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Public Audit Committee

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Thursday 1 October 2026

Session 7



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PUBLIC AUDIT COMMITTEE

6th Meeting 2026, Session 7

CONVENER

*Neil Bibby (West Scotland) (Lab)

DEPUTY CONVENER

*Dawn Black (Angus North and Mearns) (SNP)

COMMITTEE MEMBERS

*Miles Briggs (Edinburgh and Lothians East) (Con)

*Alan Brown (Kilmarnock and Irvine Valley) (SNP)

*David Kirkwood (South Scotland) (Reform)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Boyle (Auditor General for Scotland)

Alison Cumming (Audit Scotland)

Martin McLauchlan (Audit Scotland)

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Public Audit Committee

Thursday 1 October 2026

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Neil Bibby): Good morning, and welcome to the sixth meeting in 2026 of the Public Audit Committee.

Agenda item 1 is a decision on whether to take agenda items 4 and 5 in private. Do we agree to take those items in private?

Members *indicated agreement.*

Future Business

09:31

The Convener: Agenda item 2 is to allow us to highlight our plans for the consideration of recent reports published by the Auditor General for Scotland.

On 8 October, we will take evidence on the courts backlog follow-up report—“Criminal courts backlog follow-up: Transforming for the future”—from the accountable officers from the Scottish Government and the Scottish Courts and Tribunal Service. That will be followed by an informal briefing session with the Auditor General on the Scottish Government consolidated accounts, in advance of his section 22 report being published at the end of the month.

On 29 October, we will take evidence from the Auditor General on his renewable energy report, “Renewable energy: The Scottish Government’s Offshore Wind Investment Programme”, which was published this morning, and from accountable officers from the Scottish Government, the Scottish Funding Council and Skills Development Scotland on Audit Scotland’s “Post-school education and skills reform” report.

Before we move to agenda item 3, I invite the Auditor General to say a few words about his new report on renewable energy.

Stephen Boyle (Auditor General for Scotland): A very good morning to the committee.

As the convener mentioned, this morning, Audit Scotland published a report on the Scottish Government’s offshore wind investment programme. The report found that there is a clear economic case for the programme and some important progress. For example, £141 million has now been committed across 17 projects, which has attracted £413 million of private investment.

We go on to say, however, that progress on the delivery has been slower than expected. Only 28 per cent of the potential £500 million fund has been committed, and most of that support has been provided through grants. That limits the opportunity, so far, to recover and reinvest public money. Beyond that, we found that governance and collaboration need to be strengthened, and there needs to be a clearer assessment of value-for-money arrangements.

Given the duration of the programme, we found that it is too early to conclude whether it will deliver the longer-term benefits. As ever with our reports, we also make recommendations; for example, on stronger investment, decision making and risk management arrangements, and on an updated

business case and clearer plan as to what will happen beyond 2028-29.

As the convener mentioned, I very much look forward to discussing the report in detail with the committee later this month.

The Convener: Thank you for your report. As you have acknowledged, the Scottish Government has committed £141 million across 17 projects, and there has been some progress. However, as you have also noted, the wider £500 million fund is making slow progress, and multiple risks threaten the potential to unlock billions of pounds of supply chain opportunities.

I was concerned to read that the Scottish Government does not have a clear plan from 2029 onwards. As you highlighted, I am also concerned about the limits to the potential to get public money back from offshore wind investment programmes and investments.

Clearly, the report is significantly linked to the ScotWind issue that we will discuss this morning. In the meeting on 29 October, I look forward to hearing from you on the report and the ability to get the most economic benefit from the investments that we make on behalf of the people of Scotland.

“Management of the ScotWind leasing round”

09:34

The Convener: We move to agenda item 3, which is on the “Management of the ScotWind leasing round” report. I welcome our witnesses: Stephen Boyle, the Auditor General for Scotland; and, from Audit Scotland, Alison Cumming, executive director, performance audit and best value, and Martin McLauchlan, senior manager.

I invite the Auditor General to make a short opening statement.

Stephen Boyle: A very good morning, again, to the committee.

I am pleased to present this report on our audit of the management of the ScotWind leasing round. There are two aspects to the report. First, we assessed the arrangements that Crown Estate Scotland and the Scottish Government had in place for the offshore leasing round.

We went on to review how the £755 million that had been raised initially was being used. Crown Estate Scotland and the Scottish Government adopted a longer-term approach that sought to achieve higher rewards by securing the wider economic benefits that are associated with the future development of sites, rather than immediately maximising the option fees that were raised. However, potentially, that is a higher-risk approach. Our audit found that, once there is clarity on the number of sites that have been developed, it will be known only in future years what the associated supply chain impacts will be, whether the approach has been successful and, ultimately, whether it will provide value for money for public spending.

The Scottish Government has sought to have maximum access to the funds that it raised, but that has limited the investment options and the associated financial returns. My report is clear that I believe that more transparency is required on how the ScotWind money is being used, and that we need clearer plans for the £507 million that the Scottish Government expects to call on by 2031.

Lastly, there is the potential for rental income of between £80 million to £110 million per year if all the projects become operational. The Scottish Government has committed to establishing a ScotWind wealth fund by the end of the current parliamentary session. There will need to be transparency about how the fund operates and its intended outcomes. As ever, we will continue to monitor the progress and make recommendations in our future audit work.

Alison Cumming, Martin McLauchlan and I will do our best to answer the committee's questions on the report.

The Convener: Thank you for your report and your opening statement. The Minister for Europe, External Affairs and Energy, Stephen Gethins, has claimed that the report vindicates the Scottish Government's approach, but let us look at your audit. You explicitly refuse to give a value-for-money conclusion due to the high-risk nature of the project, and you have highlighted that no single business case was produced for the model. I am not asking you to judge policy decisions, but I would ask you to judge the accounting. How can the multibillion-pound strategy be vindicated when the public's financial watchdog does not have the evidence that is required to prove that value for money has been achieved?

Stephen Boyle: There are a couple of points to address. We have not been able to give a value-for-money judgment as yet, but it will come in the years ahead once there is clarity about whether the sites that developers have an option to will come to fruition. We will then consider whether the sites generate the intended energy and review the associated financial returns and whether the lease payments materialise.

The supply chain development commitments are another important aspect that we touch on in the report, which differentiate the Scottish Government's approach at scale from leasing options elsewhere in the UK. It will take time to determine whether those have been a success. We are clear in our report that we are not yet in a position to give a value-for-money judgment because of the existing variables, which will determine whether what we have referred to as a higher-risk, higher-reward approach that the Scottish Government sought to adopt alongside Crown Estate Scotland, has been successful.

