

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 21 November 2007

Session 3

£5.00

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2007.

Applications for reproduction should be made in writing to the Licensing Division,
Her Majesty's Stationery Office, St Clements House, 2-16 Colegate, Norwich NR3 1BQ
Fax 01603 723000, which is administering the copyright on behalf of the Scottish Parliamentary Corporate
Body.

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by RR
Donnelley.

CONTENTS

Wednesday 21 November 2007

Col.

ENERGY TECHNOLOGIES INSTITUTE	239
-------------------------------------	-----

ECONOMY, ENERGY AND TOURISM COMMITTEE

8th Meeting 2007, Session 3

CONVENER

*Tavish Scott (Shetland) (LD)

DEPUTY CONVENER

*Brian Adam (Aberdeen North) (SNP)

COMMITTEE MEMBERS

*Gavin Brown (Lothians) (Con)

*Christopher Harvie (Mid Scotland and Fife) (SNP)

*Marilyn Livingstone (Kirkcaldy) (Lab)

*Lewis Macdonald (Aberdeen Central) (Lab)

*Dave Thompson (Highlands and Islands) (SNP)

*David Whitton (Strathkelvin and Bearsden) (Lab)

COMMITTEE SUBSTITUTES

Nigel Don (North East Scotland) (SNP)

George Foulkes (Lothians) (Lab)

Alex Johnstone (North East Scotland) (Con)

Liam McArthur (Orkney) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Dr David Clarke (Energy Technologies Institute)

Graeme Dickson (Scottish Government Enterprise, Energy and Tourism Directorate)

Professor David Gani (Scottish Further and Higher Education Funding Council)

Paul Lewis (Scottish Enterprise)

Professor Stephen Logan (University of Aberdeen)

Professor Jim McDonald (University of Strathclyde)

Jane Morgan (Scottish Government Enterprise, Energy and Tourism Directorate)

Dr Alison Wall (Engineering and Physical Sciences Research Council)

CLERK TO THE COMMITTEE

Stephen Imrie

SENIOR ASSISTANT CLERK

Katy Orr

ASSISTANT CLERK

Gail Grant

LOCATION

Committee Room 2

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 21 November 2007

[THE CONVENER *opened the meeting in private at 10:17*]

11:05

Meeting continued in public.

Energy Technologies Institute

The Convener (Tavish Scott): Good morning, ladies and gentlemen. This is the eighth meeting of the Economy, Energy and Tourism Committee. We are going to discuss the establishment of the energy technologies institute and the opportunities for Scotland therein.

We will have three panels this morning. First, we have Graeme Dickson and Jane Morgan from the Scottish Government enterprise, energy and tourism directorate. I think that Jane Morgan's formal title is now head of energy and telecommunications.

The committee discussed the structure of our evidence taking on the matter and agreed that it would be helpful for questions to be put to Graeme Dickson and Jane Morgan on the decision that was taken and the role of the Scottish Government or Scottish Executive in that. Do you want to make any introductory remarks or shall we pitch straight in with questions?

Graeme Dickson (Scottish Government Enterprise, Energy and Tourism Directorate): You can pitch in.

The Convener: It would be helpful to understand from your perspective the process of how the decision was reached. How comfortable were you that Scotland plc, if I can so describe it, made a strong enough pitch to get the institute, given its clear importance to Scotland and the United Kingdom?

Graeme Dickson: Would you like us to start way, way back, right at the beginning?

The Convener: That would not be a bad thing to do.

Graeme Dickson: The matter goes back a couple of years to a proposal from the Scottish Science Advisory Committee that we should have an energy institute in Scotland. At that time, the SSAC was chaired by Wilson Sibbett, who set up a whole-day conference and got a fair amount of

buy-in from us, Scottish Enterprise and almost all the academics who were involved. It was agreed that we should try to take the matter forward. For a couple of years—I guess that the later witnesses will put me right if I am wrong—the universities were beginning to work together on the matter.

In late 2007, when the Government announced a competition for a UK energy technologies institute, there was already a group of potential participants who wanted to get together and operate as a consortium. At that point, it brought in Jane Morgan and asked her to facilitate things.

