Transition Institute who highlighted the job destruction that we are seeing in the oil and gas industry. It is fairly well known that that is on a certain trajectory. Some of the projects that are being discussed would help, but the trajectory remains downward.

It is a case of "A bird in hand is worth two in the bush." The minister foresees jobs coming through from renewables, but the scale, timing and location of those jobs is not clear. It is subject to forecasts and perhaps variability, especially in the case of floating offshore wind, which has cost challenges.

How do you see those challenges, and what are your comments on that?

Stephen Gethins: There is no question but that there is a challenge. I had a wee read through Paul de Leeuw's evidence to the committee, and I had a sit-down with him myself at Robert Gordon University, which was very useful. He has worked in the sector for decades and provides valuable insight.

We know that the oil and gas sector is a maturing basin; at the same time, we are, where we can, bringing forward projects. Just yesterday, the First Minister was in Montrose—in your constituency, convener—where he announced a £5 million investment in one of the biggest offshore harbour projects in the world. That is exciting for Angus and Montrose, and it is good for Scotland. We are seeing investment going in. There are challenges, however, and the situation is not entirely within our gift. I am sure that we will talk about issues such as transmission charging, which is consistently raised with me by the renewables sector. There is also the energy profits levy, which will have been raised with the committee and which is raised with us. Those areas are outwith our control and have a significant impact.

Although there are challenges, there is also an exciting opportunity. However, one of the reasons

why I talk about energy security in a broader sense is that I think we need to look forward in the broader sense, at the longer term. I know that we sit here and debate and discuss the politics as they are today, but in this job I have to look 20, 30, 40 and 50 years in advance, because that is exactly what industry is currently doing.

Paul de Leeuw talks about the extraordinary role that Scotland can have in the broader North Sea offshore cluster of renewables. Some of his writing is very interesting, so it was good to see him giving evidence to the committee on that.

The Convener: I will open up the discussion to colleagues. Kristopher, do you want to come in?

Kristopher Leask: I am happy to come in on a slightly different theme—it is something that you can actually affect, minister. It is good to see you—good morning. I will start at quite a high level, if that is okay, and then we can perhaps move into the delivery in more detail.

A few weeks ago, Parliament agreed—and Government, I was glad to see, supported—the principle that we need to diversify the ownership of our energy system. We have discussed that on multiple occasions—very productively, I think—and there are a lot of shared priorities. However, it would be useful, in this space, to hear about how you see Government taking that forward and delivering diversification of ownership in our energy system. I know that you have mentioned CARES, but perhaps you can look at the picture more broadly.

Stephen Gethins: Thank you, Mr Leask—that is really informative. I will zero in on the local level where that is delivered and then zoom out to the national level. First, I want to put on the record that I think that community benefit and ownership is really important. We have seen that elsewhere, and we see it in Scotland. The example that I keep using is Scalloway Youth and Community Centre. I am sorry for using a Shetland example—I will talk about Orkney in a minute—but I have been asked a question, and it is still in your region.

When I was up at Scalloway youth centre, I learned that something like 99 per cent of its electricity needs on the day that I was there were met by CARES, from its own generation. I know that that is not the be-all and end-all, but it illustrates where community benefit is being delivered locally, and the local community was seeing that decarbonisation. It was also quite impressive to see some of the work that is being done at the European Marine Energy Centre, and in households through Warmworks in Orkney. Some of that work is ongoing, and that is one of the reasons why we are putting more money into CARES.

Over the summer, the First Minister was in the Western Isles—these examples are very islands focused, but that reflects the innovative work that is being done by communities—announcing an extension of CARES. Local communities have a pivotal role to play. We also have to talk about the need to take communities with us, which has a role to play. With regard to community benefit, there has to be an ongoing discussion. I think that the committee will have a role in that, and we can discuss that in the future with regard to how we ensure that those community benefits are as wide ranging as possible.

There are some really good case studies—I am just having a look at what is happening elsewhere. I picked up on the example in Scalloway, but there is also some exciting work going on at the Wallacetown community energy project in Ayrshire. At the individual level, these projects can be exciting and really good.

With regard to the good practice principles, we are working through those just now.

Kristopher Leask: When it comes to mass diversification, however, where do you think the opportunities lie to actually deliver that?

Stephen Gethins: The convener was right to talk about some of the challenges that we have with the change in energy, but the transformation also gives us an opportunity. It gives different communities an opportunity to be involved, and we see the benefits of that. We see it in the area where you live, Mr Leask, and we also see the mix of battery storage and renewables in different parts of the country, which I have talked about. So much of it is dependent on grid—you will be mindful of that more than most. I am consistently bending the ear of my UK colleagues on these particular issues.

The transformation also gives us an opportunity to do things slightly differently. Let us look at oil and gas—I know that I have talked about this already, but it is important. The Zetland County Council Act 1974 was the direct result of a community getting actively engaged at a local level. I ask members to imagine if we had replicated the local wherewithal that was seen in Shetland in the 1970s elsewhere in Scotland. Of course, there is a smaller fund in Orkney as well.

What that tells me about what comes next is that all the good ideas are not in Edinburgh or London. Being out and about over the summer has provided a good opportunity for me to speak to communities and to businesses that are leading on this. We have an opportunity—that is what any change does. It is difficult and we know that it is challenging, but we are at a transformative moment for the energy sector, which is what

makes the current session of Parliament, and the job that I have just stepped into, exciting.

Kristopher Leask: I agree with the minister; I think that there is an opportunity for Government to outline where it sees growth areas in other sectors in the energy generation portfolios—not just in small domestic solar or wind but in other generation technologies. Where can we see growth, and how can we best strategically support that growth in community or public ownership, be it through a community group, local government or central Government? That is where we need to be heading towards.

Moving more towards delivery, I note that you mentioned CARES. I am pleased to see the uplift in the CARES budget, which you confirmed to me in a written answer.

I have heard from community groups over the years—and in the past few months, as I have engaged with them across the Highlands and Islands—about the challenges that they come across with the funding windows. It can be challenging for a community group, within a narrow funding window—I am sorry, convener; my laptop screen has just gone off, and it had a figure that I was about to cite.