You made a point about the absence of a single business case, which we think is important and which we refer to in our report. We are pleased that, through our engagement with Crown Estate Scotland, it is evolving its approach to business case development to ensure that there is a stronger basis for future auction rounds. To temper that slightly, many of the hallmarks of effective business case development were evident, but we did not see the single aspect in totality. As I mentioned, we will continue to review that through our annual audit of Crown Estate Scotland and the follow-up work on our report.

The Convener: In short, it is simply too early to say whether the Government's approach has been vindicated.

Stephen Boyle: We are clear that it is too early to make a value-for-money judgment on whether the approach will be successful.

The Convener: That is perfectly understandable, for the reasons that you have outlined. Based on your audit, though, what specific triggers regarding project survival rates will be needed before you can tell the Scottish public that they have value for money?

Stephen Boyle: Martin McLauchlan might want to give a bit more detail on the scale of the projects and what we have seen so far. In broad terms, however, 20 sites were awarded. We have seen one option returned by a developer, and another is likely to be returned. Even allowing for that, if the remaining 18 sites are developed as intended, it will produce potentially very significant benefits in terms of both energy generation and return payments through Crown Estate Scotland and the Scottish Government.

There is also a point about the tracking and monitoring of the supply chain development that was inherent in the approach that the Scottish Government adopted. We looked at that closely in our audit work. I am sure that the committee will want to discuss this, but we looked in particular at the extent to which that is sufficiently monitored and there is an incentive for developers to complete. I am happy to say a bit more about that, but Martin might want to say a few words first.

Martin McLauchlan (Audit Scotland): Good morning. I would not put a hard and fast number on the scale of the movement from the option to entering leases. I would not say that it has to be 10 or 15. We do not have the counterfactual. The approach that was adopted followed two broad guiding objectives, one of which was about maximising local and national benefits from the supply chain. When we can, once options become leases, we will look at the potential lease income and also, as the Auditor General said, the wider supply chain and economic benefits. It was on that basis that the decision to go with a fixed pricing model rather than an open auction was predicated.

Until we reach that point, it would be very difficult to make a value-for-money assessment, even if all 18 active projects were included. We will need to look at the balance of the supply chain benefits and their geographical basis to see whether they are within or outwith Scotland.

The Convener: Thank you for that. The deputy convener will ask about the supply chain issue, so we will concentrate on the cap for the moment. I and a number of committee members have questions on that.

We opted to go for the capping model over the open auction model. You state that a much higher cap than the £100,000 per square kilometre that was eventually alighted on was considered and rejected. That suggests that £100,000 per square kilometre was not the absolute economic ceiling and that it represented a deliberate discount. Given that major developers have billions of pounds in capital, did the Government indicate why it rejected a higher cap?

Stephen Boyle: I will bring in Martin McLauchlan on the detail of that. The question that you ask is fundamental to the nature of the programme and the leasing arrangements, but I will first step back for a moment.

In paragraph 19 of the report, we set out that the ScotWind programme was designed to be sustainable and ensure project viability. The view that Crown Estate Scotland took was that excessive up-front costs would impair the viability of projects. As you mentioned, that approach was not adopted elsewhere in the UK, which resulted in the round 4 UK scheme generating considerably higher up-front revenues.

Crown Estate Scotland and the Scottish Government took a different view. Because of what they cite as different geographic and environmental conditions and the fact that a mixture of fixed and floating platforms would be required in Scottish waters, they instead wanted to have a capped leasing approach, to go back to the point about viability.

09:45

I will bring in Martin McLauchlan again. You can see from the report that quite a significant pivot took place, with rapid reviews as a result of the experience of round 4 in the UK. Scotland had a £10,000 cap per square kilometre, but that was changed to £100,000. Indeed, a £500,000 cap was considered. In broad terms, the view was taken that that would impinge on viability and on the leased sites actually being developed.

The Convener: I appreciate the points about Scottish competitiveness and about the increase, but your report also shows that the ScotWind leasing round attracted a massive 74 applications, yet only 17 projects were actually awarded. That means that there were four times as many applicants as projects awarded. Basic economics dictates that, when demand massively outstrips supply, the seller holds all the cards, and the price goes up. In this case, that did not happen. I am talking about the £100,000 cap here, not the £10,000 cap. Has the Scottish Government given an explanation as to why it considered that intensely competitive market with 74 eager

applicants and still decided to protect the developers by capping option fees at £100,000?

Stephen Boyle: We looked at that closely. I will bring in Martin McLauchlan to set out some of the bidding process and the rationale for the Scottish Government and the Crown Estate; Alison Cumming and I might want to come back in afterwards.

Martin McLauchlan: There are a couple of components that are important to the narrative. ScotWind was developed from 2017 onwards, and the UK leasing round took place from 2019 onwards. The initial decision to set a price cap was taken by Crown Estate Scotland based on advice from Aurora Energy.

The Convener: Who did you say?

Martin McLauchlan: Aurora Energy. We refer to the company several times in the report.

That decision not only reflects the higher capital costs involved, because of the geographic and seabed condition challenges that are presented at the development sites; it also reflects longer-term viability, because if there are higher capital costs, which include the option fee, that directly impacts the project's rate of return, which in turn directly influences what is termed the strike price—and that is when we go through to the contract for difference auctions. That would result in Scottish projects having a higher minimum acceptable per megawatt fee. The contract for difference auction is held by setting a number of projects that will receive a contract and setting a maximum strike price. All the tendered prices are considered, going from the lowest, until the allocations run out.

What we have referred to in the report as competitiveness and longer-term viability are part of the decision-making process, noting the emphasis in the leasing approach that was announced prior to round 4 on having a fixed-price cap in order to have genuine market interest, as we set out in paragraph 19, while securing longer-term benefits. That was the genesis of that cap.

The decision to move from £10,000 to £100,000 was informed by research commissioned by Crown Estate Scotland from Aurora. The Crown Estate also engaged with JLL to check that. The parameters that were put in place and the reported information and analysis by Aurora were focused on capital expenditure, internal rate of return and competitiveness in securing contract for difference rights. That is well documented, and the Crown Estate Scotland board was sighted on that at all stages. It engaged with the consultants. There were the important decision points of agreeing the leasing approach and the pricing, and then, after the rapid review in 2021, the board went with the price cap increase to £100,000.