Jane Morgan (Scottish Government Enterprise, Energy and Tourism Directorate): Yes. The Department of Trade and Industry, as it was then, organised an information day. We were conscious that there was a lot of interest in Scotland and a lot of people were going to the information day, so I suggested to the people of whom we were aware that we should meet after the day to exchange information and gain awareness of who was doing what. At that meeting, which the Scottish Executive facilitated, it was proposed that, rather than having a number of separate interests in involvement in the ETI, it would be worth while to work as a consortium and put in an expression of interest.

At that stage, BERR—

The Convener: BERR?

Jane Morgan: Sorry—I mean the DTI, as it was, which is now the Department for Business, Enterprise and Regulatory Reform.

BERR, the Engineering and Physical Sciences Research Council and other relevant UK bodies had not requested any information at that stage, but those who were present thought that it would be sensible to put in a joint expression of interest. That proposal came from the floor of the meeting that we had facilitated. There was consensus around it; there was no dissent.

The Convener: The group that you established included universities, Scottish Enterprise, civil servants and other interests and stakeholders?

Jane Morgan: Yes. It included the Scottish Science Advisory Committee, Scottish Enterprise, the Scottish Further and Higher Education Funding Council and the universities. It was open to anybody. Aberdeen City Council came on behalf of the economic forum. Other local authorities did not attend, but expressed interest.

Lewis Macdonald (Aberdeen Central) (Lab): That meeting was clearly a critical point in the process of determining what bids would go forward. Was the meeting that was attended by Aberdeen City Council on behalf of the local economic forum also attended by the University of Aberdeen and the Robert Gordon University?

Jane Morgan: Yes. I will have to look back at the notes. We held quite a few meetings at which we had videoconference participants. Stephen Logan can correct me if I am wrong, but my clear recollection is that the university and the forum were separately represented and continued to be so for a number of meetings after that.

Graeme Dickson: The expression of interest had the University of Aberdeen's logo on it but not the logo of the Robert Gordon University. I do not know whether that indicated that it was not participating at that point.

Lewis Macdonald: That reflected the level of virement. One of the interesting questions that has arisen concerns the way in which, from there, a Scottish bid was put forward that was fronted by the University of Strathclyde. Can you tell us a little about the process of getting from the decision in principle that there ought to be a Scottish expression of interest to the point at which it was agreed or proposed that a bid should go ahead that was fronted by the University of Strathclyde rather than, for example, the University of Aberdeen?

Jane Morgan: An expression of interest in line with the requirements put in place by the UK was submitted in February, on a consortium basis. There was no requirement at that stage to posit where we were suggesting the director's office should be located. In May, we heard that we had been shortlisted and it was immediately clear that, by the time the final bid was submitted, we were required to identify a single location for the director's office.

Lewis Macdonald: Let me understand clearly what you are saying. Before May, and before the shortlisting of the five prospective consortia or hosts of the ETI, no decision had been made that specified a focus on the University of Strathclyde rather than on the University of Aberdeen. That decision was taken in May.

Jane Morgan: We posited the possibility of three different locations: Glasgow, Edinburgh and Aberdeen. Partly, we did not feel in a position to make a choice at that stage, as it was not clear enough what the ETI was looking for. Also, we saw advantages in all three locations being involved in some way, which remained the case until the final bid. Although the University of Strathclyde was suggested as the key location for the director's office, the final bid suggested that there should still be facilities in Edinburgh and Aberdeen, as you will probably remember from the press coverage at the time.

Lewis Macdonald: Absolutely. That brings us to why, when the decision was made in May, you and the other stakeholders around the table

decided to focus on Glasgow rather than on Edinburgh or Aberdeen.

Jane Morgan: That was not determined straight away. There was a process of discussion with the representatives of the ETI. The final criteria against which the ETI would decide where to site its hub were issued at the end of June or the beginning of July. It was after that stage that a decision was taken. It was taken reasonably speedily because it was on that basis that we had then to finalise the bid document. We had the criteria that were established by the ETI and, collectively, as a consortium, we agreed that each potential location should set out how it met those criteria. The criteria were strongly—although not entirely—based around university capacity and facilities.