The funding window can make it difficult to plan, recruit, obtain the consents and deliver projects within the required timescales. Have you considered allocating CARES on a multiyear basis? That would allow communities to fund a development post and progress larger projects through planning and consenting. It would avoid unnecessary winter installation premiums—they often exist for certain technologies—and reduce the risk of funds being decommitted because they cannot be delivered before the March deadline.

In this financial year, Great British Energy has already committed to such a multiyear approach. It is quite right that we should continue to try to lead the way, as we have done with the CARES programme, and match that multiyear commitment. I am interested in the consideration that you have given to that.

10:45

Stephen Gethins: It is a fair point. I am not the Minister for Public Finance, but she comes from the same part of the world as you do and has been an enthusiastic proponent of communities being involved in the energy sector. I will certainly pick this up with colleagues.

Any funding mechanism on a multiyear basis will always be challenging, but you raise a number of good points on other challenges that local communities face. I am really happy to continue to engage on that with you and other committee members. We have already written within the first 100 days about the use of public land, for example, which has been undertaken, but this is very much a work in progress.

As we get the transformation from an industry perspective, it is really important that we do that at a community level, too, by ensuring that communities have ownership and are involved, because this approach does not work if we do not take them with us.

I will make one other point. As you will know from your constituency, some communities do this work really well, and that is impressive. I want to make sure that that benefit is as widespread as it can be, and we need to continually work on that. How we engage and empower communities will be a work in progress.

Kristopher Leask: I very much welcome that and I thank you for the commitment to go away and look at the issue. I am sure that we will return to it at budget time.

Stephen Gethins: I thank everybody who engaged with me when I was out and about over the summer; I was so impressed by some of the work that was done. I am keen to continue to do that, so I would be grateful for any ideas that committee members have.

The Convener: Kate Campbell has a supplementary question.

Kate Campbell: I want to go from the Highlands community down to the central belt, because some fantastic work is happening in East Lothian, and it is also about the switch from renewables. I was going to ask about this separately, but I feel as if it fits into this theme quite well.

In East Lothian, we have onshore wind generation, but there are a lot of heat sources, too, and the local community is taking forward really ambitious plans for a heat network that links into Edinburgh. Those plans are ambitious and on quite a large scale, so the sums of money that are allocated for community projects probably would not touch the sides.

I accept that investment from elsewhere would probably need to be brought in, but what can the Scottish Government do to support that large-scale, ambitious community planning? Paul McLennan put an energy conference together on Friday, and one of the questions that came from the community was about how we enable community or shared ownership on such a large scale. It is a big challenge.

Stephen Gethins: With regard to heat networks, I was at a presentation on my patch in Dundee recently, which was really interesting in relation to the scope. The benefit that all of us from

any political party always have is that we are out chapping doors and speaking to people about various things, and certainly my experience—and, I suspect, that of other colleagues here—has been that fuel bills and heating homes are pretty high on the agenda.

When we talk about bringing folks' bills down, I think that a lot can be done on heat networks. Under the heat network fund, there is up to 50 per cent funding, plus feasibility development support, but it is always good to get feedback on that.

I have been out to East Lothian and spoken to Paul McLennan, and some of the work that he is doing at a local and community level is really impressive. I know that he is a member of the same party as you and me but, regardless of the party, he is doing a good and worthwhile bit of work at a local level. I am due to meet him there again and learn a bit more about that work. We are continuing to consider heat networks as we look at the decarbonisation of heat over the coming decades, and we are keen to continue to work with communities.

I apologise for having focused a little bit on the northern isles in answer to Mr Leask's question. I had a very good visit to Orkney and Shetland, but I also recognise the fantastic work that is going on across the central belt. We are certainly taking an awful lot of lessons from the project down in Wallacetown in Ayrshire.

The Convener: I have a supplementary question on heat networks. I am aware of a heat network operating in Aberdeen. How do we get behind the sheer scale of capital investment that is required? That will involve entering homes and massive retrofit costs in places such as Edinburgh, which has a significant number of tenements, and Aberdeen, where there are old granite buildings.

It is very difficult to do these retrofit jobs. How do you see heat networks interacting with that? How are you getting your arms around the sheer capital costs that are required?

Stephen Gethins: Getting my arms around this is a job of work, so I am grateful to be joined by a number of colleagues. If she wants to contribute, I might bring in Frances Murphy if there is anything that I do not cover.

It is a huge job of work. That is why, when I talked about some of our decarbonisation, I was talking about a budget of £330 million, as I mentioned in my opening remarks a short time ago. We are constantly looking at how we can get value for money and how we can help people bring down their bills, with a target of 60 per cent for those in lower-income households. That is a big budget, and I am consistently looking at how we can get value for money.

I talked earlier about fuel bills being a big thing that is raised by constituents. I am sure that they get raised with you, Mr Massey. I know that it is always a frustration. Half of my family is from Aberdeen—

The Convener: Just the good half.

Stephen Gethins: For people in Aberdeen, there was always a frustration over the years about the price on the pumps when they were producing the oil and gas offshore. Of course, that is a level of frustration that we take really seriously. I am keen to engage with Parliament on the heat in buildings legislation and plan that I mentioned earlier, but it is a big job of work.

Frances, do you want to add anything on heat networks?

Frances Murphy (Scottish Government): Through Scotland's heat network funding, £14.5 million has been committed to projects so far. As the minister said, that can be up to 50 per cent of capital funding. There is also a support fund, which has already supported around 55 projects on early-stage feasibility and development work. A lot of work is going into building the pipeline, although there are multiple challenges and barriers, as I am sure that you know, around getting a heat network from the initial stage right through to development on the ground. That takes quite some time, so we try to support the pipeline through that.

The Convener: As Kate Campbell mentioned, the concern is that the funding might not touch the sides.

Kristopher Leask has a supplementary question.

Kristopher Leask: It is a really important point, and it is one of the questions that hang over our national ambitions to decarbonise heat and develop networks that can—frankly—provide that security, take people out of the market to a degree and allow them to access lower-cost heat.

It is worth making a point about the development of the bill, which you are beginning to work on, as you said, minister. Do you recognise that the financial requirements to develop the network are likely to mean leveraging money for investment in infrastructure not just from the private sector but from individuals to some degree? It is still to be determined how we finance that work and what support we can give, so the bill needs a clear path for the future direction of travel.