That was communicated to ministers, so there was a clear understanding of the rationale and the basis for only going to £100,000. The analysis showed that, although we could go with an open model or increase the cap to £500,000, doing so would start to have an impact on the competitiveness, rate of return and flow-through to contract for difference, and that, ultimately, it would potentially not be viable.

I do not want to refer to it as a bull market, but what I said is notwithstanding that there were specific conditions in round 4, which applied not only because of the small number of sites but to new entrants. In addition, a lot of traditional oil and gas firms pivoted to be involved in renewables, which led to a highly competitive bidding process. That was predicated on the fact that the longer-term aspect was given priority and precedence in the Scottish approach. It was deemed not helpful to have an open auction that would result in such high bids that projects were not viable.

Stephen Boyle: The ScotWind programme is estimated to generate 28.8GW of energy, but generating up-front auction fees of £755 million is quite different from the UK round 4, which produced £8 billion for 8GW.

As Martin McLauchlan said, we were not trying to second-guess or produce our own counterfactual, given the range of variables at play. We saw clear evidence through the audit that Crown Estate Scotland and the advice that was provided to the Scottish Government and accepted by ministers were clear throughout the process. They accepted the advice that they took from external consultants that there was sufficient difference in both the market and seabed conditions to adopt a different approach.

Our role was not to say whether that was the right or wrong approach, but whether there was clarity on why the Government what it did.

The Convener: That is quite concerning. If the UK Crown Estate open auction in 2021 had not initiated the rapid review, Scotland would have sold its leases at the £10,000 per square kilometre cap, meaning that instead of £755 million, it would have received only £75.5 million. If the £100,000 cap is a discount, £10,000 cap would be a bargain-bucket closing-down-sale discount in comparison. Are we to conclude that the only reason that Scotland did not lose out on nearly £700 million in up-front cash is because the Government had a lucky escape, rather than any robust commercial strategy?

Stephen Boyle: That was a significant factor. The UK round 4 gave a contextual insight to Crown Estate Scotland. There was a live leasing arrangement in another part of the UK to better inform the approach that it took. The rapid review

that it undertook and the tenfold increase in the cap was a significant development, but that speaks to the wider point that you asked about. Crown Estate Scotland found itself a very volatile and unusual environment, and it was unusual for both the cap and the approach to be changed during the planned initiation of the auctions, so, yes, that was a material development.

The Convener: You have mentioned already, and it is in your report, that the option fee cap was initially set at only £10,000. The rapid review increased it tenfold to £100,000 per square kilometre. Paragraph 23 of your report says:

“The final lease approach was agreed by the Crown Estate Scotland Board in January 2020”

and that

“This advice was accepted, and approved, by Scottish Government ministers.”

I think that you have already answered my question, but who recommended and advised the initial pricing strategy? Was it Aurora Energy?

Stephen Boyle: Aurora Energy, as you say, were the consultants, but ultimately the responsibility rests with the public body. Along with leading the approach, the Crown Estate Scotland Board provided advice to Scottish Government officials and ministers, which was accepted by them. So, yes, consultant experts were part of the arrangements. Martin McLauchlan might want to say a bit more about that, but, yes, you are right.

The Convener: Were the consultants who advised on the £100,000 cap the same as those who advised on the £10,000 cap?

Martin McLauchlan: Yes. There was an update to the analysis that was initially provided. We noted in paragraph 15 of the report that there had been three UK-wide leasing rounds prior to the ScotWind leasing process, as well as one round that was dedicated to Scottish sites. All those rounds adopted a fixed option fee approach similar to the one that Crown Estate Scotland launched through ScotWind. It was round 4, which was the first leasing round, that adopted a different approach.

Prior to engaging Aurora, that was how UK leasing rounds were understood to work—that was the design that had been used previously. It was the divergence from that approach in round 4 that led to the significant increase in option fees for the external factors that we spoke about, which resulted in the rapid review. The actual analysis that was carried out to set the £10,000 and the £100,000 caps was similar, looking at the same factors of competitiveness, capital expenditure and internal rate of return. However, the underlying assumptions changed to reflect the market conditions that arose, which people became aware

of during the round 4 leasing round. The revised cap of £100,000 came from an update on the analysis that led to the original price cap of £10,000, rather it coming from a brand new piece of analysis.

The Convener: Given that the advice on the £10,000 and £100,000 caps came primarily from the same source, and that the £10,000 cap would have been so badly wrong and resulted in us losing £700 million, how much confidence can we have that the £100,000 cap was set at the right rate, particularly when the level of demand is outstripping supply?

Stephen Boyle: I will make two points in response to that question. The quality of the advice is important, and that rests with the consultant, but it is the recipient—the purchaser—who is accountable and responsible, and accountability for the programme ultimately rests with the Scottish Government through Crown Estate Scotland. My other point is that it is reasonable that Crown Estate Scotland appointed not just Aurora but JLL, which was in order to test the assumptions that could be made by one consultant.

You are right that the pivotal stage was setting the scale of the cap. That was informed by round 4 but, as we said in the report, round 4 did not, in the view of Crown Estate Scotland, have a directly comparable set of outcomes, given the changing and different conditions in the Scottish market.

Perhaps even more importantly, the intention was to ensure longer-term viability. Rather than going for the uncapped approach, which would have generated maximum upfront revenues but provided far less certainty that the sites would have been developed and that there would be supply chain benefits, the change reflected a flexing and iteration as well as a consistent longer-term narrative of supply chain development and longer-term returns.

The Convener: Okay, thank you. I will move to other members, who have other questions on capping.

Alan Brown (Kilmarnock and Irvine Valley) (SNP): I will pick up on what the convener asked about in relation to the cap and whether it was set at the right amount. In the report, you confirm that there is no secondary trading market. If companies were able to buy cheaply and make a quick buck by selling on, they would have done that, but there has been no evidence of that taking place. That is referenced in paragraphs 47 and 48 of the report.

Stephen Boyle: Martin McLauchlan can say a bit more about that. One of the evolutions in the leasing arrangements involved building in further safeguards around trading. As you say, a lease is secured and then traded. If it is traded at a profit,

that could indicate that market conditions have changed or that the initial price cap was too low. Therefore, Crown Estate Scotland built in further safeguards. There has been some trading. I will pass over to Martin McLauchlan to say a bit about the role of Crown Estate Scotland in that regard and whether the safeguards have held firm.

10:00

Martin McLauchlan: A clawback mechanism was introduced as part of the rapid review, so that any secondary market trading and change in overall control would be subject to a degree of the profits being returned to Crown Estate Scotland rather than to the developer.

Alan Brown: Yes, but if the prices were wildly low, it would still be worth selling on and invoking the clawback, would it not, because of how much easy money could be made?