11:15

The university participants agreed that it would be sensible if those without a geographical interest scored the documents against the criteria set by the ETI. Those organisations were the Scottish Further and Higher Education Funding Council, the Scottish Executive and Scottish Enterprise.

Graeme Dickson: And the Scottish Science Advisory Committee.

Jane Morgan: Yes. It was an examination against criteria set by the ETI.

Lewis Macdonald: And it was judged by those four organisations, with no input from the universities or the other partners that were round the table?

Jane Morgan: Yes. That is what they asked us to do.

The Convener: Are you saying that the criteria changed through the process and that that played a crucial role in the final decision that was taken in the summer?

Jane Morgan: They were refined slightly. You might want to ask Alison Wall about it later. The criteria did not change in any fundamental way, but they were refined slightly. They related to research capacity, innovation capacity and the physical facilities that could be brought to bear.

The Convener: Sorry—who refined them?

Jane Morgan: The ETI.

The Convener: You said that "university capacity" was one of the criteria. What does that mean?

Jane Morgan: The criteria would reflect university capacity, which would take into account research that had been undertaken; research ratings; demonstration and deployment facilities,

which might be university-based or otherwise; and interaction between universities and industry.

The Convener: There was a range of criteria. The point is that they changed and were altered through the process.

Jane Morgan: I think that they were refined. As Alison Wall could tell you, as the process moved on, the ETI became slightly more precise about, for example, what it was looking for in respect of the building.

Graeme Dickson: The final specification that the ETI sent out in late June and early July was the one that the universities made their pitch against. It set out the final criteria. The list was fairly lengthy. We put it into the public domain.

The Convener: Did you always feel that the refinements—I will use that word rather than “changes”—of the criteria were fair, transparent and logical, or was something else going on?

Jane Morgan: You may also want to ask the universities about the issue. I think that we felt that they were transparent. We felt that, at the final stage, the criteria began to place a little more emphasis on physical facilities than they had done previously.

Brian Adam (Aberdeen North) (SNP): You said that the role of Government officials was to facilitate a joint Scottish bid. Can you spell out in more detail the exact role that Government officials played? What role, if any, did ministers play? Can you explain the distinction between the facilitation that was taking place and the decision-making role to which Government officials contributed when it came to deciding where in Scotland the lead location for the consortium would be? You said that the Scottish Science Advisory Committee, the Scottish Further and Higher Education Funding Council, Scottish Enterprise and Scottish Government officials were involved in the decision about which location in Scotland would be the lead one. It seems that there may have been a move from facilitation to decision making. Can you give us more background on that?

Jane Morgan: In respect of facilitation, as you can imagine there was a long series of meetings between October and the following July in relation to what you are interested in—meetings continued to be held after that to deal with the submission of the bid. I chaired the meetings; I was asked to do so by those present.

Brian Adam: Can you make it clear who was present? Did the universities ask you to chair the meetings, or did the other players also ask? How were the people beyond the universities involved?

Jane Morgan: My understanding is that the universities asked me to chair the meeting. Those

that had representatives present were the University of Edinburgh, Heriot-Watt University, the University of Aberdeen and the University of Strathclyde. Also present were representatives of the Scottish funding council and of Scottish Enterprise. Until the expression of interest was made, at least, Aberdeen city and shire economic forum was represented. The request was made differently at different times, but it was endorsed by university people, the funding council and Scottish Enterprise.

Brian Adam: In that case, whose initiative was the bid? Was it universities' or the Government's? It is still not 100 per cent clear to me why all the players were involved and what the genesis of the bid was.

Jane Morgan: It goes back to what Graeme Dickson said earlier.

Graeme Dickson: This is not the first time that we have been involved in facilitating something that universities have done jointly. It happens once or twice a year—Mr Macdonald may recall it happening during his time as a minister. Universities are independent institutions whose independence is preserved in law. We often get them together, try to encourage them and facilitate projects, but in the end it is for them to decide what they want to do. This is an example of how the process works.