Over the past few months, I have been speaking to heat, building and housing stakeholders, who keep telling me that there is no point in us doing this unless it delivers real action. Folks need confidence and certainty in order to invest and start to plan, and I hope that the bill can give them that. I also hope that you are holding that in mind.

Stephen Gethins: It is a fair point. On the point about real action, we are going to help something like 20,000 homes this year. That is real action and real work that is being undertaken.

Kristopher Leask: No one is disputing that. It is the longer-term transformation that we are talking about.

Stephen Gethins: Sorry—I was agreeing with you, Mr Leask.

Even though I talk about the long-term goals and benefits—they always have to be in my mind in this job and will be in your mind, too—people want to see action now. We are now speaking to officials, and I am always keen to talk, about what will be going on in the future, because the heat in buildings delivery plan is not for a year—we are talking about decades. We will not have a heat in buildings bill for the next year or two—we will have it as a long-term project. Any of us in politics will get wound up on what might be happening in the future, but people want to know what is happening now.

You raise a really good point. There is expertise, and you have to bring in additional resourcing from elsewhere. You would want to bring together things such as the climate change plan, the fuel poverty plan and other plans so that those things are being done together, because there is no point in going off on different tangents—in government, we have to be as concise and connected as we possibly can be.

You raise a really good point. I am hearing things about how we can benefit from the use of waste. I have seen conversations about how to use data centre waste with heat in it. There are so many ideas that challenge me—and, to be fair, officials and all of us as parliamentarians—to think a bit differently and innovatively. It is clear that that thinking is happening not just in the communities that you represent but across Scotland.

The Convener: Rachael Hamilton has a supplementary.

Rachael Hamilton: In listening to the conversation, I am reflecting on the increase in household bills, which you have mentioned, minister. You are in charge of energy policies. Do you believe that it is transparent to households how much Government policies are attempting to bring down household bills, when the rhetoric is that Scotland is an energy-wealthy country?

Stephen Gethins: That is a fair point. I have been talking about the northern isles, but you represent the Borders, which is an enormous constituency, and you will see the situation every day. I do not want to tell you your business, but I suspect that you are hearing a huge amount of concern from people at your surgeries and elsewhere.

We are being as transparent as we can be. This meeting is just an opening session to look at our priorities, but I am keen to work with the committee going forward. I mentioned having been on a committee previously. It was a bit of the job that I always enjoyed, because we got into the guts of an issue in a way that is not always possible for other things. This committee has a good range of parliamentarians.

On issues such as the £330 million and the 20,000 households, in the areas for which we have responsibility, of course we want to make sure that that makes a difference. It is in my interest and your interest to make sure that it makes a difference, and I have set that as a challenge to the officials I am working with. However, we do not have all the powers at our disposal.

Daniel Johnson is not here just now, so it is a bit unfair of me to raise this, but I will do so anyway. The current UK Government has a wide range of powers that I could only dream of. When it came in, it promised to bring down energy bills by £300, but those bills are steadily increasing. Some of the areas involved in that are outwith its control, and I know that the Prime Minister will be addressing that issue today at his conference, but I have raised that significant issue at the UK level. Diesel is about to hit £2 per litre, and I can understand why that is a bit frustrating.

Rachael Hamilton: That is why it is important, given that the committee concentrates on the devolved powers that are available to the Scottish Government so that we can scrutinise them, that you have made a commitment to accelerating planning and consenting. It would be useful if we could have a transparent explanation for the public so that they can understand how those policies, along with the suite of powers that you do not have control over, will bring household bills down.

If I go back to oil and gas—

Stephen Gethins: Talking of things that we do not have power over.

Rachael Hamilton: You have said that, if the licences are granted for Jackdaw and Rosebank, the Scottish Government will have responsibility for the planning infrastructure. Leaving aside the quasi-judicial responsibilities, do you support ensuring that the planning infrastructure is there and accelerated, if those licences are granted?

Stephen Gethins: Of course I support a good planning infrastructure. It is obviously something for Mr McKee—

Rachael Hamilton: On those specific projects.

Stephen Gethins: —rather than me when it comes to planning decisions, and I would not want to get into his bailiwick.

Rachael Hamilton: I asked Mr McKee, and he said that it was your responsibility, but there we are.

Stephen Gethins: We are trying to work all the time in areas. Let us dive in. We started on oil and gas. Let us—

The Convener: We were talking about heat networks, so I want to go back to that. Martyn Day has a question on that.

11:00

Stephen Gethins: I will briefly answer Ms Hamilton's question—far be it from me to prevent Mr Day from coming in.

I want to make something really clear. In this area, there is a complex interplay between devolved and reserved powers. You and I might sit on opposite sides of the constitutional divide, Ms Hamilton, but I think that we can agree on that. Although I want Scotland to have the whole range of powers in this area, my job is to work within the set of restrictions that I have at the moment, and I am committed to doing that.

I sat at Westminster, and I am fortunate enough to have a good relationship with my UK colleagues across the political spectrum. I want to work with them, because we all have a responsibility to do what we can to ensure that Government is performing at its best. We can have policy disagreements—I am sure that Ms Hamilton and I will find other areas on which we can disagree—but there is a space to try to work together. There are areas—for example, transmission charging—that I think are holding back the sector and where I absolutely disagree with the approach, but I need to work within the set of restrictions that I have.

We have talked about the oil and gas sector. When I work with the energy sector, I look at where we have a competitive advantage, such as in offshore wind. We have a competitive advantage in several areas, but one is from the skills and expertise that have been developed in the oil and gas sector, which allow people to work in a marine environment and export those skills all over the world. I talked about working in Azerbaijan 25 years ago. I remember walking through Baku, before there were any of the big developments that are there today, and bumping into a succession of Aberdonians, having not met any other native English speakers for several weeks while I was out there.

There is a huge amount of work to do, and there is an interplay between the reserved and devolved spaces.

The Convener: Thank you for that brief answer. [*Laughter.*]

Martyn Day: You will be pleased to know that you have covered a lot of the territory that I wanted to ask about. I will go back to your comment about the £330 million that is being targeted at fuel poverty, with 60 per cent going to the households that are most at risk. Will you expand on what that will look like? What will it deliver?