Martin McLauchlan: The system operates in such a way that what is, in effect, a special purpose vehicle is set up for each development. We have seen some changes of control. My understanding is that the proportion that is held by individual firms has flexed, but there has not been a wholesale secondary market trade, with companies selling an SPV and their rights to that round. As we say in paragraph 41, Shell failed to find a buyer for its rights prior to handing them back. That might be indicative of an appropriate price cap, or it might speak to the issue of longer-term viability, because some of the original bids were predicated on the development of floating technology.

There is a raft of considerations. Although the price cap will be a contributing factor, I would be careful about drawing the conclusion that it was entirely appropriate. It would appear to be the case that the price cap was fair and that projects have remained viable, because they are continuing the development journey, but we cannot necessarily attribute that to its strength.

Alan Brown: Much of the discussion about whether the right level of fees was set relates to the comparison with the Crown Estate UK round 4 leasing. Has any up-to-date analysis been done of where that sits in the whole process? The viability of the approach that was taken to round 4 leasing is a further indicator of the viability of the various approaches.

Stephen Boyle: That has not featured as part of our work. As we set out in the introduction to the report, the audit that we undertook was something of an accelerated audit, given the scale of public interest in the ScotWind leasing round. We intend to keep our options open about when to do a follow-up report.

As we mention in the report, the extent to which Crown Estate Scotland can satisfy itself that the right approach has been taken and that value for money has been achieved is an important question for it to address. The counterfactual that is provided by comparison with the UK's round 4 leasing process is at the heart of consideration of whether the decision to pursue a longer-term approach that takes account of project viability and so on has been the right one.

Alan Brown: The true measure of the success of the approach that has been taken to the ScotWind leasing round and whether it delivers value for money will be dependent on future contracts for difference allocations. Down south, BP has already returned one of the six sites, and I suspect that it will return another one. A study was done—at Oxford, I think—that said that, because of the leasing costs in the Crown Estate UK round 4 process, companies are unlikely to be successful in contracts for difference allocation round 8, because they cannot meet the upper limit that has been set for the price of generation. Obviously, we need to see how successful the ScotWind projects are.

Is what I have said not the case? We will have to wait several years to find out how successful the projects have been, but the big prize is the £29 billion of supply chain development. That dwarfs the amount that was generated in fees. Regardless of whether that figure should have been £1.5 billion rather than £750 million, we need to look at the £29 billion of supply chain development and what it could do for the Scottish economy.

Stephen Boyle: Exhibit 3 in the report sets out the supply chain commitments and the £29 billion aspiration. You are right that so much of this, from whether the sites become fully operational and get connected to the grid to whether the benefits from the associated supply chain developments that have been identified are accrued, is yet to be determined.

The one point that we make in relation to supply chain developments is about the scale of contractual remedy in the contract. We question whether the potential maximum penalty of £250,000 is a strong enough deterrent to deliver supply chain development commitments, given that the scale of what might come through with regard to the supply chain—lease payments and so on—is significant, and significantly more, as you have said, than the original £755 million of option fees.

Alan Brown: You said that you are concerned that a potential fine of £250,000 might not be enough of a deterrent. At what level should it be set?

Stephen Boyle: We have not set an alternative figure, but we have recommended that Crown Estate Scotland consider, if and when it embarks on future supply chain commitments and leases, whether that figure feels—

Alan Brown: If you are flagging it up, does that not mean that you think it should be changed?

Stephen Boyle: We are highlighting the scale of difference—£250,000 compared with millions and billions of pounds. We have discussed the matter, and given the nature of the organisations that are contracting for the work—multibillion-pound multinationals—we think it reasonable to observe that £250,000 feels relatively small as a potential contractual remedy. Whether it accepts our recommendation will be a matter for Crown Estate Scotland, which, as the convener mentioned, will be giving evidence to the committee.

Alan Brown: On the supply chain issue, notwithstanding—

The Convener: I am sorry, but the deputy convener was going to ask about supply chain issues.

Alan Brown: Right. I will leave that just now, then.

I have one more question. The report highlights—and Crown Estate Scotland has acknowledged—the potential difficulty in delivering the price cap, because of grid charging. In the north of Scotland, you pay to connect the grid, whereas elsewhere—in the south of England, for example—you get paid to connect the grid. Is there almost an element of protecting the market from itself? I note that, in the round 4 leasing round, in which there was no price cap, there was almost what you might call speculation, with BP trying to come into the market. BP has now withdrawn. Is this all about looking to the future and getting project viability?

Stephen Boyle: Yes, I would echo that. The intention of Crown Estate Scotland and the Scottish Government is to ensure project viability, achieve longer-term planning and get higher longer-term rewards, if their approach is successful. However, if projects are not deemed to be viable, the counterfactual—I apologise for using that word again—is whether they might have missed out on a much higher return from uncapped initial option fees. That will be determined in the years to come.

Alan Brown: Thanks.

The Convener: Given that we have drifted into the issue of the supply chain—

Alan Brown: Apologies.

The Convener:—I will bring in Dawn Black and then Mr Kirkwood, who might have some questions about the cap, too.

Dawn Black (Angus North and Mearns) (SNP): I appreciate that it is really difficult not to see the two things together.

The supply chain requirements were welcome in ensuring that Scotland-based suppliers were prioritised in the development of projects. The threshold in that respect was about 25 per cent, which was, we hope, going to raise £29 billion to £41 billion for our economy. I am interested in hearing more about what that has looked like in practice and whether the benefits have been felt at both national and local levels. Have developers found the process challenging? What improvements could be made for future rounds?

Stephen Boyle: You are right that it is quite tricky to entirely differentiate the lease cap from the supply chain development commitments. I will bring in Martin McLauchlan relatively quickly to set out some of the detail that you have asked for.

We have tried to do a bit of follow-up by tracking progress against the supply chain development commitments. We set that out in paragraph 45 of the report: of the 20 projects—excluding CampionWind—12 have subsequently revised their supply chain development statements. We note:

“Five are showing an increase, two a decrease and five no change in Scottish expenditure commitments.”

The important point that we make, which goes back to our discussion with Mr Brown, is that the robustness and the deterrent effect of the supply chain commitments should be kept under review—Martin McLauchlan can say more about that. Commitments are only that; it is about the extent to which they can be enforced.

Given how important and central the supply chain development is to the approach that Crown Estate Scotland and the Scottish Government have adopted—all that accrues from it, such as well-paid jobs, community benefit and the wider fiscal benefit to Scotland—it is essential that it can be tracked, monitored and implemented, so that the value-for-money test will, ultimately, be met.