Brian Adam: Does the fact that the universities required someone to facilitate a way forward—I do not say to hold the jackets—suggest that there was not unanimity about the direction in which they should move? When did the role of facilitation change into one of decision making?

Jane Morgan: It was open to any university or partnership to bid for the ETI hub at any time. The University of Aberdeen by itself or with Aberdeen City Council could have bid; the University of Strathclyde and the University of Edinburgh could have done the same. The partnership consisted of willing partners, because at all times they had the opportunity to do something different.

You asked whether people had particular motives for asking us to chair meetings. I understand that the only motive was that they wished to act as a consortium and wanted a chair for the meetings—both a neutral chair and someone from an organisation that is used to facilitating such partnerships, as Graeme Dickson said. I chaired the meetings. Ministers were not directly involved, although obviously we reported to them periodically—for example on the fact that the bodies wished to act as a consortium and on the submission of the expression of interest. Ministers did not meet the consortium until the final stages of the process, just before submission of the final bid.

Brian Adam: When did your role change from one of facilitation to being an active participant in the decision-making process? You told us that four organisations decided where the proposed hub would be, and that one of those was your office.

Jane Morgan: A colleague of mine chaired the final meeting. As I said, the criteria were issued around the end of June and beginning of July. Ten days later, there was a meeting to examine the documentation that Glasgow, Edinburgh and Aberdeen had submitted. The meeting reached a consensus view. My colleague chaired the meeting, but his main role was to gather in others' views. I will not pretend that we were not party to the decision, but it was based on a consensus.

Brian Adam: Do you accept that there is a distinction between facilitation and being an active participant in decision making?

Jane Morgan: When one chairs, one sometimes has to guide people to a decision and sometimes one allows discussion to take place, as I am sure the convener of your committee has to do. Obviously, as a chair when a sensitive decision was being made, we would have been extremely careful not to drive that decision in any way.

Brian Adam: In the guidance that you gave, were you guided by ministerial direction at any stage, before or after May?

Jane Morgan: No, because ministers were informed of the process that was to be undertaken—

Brian Adam: But you were not guided by ministers on how you should guide the group that was making the decision.

Graeme Dickson: It would be difficult for somebody chairing a group of three or four independent bodies—such as the Scottish Further and Higher Education Funding Council, which makes such difficult decisions daily—to try to sway them toward a decision that did not meet objective criteria. The three universities that, in effect, made a pitch did so on the basis that they wanted somebody to help reach a decision. If the three universities were not going to agree to the decision, they would not have gone into the process trying to get impartial and essential advice.

Brian Adam: In the early stages, the DTI put a great deal of emphasis on the criteria on research capability. I have a question with the benefit of hindsight. I do not wish to downplay the research that is done in Scotland, but Imperial College London might well have been the best in terms of research and the University of Cambridge is significant in that regard. Given that both of them were eliminated at an early stage, is it fair to say

that, in the final decision, the criteria on research did not play a major part in the DTI's decision-making process? In the assessment that the four decision-makers carried out of the three bids in Scotland, what effect did the weighting that was given to research capability have?

Jane Morgan: We were told clearly that the criteria that were set out would be given equal weighting and the bids were judged on that basis.

Brian Adam: Is it not fair to say that, using objective criteria on research, Imperial College London and the University of Cambridge could well have been in pole position? However, they were both eliminated at the first stage.

Jane Morgan: You would have to ask the ETI shadow board members about that. We obviously never saw expressions of interest from other participants. Even at the early stage, it was important to refer not only to research, but to issues such as facilities and interaction with industry. We have not seen the proposals from Imperial College London, the University of Manchester or the University of Cambridge.

The Convener: In your answer to Brian Adam about ministerial involvement, were you seriously suggesting that ministers, either before or after the election, did not have a view on the matter?

Jane Morgan: Ministers may have had a view.

The Convener: And they never expressed that to you, before or after the election?

Jane Morgan: There is a difference between expressing a view and the process that was—

The Convener: That is not what I am asking. I am asking you, on the record, whether ministers expressed a view on the matter, before or after the election.