Stephen Gethins: Let me just have a look at my papers. We are working with a range of companies, but I do not want to just read out a big list for you. I would be happy to write with fuller detail, because writing is sometimes more helpful. However, an example is warmer homes Scotland, which is supporting an estimated 5,600 households with an average spend of £15,500 per property. We are also working on area-based schemes that include social housing and decarbonisation. We are looking at a wide range of measures to support the rise in 20,000 households in fuel poverty over the most recent period.

One job I would ask MSPs to do is to get information out to people who might benefit from it. For example, at the weekend, I visited Scarf in my constituency, which has a fantastic phone line and a website. I can sit here and outline some of the areas that the funding will actually go to, but there is a job for colleagues in the Parliament and elsewhere to spread the word a bit. We want the information to reach the people who will benefit from it, which will help us with our work in an area of consensus.

Martyn Day: That would be helpful. How will we monitor the success of that delivery? There will obviously be carbon savings and we will hopefully be able to measure some sort of reduction in fuel bills. Might there also be a reduction in the level of ill health and pressures on the health service?

Stephen Gethins: That is a fair point. Without getting into the housing side of the issue, we know the contribution that well-insulated homes can have on people's overall wellbeing—that is regularly talked about in the work that I do on fuel poverty. We will obviously look at the contribution that the projects make to decarbonisation, and we will also have estimates on bill savings and some of the social returns on investment. Frances Murphy, is there anything that I have missed out?

Frances Murphy: No, I think that that is fair. We have different estimates for different projects. We do not generally ask households to submit energy bills in advance of an intervention and then submit

them again afterwards, so it tends to be modelled savings. We have modelled savings for the different schemes.

The minister mentioned the social return on investment report, which has just been produced by Warmworks for the warmer homes Scotland scheme. As you might know, there is a methodology to magically put a number to some of the health benefits, wider community benefits and all kinds of other benefits. Warmworks came up with the figure of £2.31 of social value for every pound that we invested in this area, and there is a published report on that.

Stephen Gethins: We are happy to write to the committee, if that is helpful, on the first question as well.

The Convener: Before we move on to different topics, I will ask a quick supplementary question. You talked about the cost savings per capital investment. It is almost like a creaming curve that we might use in the oil industry to understand what the best investment is.

Do you try to grade and review the measures? For example, there is a lot of evidence that if people adjust their existing gas boilers to adjust to weather, so that the boiler is on at the right times or at lower temperatures, it can have a huge impact. Do you look at that versus what we are talking about here, which is capital investment to improve insulation or to move to different devices, for example? Do you have that sort of analysis?

Stephen Gethins: I will pass to Frances first, then I can come back in more broadly.

Frances Murphy: We are looking at doing more specific analysis of those things. We have our Home Energy Scotland advice service, which gives advice to anybody in Scotland on the wider issues. It is not just about pointing to capital investment, although the service does that too; it can advise on how to use your boiler better, how to draft proof your home, and other interventions that do not cost very much money. That is a well-used service. Last year, 87,000 unique households contacted the service for advice, some of whom were referred through for capital support, whereas others got that lighter-touch advice.

Stephen Gethins: Regarding that investment at a policy level, I am a great believer in the idea that you can tackle climate change but also try to tackle people's bills at the same time. I do not think that it is an either/or situation—that is probably the position of most members of the committee. There are various factors that we need to take into account when we look at value for money.

I thank Frances for her more detailed response.

The Convener: I appreciate that. We will move on to different topics, as I am cognisant of time. I will bring in Rachael Hamilton.

Rachael Hamilton: We have talked about energy prices. Britain's industrial energy prices are some of the highest in the world—probably the highest. In the energy mix globally, many countries use nuclear. Torness is supplying around 19 per cent of the electricity generated here. The Government wants to look at progressing a number of data centres. It would be useful to understand the Government's thinking on the lifespan limitations of Torness, which will potentially shut down by 2030, and on using small modular reactors for data centres.

Stephen Gethins: The Government has been pretty straightforward on nuclear, as you know, and that is an area of disagreement among us when it comes to the cost.

I think that data centres could have a role to play. They must be in the right place, and Hannah Mary Goodlad has been quite right to look at their environmental impact. We must also be cognisant of the planning process and the community's involvement in that. However, when it comes to constraint payments, there must be a better way of doing things so that constraints do not cost billions every year. I think that there could be a broader range.

On the global level, one thing that I am really keen on, which we have not had the chance to discuss, is how we connect into the rest of the world. The big challenge in European capitals at the moment is energy security. I mentioned the Bab al-Mandab Strait and the Strait of Hormuz, but Russia's war in Ukraine and geopolitical shocks are also having an impact. It is not the whole story, but they are having a distinct impact on all of our constituents. My message must be that Scotland is part of the solution. In November, there will be a leadership summit involving the UK and the EU and I would like to see more alignment with the rest of Europe. I think that that makes all sorts of sense, and we have a significant contribution to make to that.

I am not sure that investing in extraordinarily expensive nuclear power is the way to go. In fact, that may not be the way to go. We have a big enough job with getting some of the fantastic renewables online.

Rachael Hamilton: Sir Dieter Helm made the argument that nuclear power is energy dense and low carbon. Global economies where energy bills are far lower than ours use that as part of their energy mix. I am concerned by what you just said. I understand the Scottish Government policy on nuclear power, but Torness is a really important provider of jobs in East Lothian, the Borders and

elsewhere and also meets 20 per cent of our electricity demand. Where will that low-carbon, energy-dense 20 per cent of our electricity be replaced, and can that be done by 2030 if you do not support nuclear power?

Stephen Gethins: First, when Dieter Helm spoke to the committee he also commented that nuclear power is extraordinarily expensive.

Rachael Hamilton: Yes, he did.

Stephen Gethins: He supported it, but we should reflect the balance of the remarks that he made when he spoke to you.

That replacement can come from a range of areas, including battery storage, pumped hydro storage and better grid networks. We are an exporter of electricity and I want us to see an increased level of benefit from that.

We need to look at the grid. For example, 93 per cent of the electricity in the north of Scotland yesterday was coming from wind, with 6.9 per cent coming from solar power. You are right that some energy in the south of Scotland was coming from nuclear power, but we are looking at things such as pumped hydro and battery storage coming in too.