I will bring in Martin McLauchlan first and then turn to Alison Cumming if she wants to add anything.

Martin McLauchlan: It is worth noting that the supply chain development statements were part of an iterative process. We outline in paragraphs 35 to 36 that, originally, it was envisaged that there would be rental discounts over the lease lifetime in order to achieve Scottish economic benefits. Once that approach was found not to be viable, the

supply chain development statements were introduced.

Offshore leasing rounds are more complex than what we would think of as traditional infrastructure procurement. You are asking developers to take a 10-year option prior to entering a lease, and part of that involves forecasting their expenditure not only during investigation development, manufacturing and installation but during the first five or six years of the wind farm being operational. In some instances, you are looking at a 15-year forecast, which is dependent on a range of factors.

Notwithstanding that, the supply chain development statement covered four geographical regions—Scotland, the rest of the UK, the European Union and the rest of the world—and there was no requirement for any split and no target for individual areas. If you could provide a supply chain development statement that met certain criteria regarding the template, not only in relation to geographical region but across the project phases, your bid would be deemed acceptable to be evaluated. That is an important point to make.

As the Auditor General noted, given that the forecasts are for the 10-year option period, it is incumbent on the option holder—the successful bidders—to revisit the supply chain development statements. Some changes in the quantum and the geographical location have meant that the share of total expenditure situated in the Scottish supply chain has changed. The control on that is that Crown Estate Scotland can accept or reject the supply chain development statement update, but the penalty becomes enforceable only when a lease is signed. At that point, a contracted position statement is produced, which is compared with the latest available supply chain development statement. That is when the £250,000 penalty becomes enforceable.

Over that 10-year period, we will likely see movement, not only in the location of spending but in the totality of spending, because, as I said, a lot of this was predicated on the development of floating technologies. The supply chain might be reassessed and might mature, because economies of scale might be achieved once certain things are put in place. Movement is not unexpected; we will see it. This is only year 4 of the 10-year lease period, so we can expect further movement throughout the rest of the period.

10:15

Dawn Black: The clarification that you have given is really helpful. Over a period of between 10 and 15 years, changes will occur in the marketplace in relation to what is available in the supply chain, and technologies will progress. For

example, last week, in Montrose, there was a big announcement about investment in subsea piles for fixing turbines to the seabed. That is a change—something new that has come in—and future projects in Scotland will be able to utilise that, including, thankfully, in my constituency.

When final plans in a lease do not transpire for utilisation in the Scottish supply chain—obviously, we want as much of the economic benefit to be here—what are the penalties, and are they enough?

Martin McLauchlan: If the final contracted position statement differs from the latest supply chain development statement, a £250,000 penalty is applied by Crown Estate Scotland.

Dawn Black: Do you have an opinion on whether that is enough, considering the huge benefits and profits that those companies are making?

Stephen Boyle: I do not think that it is high enough. I do not think that it represents a strong enough deterrent to deliver on supply chain development commitments. That is why we declare in our wording that, before any future offshore wind leasing, Crown Estate Scotland should explore the extent to which the contractual remedies are sufficient. As I mentioned to Alan Brown, we are talking about multimillion-pound projects—potentially, billion-pound commitments in the supply chain—and a penalty of a quarter of a million pounds looks out of kilter with that.

The Convener: I absolutely agree. That will not act as much of a deterrent. Multibillion-pound energy giants being fined £250,000 for not adhering to their supply chain commitments is a bit like a millionaire being issued with a £50 parking ticket. Such fines are not of a scale to act as a deterrent.

In your report, you mention that Crown Estate Scotland claimed that the penalties are just one mechanism for ensuring that supply chain commitments are met. Are the other mechanisms a deterrent, if the penalties are not?

Stephen Boyle: You are right—we mention that in paragraph 51. As part of the wider consideration as experience and learning from this leasing round are embedded in any future leasing rounds that Crown Estate Scotland decides to undertake, we recommend that it must be satisfied that it appropriately evaluates the progress of supply chain development commitments and that, if there are other mechanisms that it can deploy, it must ensure that that understanding is embedded so that contractual remedies are sufficiently weighted, if I may use that term, to support public spending and intentions. For example, Martin McLauchlan mentioned future trading provisions

and any profit sharing from those being part of the mechanisms that have been introduced following the rapid review. Those are to be evaluated. We are only a few short years into the leasing.

The Convener: The report covers what the Scottish Government is doing generally with the moneys from Scotland. Specifically, has Crown Estate Scotland or the Scottish Government given any indication on what the current financial penalties—if they are recovered at any point—will be used for? For example, will they be used to support jobs more generally or in the supply chain?

Martin McLauchlan: They have not, to my knowledge. It is important to recognise that that will be Crown Estate income and will, therefore, fall into the general relationship between the two. If it is not earmarked as part of the ScotWind funds, it will be part of the annual transfer of net revenue profits to the Scottish consolidated fund. If payments are made on that basis, they will be for public use, but no indication has been given as to how that would arise. To be fair, that will not arise until the point at which leases are signed. Given that we are only a few short years into a 10-year option, that did not come up during the audit. That is not to say that there has not been a policy decision on that, but I can understand if there has not been one due to timing.

The Convener: I understand that, but it is worth thinking about. If the penalties are for a failure to deliver supply chain commitments, consideration must be given to how that money is used. However, I accept that we are at an early stage of the leasing process.

David Kirkwood (South Scotland) (Reform): I will come back on a couple of things that were mentioned in the discussion with Alan Brown, including the clawback mechanism for contracts that are sold on afterwards. The selling on of contracts has been a feature of public-private partnership and private finance initiative contracts over many years. Is the clawback mechanism a way of avoiding the embarrassment of having set a hilariously low price?

Stephen Boyle: I will turn to Martin, because he is one of the authors of our previous PPP and PFI reports. Perhaps it would be useful to draw on and share that experience with the committee.

Martin McLauchlan: Thank you, Auditor General—I make the distinction with the non-profit distributing model.

There are differences in how trading in the secondary market of special-purpose vehicles is expected to take place, partly due to risk transfer. Under a traditional PFI, PPP or NPD contract, once construction has taken place, there is very little risk. The discounting of the annual payments

over the contract length lends itself to a situation where you can cash in relatively early and make a large net profit.

The risk profile on wind farms is slightly different, because there is an option. You are still taking on the risk that either it is not viable, and you therefore choose not to develop it, or that the technology does not advance. Therefore, there is a difference. The ratio of construction costs to profits in the early years is significantly different.

I accept your point that special-purpose vehicles remain extant and can be traded, but that is a different scenario with a different set of parameters. Yes, there is always trading. We note that there have been changes in control, but that speaks to what Mr Brown brought up earlier around there not being a significant market. It could well be that that is due to timing and that once a market is developed, there will be a change. However, as it stands, there is no significant secondary trading market that we are aware of. As we highlight in paragraph 41, one project has been terminated because nobody was willing to purchase the rights.

David Kirkwood: I will go back to the deputy convener's discussion on supply chain development. You note in paragraph 38 that supply chain development statements were not considered sufficiently robust to be able to judge decisions correctly. Is there any point to an SCDS at all?

Stephen Boyle: That was the approach that Crown Estate Scotland took. Martin mentioned recently that there was undoubtedly iteration in the ScotWind leasing approach. We have discussed the cap. The size of the cap changed fundamentally during the course of the leasing round.

The prominence of longer-term viability to the leasing round, and the presence and scale of supply chain development commitments, takes us back to why we make the recommendation in today's report. If the commitments are such a central feature of how future leasing activities will be undertaken, Crown Estate Scotland should learn from what has happened through that approach. To be completely balanced, it is doing that, but the statements should be adequately robust. They should strike the right balance between playing their part to ensure viability and longer-term benefits, on one hand, and being enforceable and an adequate deterrent, on the other. As we have discussed this morning, our view is that that balance has not yet been adequately reached.

David Kirkwood: Yes, but are there any requirements with regard to the content of the supply chain that is, supposedly, to be developed?

I can think of a lot of ways for big companies to say that they are spending a lot of money without it actually costing them anything at all. The commitments to spend £29 billion in Scotland over the next how many years and so on seem to be just monetary commitments. Does it say anywhere what they are spending that money on? Are they building engineering expertise or any kind of manufacturing capacity?

Stephen Boyle: I will bring in Martin McLauchlan to say a bit more about that, and then Alison Cumming and I will come back in again.

Martin McLauchlan: I draw the member's attention to paragraph 38 of the report, and particularly the information box next to it, which makes it clear that there is a requirement to set out spending in terms of not only location but project stage. There will be the development costs, but there is also an expectation in relation to the manufacturing and installation phases. In other words, developers will have to say, "We're going to spend X billion on manufacturing in this location", so there will be a commitment to spending X billion on manufacturing elements of these wind farms in a Scottish location. That does feature.

David Kirkwood: But is there a defined outcome? Will they have to say, for example, "We'll have a plant in a certain area that will produce this many turbines per year"? Or will they be able just to say, "We're going to spend this much money, and we'll define it just as 'manufacturing'"?

Martin McLauchlan: A very detailed supply chain development statement was produced for each of the 20 projects; all of the 2022 ones are available online, and various commitments have been made in respect of manufacturing, based on the nature of the developments that will be undertaken within Scotland. It varies across the piece, and I do not want to get into the particulars; however, all of those things are available, and I would say that the commitments are there.

When we talk about enforceability, that is because things change, and there can be variation over the 10-year period. Any changes have to be signed off by Crown Estate Scotland, but things only become enforceable at the end point. We are saying that our expectation is that, even if enforceability happens at the end point, the quantum of contractual remedy that applies at that point should, in the event of significant variation from the latest supply chain development statement, perhaps be reconsidered.

Stephen Boyle: It might be worth bringing in Alison Cumming here, particularly given the connection with wider renewables development and the intentions in that respect. Indeed, the

deputy convener mentioned a recent development in her own constituency.

Alison Cumming (Audit Scotland): Good morning. I want to make that connection with the findings of our renewable energy report, which focuses on the Scottish Government's offshore wind investment programme to secure the economic benefits of not just ScotWind but other offshore wind developments. The Scottish Government set a target of ensuring that every £1 of public money that was invested secured £3 of private investment, and we found that, with the 17 projects that were confirmed at the time of the audit, the Government was on track to achieve that target. However, that was driven primarily by one project: the Sumitomo investment in subsea cabling in the port of Nigg in the Highlands.

That illustrates the challenge with securing that level of private investment, and I imagine that the committee will want to return to that issue when we give evidence to it on the renewable energy report. However, I will say that the Scottish Government has recognised through that investment programme the significance to the Scottish economy of securing those jobs and that private investment in Scotland through the supply chain.

David Kirkwood: Thank you.

If all these projects are developed and come online, they will be producing 28GW of capacity at peak, which is obviously not all the time. Scotland consumes about 4.5 or maybe 5GW on a really cold winter's day, and there is the B6 connector to England, which can transfer maybe 6GW. That leaves 17GW of power, which has to go somewhere. Were any commitments given to the developers about upgrading grid capacity to take that power and, if so, are there any get-out clauses for the developers if that grid capacity is not available?

Stephen Boyle: I will bring in colleagues again in a moment, but that aspect is one of the fundamental variables, and it requires to be resolved when considering the nature and, ultimately, the viability of the projects. As you say, the scale of potential energy generation is beyond what Scotland consumes. Wider usage, whether in the UK or elsewhere, depends on appropriate grid connections. That is the point to be addressed.

10:30

On the extent to which developers would be provided with guarantees, I would be surprised if that was part of it. I will bring in Martin to say more about what comes next, because the capacity point you mentioned is one of the factors in whether the projects will become viable on stream.

Martin McLauchlan: There were no commitments made to developers that I am aware of.

David Kirkwood: Nothing at all?

Martin McLauchlan: Nothing.

David Kirkwood: So, you are taking it on hope that somebody might take the power that is being generated.

Martin McLauchlan: It is important to note that it was an auction for an option, and the options are non-refundable; therefore, there is a risk transfer to the developer. It is an option to explore the viability of the project, in terms of both cost and the nature of the seabed and development. In terms of guarantees—I am paraphrasing slightly flippantly—there were no guarantees, and that was well acknowledged. There were developments around the grid, which are ongoing at UK level but, equally, that speaks to the scale of risk transfer and the fact that it was well acknowledged that the option fees are non-refundable.

Stephen Boyle: Maybe Alison Cumming can come in on this point to share with the committee some of the recent reporting that the National Audit Office undertook on the remaining opportunities and the challenges for the UK Government in relation to the energy grid development.

Alison Cumming: On that point, because responsibility for the grid is a reserved matter, it is our colleagues in the National Audit Office who would pick up any audit issues. The NAO report from September looked at the plans that are in place to deliver the £70 billion of investment in the grid that the Office of Gas and Electricity Markets has estimated is required between 2025 and 2031. The driver of much of that investment is what the UK Government would refer to as the growth of clean power and the move to clean power.