When we talk about jobs in the nuclear sector, we are talking about the 2040s and 2050s, when there will still be decommissioning work because of the expensive and very long-term obligations connected to those sites.

We have a competitive advantage in renewables. I would like to see greater connectivity with the rest of Europe, because that would make sense at the European level. I was looking at what the Irish are doing with an interconnector that is going from Ireland to France to create greater connectivity between those countries, which makes sense. Our decoupling from Europe has not been good for bills or for the energy sector and I would like to see an unpicking of some of that damage.

Rachael Hamilton: To be clear, is it your ambition as a Scottish Government minister to export more of Scotland's renewable energy or to bring down household bills?

Stephen Gethins: We can do both if we get it right on constraints charges. I saw a figure of about £5 billion for constraints charges, including things such as transmission charging. Scotland is part of the UK's clean green energy solution and can be part of Europe's clean green energy solution, too. We have the resources and the expertise, which is why I remarked on the expertise in the oil and gas sectors. I would like to see us being an exporter of renewable energy, just as we export other products, but we need to see some of the benefits here at home. We do not have the full range of powers.

As I said, when we had the grid upgrades at the UK level, I saw some frustration in the north-east of Scotland, where people were given 250 quid off their bills, which was just not enough. I expressed a sense of frustration about that.

The Convener: I have a supplementary question, as does Kate Campbell.

The UK is quite reliant on interconnectors from France and Belgium, which mostly carry electricity from nuclear power. If Torness closes, that will mean that we are extremely vulnerable at times of low wind, which makes it an energy security matter. What are the Scottish Government's thoughts on the energy baseload from nuclear power?

Stephen Gethins: I just set out some thoughts on baseload to Ms Hamilton. My officials have passed me a note. A Scottish Government-commissioned report in December 2023 found that the reduction in traditional firm generation capacity in Scotland could be offset by increases in wind and solar installed capacity, along with the installation of storage technology. There is a wide range of areas where we can do that.

Some of that work has to be on hold at the moment. We have not talked about the strategic spatial energy plan yet, but we are still waiting for that to come online. I can see the benefits of the expertise that we already have. We are a major exporter of electricity and we will continue to be, and others benefit from that.

11:15

The Convener: The National Energy System Operator issued various warnings over the summer to say that we were close to not having enough firm capacity and that we had to increase imports from France and Belgium. You are saying that you have no concerns about energy security in Scotland and that we can run a 100 per cent renewable system with no baseload.

Stephen Gethins: I do not think that I have said that at all—I have not said that in the slightest. You are referring to the Iberian outages, which I know NESO is conducting a review of. It is not entirely within my portfolio, but it is important to learn from that.

We have a UK-wide responsibility for NESO, and there are imports in the south of England, but we need to look at the situation from a pan-European perspective. I know that that is not how you are approaching it, Mr Massey, but it makes all sorts of sense, given that we are an exporter. I have referenced the Irish interconnector, which

brings huge benefits for communities as well as for generators of renewable energy, which can go into the European market.

We have a number of things coming up, including the SSEP and the reset and talks between the UK and EU. Let us not forget that, over the summer, when it became too hot, French nuclear reactors had to shut down. That is not terribly effective for anyone. We are going to experience an awful lot more hot summers because of climate change, which is a thing.

The Convener: I will move on.

Kate Campbell: I feel that it would be a really good time to ask my core question.

The Convener: I am conscious that we need to ask about spatial planning, which is an important issue that I hope you can bring in, Kate.

I have a further supplementary question. The UK is connected to continental Europe, and Ireland is connected to England and Scotland and is relying on imports. Are you proposing to build a significant export cable from Scotland? Where would that land in Europe?

Stephen Gethins: Forgive me, but SSEN is already investing a significant £29 billion in Peterhead. Yes, we need to talk about what will happen in the future, but what we are talking about in the here and now—the investment is taking place right now—is the impressive ongoing work that you can see if you visit Peterhead. Some of the bootstraps that were spoken about years ago are now happening. Those investments are being made by a major Scottish company.

The Convener: Are you planning a massive export cable to continental Europe? It sounds as though you are talking about that.

Stephen Gethins: I think that we need to bring down the barriers to electricity alignment that were thrown up between us and the rest of Europe. There are places where we can contribute to pan-European energy security. We are a significant producer of electricity and there has been greater alignment across the rest of Europe in response to Russia's war in Ukraine, which has been ongoing for a number of years. We saw the way that the Norwegians responded to that, among other things.

If we think 20, 30, or 40 years ahead of us, do you not honestly think that Europe will be more cohesive in the way that it produces its energy, just as it is cohesive on its food and drink and other products? By turning its back on that, the UK is pushing water uphill.

The Convener: I think that we will see a lot more nuclear in Europe and a lot more energy reality.

I bring in Kate Campbell for a change of topic.

Kate Campbell: Maybe there will be a change in tone as well.

A couple of weeks ago, I said in the chamber that you had not seen any of the pathway options, but NESO wrote to me and told me that you had. Can I confirm whether you have seen the six pathway options that NESO is proposing for the SSEP?

Stephen Gethins: Obviously, I have to be careful about what I can and cannot reveal. I am finding a challenge in this job to do with what stuff I am able to talk about. However, that is something that was true at the time and would not be true if I were to give the same answer now.

Kate Campbell: That is helpful. Without asking for too many details, do you feel that all six pathway options will allow Scotland to meet our renewable ambitions?

Stephen Gethins: No.

Kate Campbell: Do you feel that any of them will allow Scotland to meet our renewable ambitions?

Stephen Gethins: Yes. I am in a position, which I can remember from being a committee member previously, in which officials' eyes are boring into the back of my head. I am sure that Ms Hamilton will not mind me saying that I remember, at one point, questioning the then foreign secretary Boris Johnson and seeing the officials from where I was sitting, so I know that I have to be very careful in what I am saying. However, I know that Catherine, Ragne and Frances will keep me absolutely right on this.

The thing that I have said—the First Minister has also put this on the record—is that, although the SSEP might have been co-commissioned, we do not co-sign it off. That is a decision for the UK secretary of state. I wish that the situation were different, and I am sure that Ms Campbell wishes it were different, but that is the set of circumstances in which we find ourselves. If I do not feel that it brings forward Scotland's potential, I cannot agree to it—plain and simple. As Scotland's energy minister, I cannot agree with something that does not fulfil Scotland's potential, and I am not sure that there would be many people who would disagree with that.

Kate Campbell: No—I think that we would support that. If you do not agree to it, what happens?

Stephen Gethins: It is a decision for the secretary of state. I have raised the issue. I have written to the UK Government and have engaged on a bilateral level. In a couple of weeks, during recess, I am going to London to meet Miatta

Fahnbulleh, and I will raise the issue again, along with a range of other issues.

I should also ask officials—

Kate Campbell: Well, I was going to say—

Stephen Gethins: Sorry. They can come in after.

Kate Campbell: For me, the concern is that some of the pathways will not allow us to meet our renewable ambition. The next step is that one of those pathways will go out to consultation, and the decision on that sits with the secretary of state.

Stephen Gethins: Yes, although I would point to comments from Michael Shanks in an article in *Energy Voice* at the start of the week. We are happy to share that article. This is quoting—it is not me; it is the UK minister of state. Michael said that the process should not be seen as

"a binary sort of process where it is one path at the exclusion of all other options".

He went on:

"The whole point of having the first ever strategic spatial energy plan for Britain is to try and get to a more coherent design for our overall energy system."

With that, I have told the committee about as much as I know about his thinking on that. It is quite a useful article that I would be happy to share.

Kate Campbell: That is maybe slightly reassuring. Obviously, meeting our renewable ambition is incredibly important to our energy strategy for Scotland. Is that recognised in a UK context? Will the decisions that are taken reflect how very significant the issue is for Scotland's economic and energy future? Is that being treated with the level of importance that it should be at the UK level?

Stephen Gethins: You would have to direct that to UK ministers—I cannot speak for them. I would hope that UK ministers would come and give evidence to the committee, given the important work that you have to do.

I hope that the decisions will reflect that. I have heard the way in which Mr Shanks and Ms Fahnbulleh talk about Scotland's offshore renewables potential and other renewables potential, so let us give them the benefit of the doubt. I have significant concerns about transmission charges, which are holding back investment, and about grid upgrades, and I am sure that that some committee members do, too. I have made those cases. I have told Mr Shanks that I will try to work with my UK colleagues in as collegiate a way as possible. That is my way of doing politics, and it always has been. However, where I disagree, I will tell them that I disagree.

There is a broader point. I have been speaking to businesses that tell me that Scotland is a good place to do business. That is really nice to hear, and it is because of things that have happened and the political certainty. However, we need to give businesses the next stage of political certainty, which I hope the SSEP will be able to give investors as we move to the next stage. I will continue to make that case to UK ministers, and I have already put on the record that I cannot endorse something that does not bring Scotland's potential fully online, because we have fantastic potential, and I want it to be realised.

Kate Campbell: If members agree, it would be helpful to ask UK Government energy ministers to come and speak to us, particularly about the SSEP, after they have had that conversation with the minister.

Rachael Hamilton: Convener, may I ask how the committee can scrutinise the formal advisory process that the Scottish Government has within that process?

The Convener: We can discuss that as part of our work programme budget, but there are a few technical details to iron out.

Stephen Gethins: If I may, can I also ask something? It is just to confirm that I have not stepped above and beyond—forgive me.

The Convener: Please do.

Stephen Gethins: On the SSEP, I ask Catherine Williams whether there is anything else that we can say. I try to be nice and careful.

Catherine Williams (Scottish Government): I will reiterate what you said. We have been very active in our engagement with the UK Government on the SSEP and have reiterated those points. I do not think that we can say how that has been received, but we can certainly say that those points have been made loud and clear.

I am reassured by Mr Shanks's interview, in the sense that he replayed, in his words, many of the arguments that we have been making to him about the opportunity for offshore wind to re-industrialise, provide jobs and use the potential that exists in Scotland. That, for me, suggests that those messages are hitting home and being understood, but we cannot guarantee how that will play out in the decision making.

Gary Bouse: My questions are on a slightly different issue, minister, and I will cover a couple of things. I agree with you that energy bills are too high. Heat in buildings is one of the key issues, but I will come back to that with my main question.

As a Falkirk councillor, I encourage you to come to Falkirk, where the council is renewing all windows and doors, and the properties have triple

glazing. That makes a massive difference—£15 million a year is being spent on it. I would be happy to let you see some of that work.

I have a quick question in relation to energy and AI data centres. There is a discount of up to £24 per megawatt hour for AI data centres, so using 500 megawatt hours could save £80 million per year. I would love to use that kind of logic with our people. If we can do it there, can we do it for other industries? Can we do it for charities? People forget that charities pay for energy as well as business.

My substantive question goes back to your energy strategy. Since members joined the committee, our learning has been fantastic. We know that 23 per cent of energy use is electricity, but heat and transport make up the majority of it, and that is one of the challenges. I totally agree that we should move to a more renewable energy system, but the challenge with that is reducing energy use from heat and transport.

If you do positively on one, you need to do positively on the other. Soon, you will not be able to put a new gas boiler in a new house, which will be a change. There will also be more electric vehicles. At the moment, we have a surplus of renewable energy, but if you push those vehicles forward and want to make a big difference—we are talking about climate change—you will remove that surplus.

I agree that consideration of the base load should include hydro. I know that Kraken 2 is coming up. In the work that I used to do, I was involved with waterproofing. The pump hydro storage system is an exciting area.

I will go back to the question about your energy strategy, which has become one of the vital pieces of the jigsaw. If we reduce the energy that is currently used for heat and transport and turn that into electricity, will we get into difficulty with not having enough renewable electricity? Will there be more constraint payments if we build up the energy side and do not reduce the heat and transport side?

I know that that is probably a big question, because it has taken me ages to say it, but I hope that you get where I am going with it.

11:30

Stephen Gethins: Yes, I do. I am mindful of time, as well, convener, and we still have plenty more to talk about.

On the first point of Mr Bouse's question, I note that I am always keen to engage with local communities and councils, so I would be happy to visit Falkirk. That would be really helpful, and my officials will pick up on that.