The NAO has pointed to the challenges in the timetable—it has identified significant planning, supply chain and system access risks—and it has pointed to the strategic importance of minimising the gaps between any new connections to the network and the upgrades that are undertaken to the grid. Those delays would increase project and constraint costs and postpone the benefits that will come from renewable projects. I share those findings from our colleagues in the National Audit Office for the committee's awareness.

David Kirkwood: Thanks very much.

I will now introduce a topic that Miles Briggs will possibly talk about. The sovereign wealth fund has been mentioned a couple of times in the chamber this week. At the start of the report, it says that the Scottish Government hopes to establish a national

wealth fund by the end of this parliamentary session, in other words, within five years. I am just an engineer, but I do not understand why it takes five years to create a fund. Do you have any views on that?

Stephen Boyle: That is the policy decision of the Scottish Government. You will have heard very closely the parliamentary debate on the matter, Mr Kirkwood, and we are similarly aware of the intentions and of the minister's plans to discuss and engage on that.

What we set out in the report is—I think that you used these words earlier—the intentions and outcomes of the creation of the ScotWind wealth fund. We will be very interested in the detail of that, which we will look at closely, particularly in relation to the wider piece on how public spending contributes to the outcomes, including how the use of the ScotWind wealth fund aligns with the impending relaunch of national outcomes. We will build that into our forward programme.

On the timescale for setting up the fund over the parliamentary session, as we heard from the Scottish Government, the intention is to consider and discuss the options.

David Kirkwood: My question was more about the mechanics of it than the purpose. As far as I understand it, the residue of the £755 million still exists in a bank account somewhere. Why has it not just been transferred to another bank account and hypothecated for national wealth?

Stephen Boyle: That is probably more a question for the Scottish Government than for us. You are right that the money is held on deposit. We make a point in the report about the potential opportunity cost of having the money on a short-term basis—it is deposited by Crown Estate Scotland rather than invested. Although it is generating returns, it is a potential opportunity cost, but it is being used as a relatively short-term budget management mechanism rather than for the long-term benefits that we would expect the ScotWind wealth fund to consider.

The other factor that will need to be addressed, which perhaps goes some way to explaining some of the timescales involved, is how that interacts with the fiscal framework between the Scottish and UK Governments. There is complexity to be overcome there with regard to the limits that are currently on the Scotland reserve and to how the creation of a ScotWind wealth fund would align with some of the parameters of the fiscal framework. I am careful not to underestimate the complexity of that, because, as we have seen, discussions between any iterations of the fiscal framework in recent years have taken months and years to work through.

Miles Briggs (Edinburgh and Lothians East) (Con): Good morning. Thank you for joining us. I want to pick up on that issue. Has any work been undertaken to establish the ScotWind wealth fund? What could it look like? As David Kirkwood said, we are told that such work will be undertaken, but it sounds like it will be in five years' time.

Stephen Boyle: No. As we set out in the report, we are awaiting details of consultation, engagement, planned mechanisms and use of the fund. As we touched on a moment or two ago, we know that there is complexity to be overcome, but we have not yet seen the detail of what the wealth fund would look like and how it would operate.

Miles Briggs: Coverage of your report suggested that ScotWind has been described as an instant access account for ministers. Is that a fair comment about what ScotWind has become?

Stephen Boyle: The moneys are being used on a short-term basis. Crown Estate Scotland is clear with us that it is managing the funds during the course of the year. Alison Cumming might want to say a bit more about how that is operating. The moneys are not invested per se; they are held with NatWest Royal Bank of Scotland. Some of it is held under very short-term arrangements and some under relatively short-term arrangements. That is broadly how the ScotWind moneys have operated. They have been used by ministers as a budget management mechanism that allows ready access to support wider resource requirements, as opposed to the longer-term plan that we assume is intended by the ScotWind wealth fund.

Alison Cumming: I would add that the moneys are deposited by Crown Estate Scotland, in line with Scottish Government treasury management policies. Those up-to-12-month deposit terms give the Scottish Government the flexibility to determine, right up until the year end, how much it needs to draw down, effectively to balance the books in that single financial year. I will make two brief points on that. First, 2022-23 is the only financial year in which the Scottish Government has drawn down funds to support the year-end position. However, every Scottish budget since 2023-24 has assumed that a drawdown would be required to balance the books, but the Scottish Government has not had to have recourse to that.

Miles Briggs: With that in mind, is that delivering best value for Scottish taxpayers? We are aware that £7 million of interest has been generated from 2022-23. Is it fair to say that the Government is not achieving the best terms and conditions in the performance of that money?

Stephen Boyle: You are referring to the opportunity cost. Any organisation or individual who deposits in a short-term ready-access arrangement will secure a poorer return than if the

money were invested a longer-term basis. It is no different for Governments. We do not have a figure because it would depend on the investment appetite and the potential risk—we see in the riders that, by their nature, things with higher returns potentially have more risk.

As Alison Cumming rightly mentioned, the money will be managed in accordance with the Scottish Government's treasury management policies. In the report, we recommend having greater transparency and clarity around what will come through the wealth fund in due course. We also recommend not waiting until then but having clarity about how ScotWind moneys will be used, deposited and invested; and avoiding some of the circumstances that Alison alluded to.

In every budget year since the receipt of the option fees, we have seen the intentions for how ScotWind moneys will be used—some of that is set out in exhibit 6 in our report—but only in one year have we seen the amounts that were actually used. We understand that there is volatility to think about, but there should be consideration of the opportunity costs alongside that.

Miles Briggs: There has been widespread coverage of the £5 billion black hole in public finances. There is a concern that the ScotWind money will become a slush fund that ministers can go to in order to press down on that. We have not yet had a budget statement on what that will look like. Can you provide any information on how the ScotWind money is being used within the budget and what it is being attached to—or is it purely a cash top-up?

Stephen Boyle: As we mentioned, so far, only in one year has the ScotWind money been used. It was for a relatively small purpose—Alison Cumming mentioned it earlier; it was for the purchase at the port of Nigg. In more general terms, it was used for resource spending delivery arrangements.

Looking to the future, the issue speaks to the point that we have made in several places that the Scottish Government will support transparency, and the Parliament's ability to scrutinise public spending and public finances, with the provision of clearer and more timely longer-term financial forecasting and management.

The Scottish Government has been clear that it does not plan to produce a medium-term financial strategy this year. However, we think that that provision will be an important contribution so that the Parliament can have a clearer understanding in the round of the future of public finance plans, through public service reform and other mechanisms, to address the fiscal gap.

As it relates to this context in particular, there are significant funds in the ScotWind options. How those will be used is part of the wider fiscal management arrangement.

Miles Briggs: A number of organisations and community groups have pointed to the opportunity for community wealth building projects to access the money. Is there any evidence of what that will look like, or has it not been accounted for?

Stephen Boyle: It is not something that I have seen—colleagues are welcome to come in if they have any further detail. I will reiterate that, in the medium-term financial planning, the details of the ScotWind wealth fund are required now so that the Parliament, the public, public bodies and the like can have a clearer understanding of how the moneys will be used, what outcomes are intended, and where we all, individually and collectively, fit in to that.

Alison Cumming: You will have seen that, on page 33 of the report, we draw out some of the high-level policy statements that the Scottish Government has made over the years in budgets and other fiscal documents about its intentions to deploy ScotWind moneys to support initiatives that relate to climate and net zero. What we have not seen in any budget is specific ring fencing of the funding and attachment of it to particular projects, so it is hard to trace through to find out exactly what outcomes the Scottish Government intends to achieve by utilising the ScotWind funding.

Miles Briggs: There seems to be zero transparency. The Government needs to get its act together pretty quickly if we are to be able to scrutinise its approach. A significant amount of money is being moved around because of a budget black hole. I am reading between the lines of your report, but should it not be outlined pretty quickly, rather than in the next five years, how the money can be followed? Otherwise, it will just be lost in the system.

People see ScotWind as a huge opportunity and it would be unforgivable if we do not get it right. The Government also sees it as an opportunity, but we have no transparency about where it is going.

10:45

Stephen Boyle: Transparency is one of the key themes in our report. As Alison Cumming rightly mentioned, the early intention was for the ScotWind moneys to deliver climate-related activities but, instead, they have largely been used as a budget management mechanism.

Regardless of how long it takes during the current parliamentary session to produce the ScotWind wealth fund arrangements, it ought not

to prevent the medium-term financial strategy and medium-term plans from setting out clearly how the ScotWind moneys will be used—what they will be used to deliver, and what outcomes will come from that. There is an important opportunity for the Government, together with Crown Estate Scotland, to set that out more clearly.

The Convener: The lack of transparency suggests that there is a plan that we are not seeing, or another way to look at it might be that there is no plan for how to spend the money.

A significant amount has been brought in through the ScotWind leasing. If that money continues to grow, we can understand why the Government would want to draw down that cash. However, as you said, it is not clear how things are going to pan out or whether or not the money is going to grow.

There needs to be some serious thinking about how the money is spent. Do we look at opportunities to boost the supply chain so that the whole thing takes off and we can grow more revenues in the longer term? Do we look at trying to increase demand for energy, for example, and the issues that David Kirkwood talked about earlier?

I suppose that my question is whether there is any serious thought about how best to spend the money. At the moment, we are just using it as a budget mechanism tool or a piggy bank for the Government to potentially raid if it needs to. Is there serious thought about how we are going to spend the money in the future so that the Scottish taxpayer gets value for money?

Stephen Boyle: That neatly captures our recommendations, convener. That is what we set out in the report. Should the committee decide to take evidence from Crown Estate Scotland and the Scottish Government, it will be important to discuss those themes to ensure that Parliament has transparency and clarity about outcomes.

This is not just about the £755 million; other significant money can still come. There is the supply chain development, but there is also the potential for £80 million to £100 million of annual lease income if all the sites are developed. It is not just about use of the money today for, as we have reported, budget management mechanisms. There are potentially significant financial rewards still to be delivered. Scrutiny of the use of the money, and Parliament and the public having visibility and transparency of that, are next steps that it is important to get right.

Alan Brown: We know that money has been used for budget balancing, but you have reported that only £141 million has been committed for supply chain development out of £500 million.

Would it not be cleaner if the Scottish Government aligned some of the ScotWind money with the £141 million that has already been committed and the remainder of that £500 million? Would that not be a cleaner accounting mechanism?

Stephen Boyle: It is a significant possibility. It is for ministers to take a view on how they wish to use the ScotWind moneys alongside their other priorities. The point that we are making is that, thus far, it has not been clear enough about how the ScotWind moneys will be deposited, invested and returned. There seems to have been something of a departure from the initial intention on green or climate-oriented activities. There is an opportunity for the Scottish Government and Crown Estate Scotland to step in and provide that clarity.

Alan Brown: I have another question that goes back to the complexity of sovereign wealth funds, which you have talked about, and the fiscal framework. There is a maximum Scotland reserve. If all the money was deposited as part of that reserve and the maximum was exceeded, would there be a clawback from Westminster? In that case, Scotland would lose money, given how the framework works.

Stephen Boyle: You are right. The ScotWind moneys are higher than the limit on the Scotland reserve. That is why the approach has been for Crown Estate Scotland to hold the amounts on deposit. That is one of the complexities that need to be worked through in the creation of a ScotWind wealth fund. That will involve considering how it will all interact with the fiscal framework between the Scottish and UK Governments.

Alan Brown: That framework is up for review as well.

The Convener: I will go back to where we started and ask a question about the price cap. On page 25 of your report, in relation to the innovation and targeted oil and gas scheme, you say that Crown Estate Scotland looked to

“learn lessons from the ScotWind leasing round that could be applied to INTOG.”

You add:

“This resulted in a minimum option reserve price rather than a maximum price cap being applied, and a different lease rental mechanism for TOG projects.”

Given our discussion about how price caps are set, is that not quite telling? Is there is an admission that Crown Estate Scotland got the pricing cap wrong for ScotWind?

Stephen Boyle: The innovation and targeted oil and gas leasing round is outwith the scope for our audit of the management of the ScotWind leasing round. It is something we can consider as part of our future work programme.

We have seen a couple of examples of iteration and learning through the approach of Crown Estate Scotland. We have talked about the arrangements that it put in place for contractual remedies, the rapid review and so forth. Whether the position is as direct as saying that there was a clear change of plan on capping as a result of that learning is a line of questioning that the committee may wish to explore with Crown Estate Scotland. We are not in a position to take a view on that because we did not look in detail at the INTOG scheme.

The Convener: Sure. I understand that.

As members have no further questions, I thank the witnesses for their evidence. It has been informative and insightful, and it has set us up for our evidence session with the accountable officers and for your report on renewable energy.

10:52

Meeting continued in private until 11:27.

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