I take your point on savings and charities. To go back to what I said at the start of the evidence session about the work that I have seen taking place through CARES—in not just charities but community centres, which do fantastic work at the local level in all our constituencies—that is why it was good to see how CARES is playing out and benefiting people. I am always keen to learn more. Again, as you will understand, there are a number of areas in which the UK Government has responsibility.

Heat is going to be a big bit of work, as we have already talked about, and learning about community work on that, including the stuff that is going on at Falkirk Council and the communities that it is engaging with, will inform that. Mr Bouse is right on pumped hydro.

Sorry, I am being mindful of time, so my final point should be on the energy strategy. You were right to raise it, and it was in the programme for government. The strategy would be very tricky to produce this side of seeing what is in the SSEP, so, going back to Ms Campbell's point, I do not know what the final decision will be. I can read out quotes from the comments made by the minister, Michael Shanks, and, as I have said, I have received a briefing on some elements. I am not in a position to share that at the moment, but our energy strategy will have to be informed by it, given that you are looking at a longer outlook for that sort of thing. The benefit of such strategies is that you can take a longer look.

Gary Bouse: I look forward to you coming back to the committee. Fortunately, the training that we have had has really helped us, and you can guess that you will probably be asked plenty of questions when you come back.

Stephen Gethins: I will be delighted. I have another session with you right now, but I am always happy to come back to the committee.

The Convener: I am cognisant of time, and we have been discussing the subject for more than an hour. As usual, it feels as though we have just scratched the surface. I thank the minister for his time and his candid answers. I thank the officials for their time, as well.

I suspend the meeting to allow for a changeover of witnesses before the next item.

11:32

Meeting suspended.

11:35

On resuming—

Subordinate Legislation

Energy Performance of Buildings (Scotland) Amendment Regulations 2026 [Draft]

The Convener: Agenda item 4 is consideration of an affirmative instrument. I refer members to paper 6. I welcome back to the meeting Stephen Gethins, the Minister for Europe, External Affairs and Energy. I also welcome his Scottish Government officials: Ross Loveridge, head of the heat in buildings assessment unit; Patrick Mason, head of the heat in buildings assessment policy and technical team; and Mark Stewart, head of the heat in buildings assessment operational delivery team. I give a reminder that Scottish Government officials can participate during this evidence session, but, when we move to the next item, only MSPs can participate.

I invite the minister to make a short opening statement.

Stephen Gethins: I did say that I am always keen to come back to engage with the committee, but that was slightly less of a break than we were perhaps all expecting. It is a pleasure to be here, however.

I am pleased to present the draft Energy Performance of Buildings (Scotland) Amendment Regulations 2026. They amend the Energy Performance of Buildings (Scotland) Regulations 2025, which were approved by the Parliament last December. The amendments revise the implementation timeline for Scotland's reformed energy performance certificates from October 2026 to April 2028. The amendments are necessary to reflect the UK Government's decision in March 2026 that its timeline for EPC reform would move from October 2026 to the second half of 2027. That UK Government decision had a direct impact on the timeline for our Scottish regulations, given that they rely on UK-wide shared technical and operational infrastructure, including the UK Government's new home energy model.

The EPC assessor industry, represented by the Property Energy Professionals Association, supported the delay to allow additional time for the home energy model to be finalised and for assessors to be trained to use it.

I have engaged closely with representatives of PEPA this summer—I thank them for their engagement—and with my UK Government counterparts, Baroness Blake of Leeds and Martin McCluskey from the Department for Energy Security and Net Zero, through our memorandum of understanding on energy performance and buildings, to agree a new timeline for implementation of EPC reform across the UK to begin in the second half of 2027.

I have taken the decision to implement reform in Scotland from April 2028. That is a precautionary approach to provide additional contingency for any further delays and to allow the UK Government to confirm its final in-force date in England and Wales. PEPA supports that timeline, and my officials have engaged with impacted stakeholders in the property market.

The amending regulations do three things. First, they move the full in-force date of EPC reform from 31 October 2026 to 30 April 2028. Secondly, they adjust the start date for the transition periods, which give the market time to adjust to the new regulations, to 30 April 2028. Thirdly, they maintain the increase in EPC lodgement fees from 31 October 2026, as the Parliament agreed last December, which will allow us to fund work that is already under way to finalise the new digital EPC register, the Scottish version of the home energy model and the new on-site audit regime to drive up quality for consumers. The amendments do not change the substance of the EPC reforms that the Parliament agreed last December. The Scottish Government remains fully committed to those reforms, as does the EPC assessor industry.

Our objective remains to deliver a modern EPC system that provides better information for consumers through better-quality assessments. Officials will continue to work closely with industry representatives and the UK Government as the work progresses.

The revised timetable that I have set strikes the right balance between providing the industry and the UK Government with the extra time that is needed to complete preparations and providing certainty to the property market on the delivery of the reforms that have been approved by the Parliament.

I thank the committee for its scrutiny of the draft regulations, and I ask members to support them. I am happy to answer any questions.

Martyn Day: I will start with the obvious, daft-laddie question. The fees are increasing, but the implementation has been delayed. You mentioned that the increase is to fund the work. What will fee payers get for that increase in fee?

Stephen Gethins: I will pass over to Ross Loveridge in a moment. There has not been an increase in fees in some time. Obviously, the increase is needed to pay for the work more

broadly. However, as I understand it, we have landed on an increase that is lower than an increase based on inflation. *[Stephen Gethins has corrected this contribution. See end of report.]* Ross Loveridge can give you a fuller answer.

Ross Loveridge (Scottish Government): I appreciate that the committee wants to understand this in detail. We have moved on since the Parliament approved the regulations last year. At the start of 2025, we consulted on increasing the fees. As was set out in clear detail, the increase is to fund three new areas of work that we have to take forward as part of the reform, because we share infrastructure with the UK Government, as the minister has said.

The first of those three things will be the building of the new digital EPC register, as the minister mentioned. That work is under way and the register will go live next year, before the new regulations come into force, because we were already committed to building it. Staff who previously managed the system in the Energy Saving Trust have now transferred into the Scottish Government, so that is part of the costs that we are bearing.

Secondly, there are costs associated with the development of the new calculation methodology that the minister mentioned—the home energy model. Things are not as expensive for the Scottish Government, because we are sharing the infrastructure with the UK Government, but we have to make a contribution towards the cost of the model's development when it comes to refining it for Scotland. Work is under way to procure that this autumn, and that is part of the cost.

Finally, as the minister said, other costs will go towards developing the new audit and inspection regime.

The fees are charged in return for the benefits that the market gets from the development of the new infrastructure. As the minister said, they would have had to rise anyway, over time, because of inflation. They have not been adjusted since 2017.

Martyn Day: That is helpful. I have a question on a different matter. In the EPC framework—I am trying to get my head around it—how do we distinguish between a building's heat retention and the emissions from its heating system?

Ross Loveridge: That is an important point. As the minister said, we are not consulting the committee on the substance of the regulations, because that is what the Parliament agreed to last year; the minister has come today with a very narrow set of amendments that relate to when the regulations come into force.

When the Parliament considered the regulations last year, we talked at length about the need to move to a new rating system, the extensive consultation that we had done and the public feedback about making a clearer distinction between the fabric of the building, including how well insulated it is, and the emissions from the heating system.

At present, our rating system does not make that distinction, which means that we can end up with perverse outcomes. For example, people might have invested in fitting heat pumps, but their EPC rating could worsen if they have switched from gas to a more expensive fuel such as electricity.

The distinction comes with the new rating system. There is a clear articulation of the emissions and efficiency of the heating system in one rating and a clear articulation of how well insulated the building is in the heat retention rating. That is the distinction between the two.

Rachael Hamilton: I do not oppose the draft instrument, but I want to clear something up. Some of the businesses that were consulted said that there should be a review within two years. Is the Government still open to that?

I also note that there would be an impact on older and listed buildings, and there was mention of exemptions. How can the Parliament ensure that, when the new methodology is introduced in 2029, those concerns are addressed?

Stephen Gethins: Today, we are looking primarily at the timing, but there will be a review. I am happy to continue to engage with the committee on that. Given your representation of rural areas and some urban areas, I know that there will be areas that you will want to pick up on. We will look at the fees in two years' time, and there will be some exemptions. I invite Ross Loveridge to chat about those.

11:45

Ross Loveridge: Certain buildings have always been excluded from the regulations. It is quite technical, but they do not apply to, for example, unheated buildings or agricultural buildings. In England and Wales, there has been a different approach to EPCs. Historic buildings have always been covered in Scotland. That has not been the case in England and Wales, although I understand—Patrick Mason can correct me if I am wrong—that UK ministers are now considering that.

I remind the committee that, as we will have said in the materials that we prepared last year when the Parliament agreed to the regulations, the EPC regime is, ultimately, for information only. We want as many buildings as possible to receive a certificate, so that the owners, buyers or tenants of a building can understand its current and future

energy performance. That is not the same thing as standards being set to require improvement in a building's energy efficiency. Those are not matters that we are discussing today or on which we have taken decisions. However, in such circumstances, it would be important that we had consulted previously on the need for exemptions, and we would want to make sure that we had considered those fully, as the minister said.

Rachael Hamilton: Given the discussion that we have just had on increasing energy challenges for households, I make the point that individuals might put off decisions about energy efficiency because they do not have the disposable income to invest in, for example, insulating their home or installing a ground-source heat pump. As politicians, we should be very concerned about that, because, as we move forward with increasing global challenges, we might consider pausing that piece of work.

Stephen Gethins: In the previous session, which, thankfully, is still fresh in our memories, I talked about the heat in buildings strategy and aligning some of the work in that regard. The new regulations are able to take into account things such as heat pumps, which you mentioned, in a way that they were not able to do previously if home owners had made that investment or been assisted to make that investment. The whole point is in trying to keep the regulations as up to date as possible.

The Convener: There are no more questions, so we move to agenda item 5, which is formal consideration of motion S7M-00959. I invite the minister to move the motion.

Motion moved,

That the Economy, Tourism and Energy Committee recommends that the Energy Performance of Buildings (Scotland) Amendment Regulations 2026 [draft] be approved.—[*Stephen Gethins*]

The Convener: Members have no points to make, so I invite the minister to wind up.

Stephen Gethins: Convener, I put on the record my thanks to you and other committee members for their engagement on this topic. There are areas on which we will continue to engage, but I am grateful to you for your work.

I also put on the record my huge thanks to civil service colleagues for putting in a huge amount of work. It might have seemed to be a straightforward process for me, but these guys put in an awful lot of work on it, especially with the industry.

The Convener: The question is, that motion S7M-00959 be agreed to.

Motion agreed to,

That the Economy, Tourism and Energy Committee recommends that the Energy Performance of Buildings (Scotland) Amendment Regulations 2026 [draft] be approved.

The Convener: Do members agree to delegate authority to me, as convener, to approve a short factual report on the instrument?

Members *indicated agreement*.

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

11:49

Meeting suspended.

11:50

On resuming—

Cyber Security and Resilience (Network and Information Systems) Bill

The Convener: Agenda item 6, which is our final item of business, is consideration of a supplementary LCM on the Cyber Security and Resilience (Network and Information Systems) Bill. I refer members to paper 7.

I also refer members to the written response from the Cabinet Secretary for Justice, replying to questions that we raised with him in writing about the supplementary LCM. Members will note that the Scottish Government is supportive of the overall aims of the UK bill and states that it has worked closely with the UK Government to review the clauses in the bill that require consent.

As members have no comments, is the committee content to recommend agreement to the Scottish Government's motion, as drafted, giving consent?

Members *indicated agreement*.

The Convener: Are members also content to delegate authority to me, as convener, to approve a short factual report on the supplementary LCM?

Members *indicated agreement*.

The Convener: Our next meeting will be on Tuesday 6 October, when we will take evidence as part of our pre-budget scrutiny and discuss our work programme and the budget.

That completes our business for today.

Meeting closed at 11:51.

Correction

Stephen Gethins has identified an error in his contribution and provided the following correction.

The Minister for Europe, External Affairs and Energy (Stephen Gethins):

At column 55, paragraph 1—

Original text—

However, as I understand it, we have landed on an increase that is lower than an increase based on inflation.

Corrected text—

However, as I understand it, we have landed on an increase that is lower than an increase based on inflation for non-domestic certificates, but is higher for domestic certificates.

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