Jane Morgan: Are you asking whether they expressed a view on which site should be chosen as the proposed hub?

The Convener: Yes.

Jane Morgan: I think that they expressed a view, from their perspective and without sight of the criteria, about which they thought would make a good hub.

David Whitton (Strathkelvin and Bearsden) (Lab): The crunch meeting in the process was when the four bodies got together to consider the various criteria that you would use to decide which place in Scotland would be chosen. Given that you had chaired all the meetings up to that point, why did you not chair that one?

11:30

Jane Morgan: Because I was on holiday.

David Whitton: Right. Had the person who chaired the meeting been present at all the other previous meetings?

Jane Morgan: Yes.

David Whitton: Okay.

Jane Morgan: It all went according to an English timetable and the expectation that everyone would go on holiday in August, whereas, of course, in Scotland, quite a lot of people go on holiday in July.

David Whitton: You said that Glasgow, Edinburgh and Aberdeen were all bidding to be the hub. Did each city have to present to the final meeting a separate reason why it should be the place for the Scottish hub?

Jane Morgan: Yes; they presented written documentation.

David Whitton: How did the group judge those against one another?

Jane Morgan: The group read the material against the criteria, but they also had discussions with each of the three separately.

David Whitton: Given that a crucial decision was being made, how much of that material was fed up the way to get a political viewpoint from a ministerial office?

Jane Morgan: The material was not fed to ministers prior to the decision being made.

David Whitton: So the group took the decision and said, "Here is the decision that we have made, minister. That's it."

Jane Morgan: The decision was taken on behalf of the three universities.

David Whitton: So there was no ministerial input: the group took the decision and the minister was presented with the fait accompli that the decision was for Glasgow.

Jane Morgan: Mr Swinney's letters to Abigail Tierney and Nicol Stephen make that clear.

Christopher Harvie (Mid Scotland and Fife) (SNP): My locus in this is that I wrote the history of North Sea oil—"Fool's Gold: The Story of North Sea Oil"—which was a massive energy initiative undertaken almost completely by the private sector and entrepreneurs without much academic or research input until quite a late stage. I find it odd that we are discussing what seems to be a dialogue between academic institutions. I would like to know something of the input from commercial energy firms, bearing in mind the fact that the Siadar wave energy project in the Western Isles is completely German in financing, technology and organisation. In Germany, that would lead to collaborations between the

universities and the big entrepreneurs. Is that happening or foreseen?

Graeme Dickson: There is considerable collaboration between universities and the energy sector here. This particular activity was a UK Government proposal to get companies involved in funding jointly with Government research. It is a particular initiative involving Shell, BP, Caterpillar, E.ON and Rolls-Royce. Bilateral agreements and negotiations are going on between the companies and universities.

Christopher Harvie: With respect, there are also several non-ongoing collaborations, such as the BP carbon capture project at Peterhead, which seemed to be a candidate for the project but the company simply withdrew. The nature of British engineering since the North Sea oil boom means that very few companies that participated in it are left. The further fate of the people who pioneered, say, positioning in the North Sea—Ferranti, Thorn Electronics or Racal—shows that we are going to have to collaborate with continental companies. Energy is a very important diplomatic area because those companies already have extremely good relationships with their research universities.

Jane Morgan: The bid document referred extensively to collaboration with and work for industry. It was more difficult to say that companies A, B, C and D explicitly supported our bid because they would probably have worked with whoever was the winner. The five key funders, who are providing substantial funding, were party to the decision, so they could not align themselves behind one bid or another. However, in bidding for the ETI work in future, those collaborations will undoubtedly be extremely important.

The Convener: If all that collaboration was so good, why did we lose the bid?

Jane Morgan: You should probably ask the ETI, but we are convinced that we must have made as good a case on research, on demonstration and deployment and on collaboration with industry. We think that we had a good proposition on the building. There was to be a high-quality interim building and then a building would be constructed. We felt that that option had been de-risked via Scottish Enterprise but, as we understand it, the Loughborough proposition had an existing building, which I guess was de-risked to a greater extent. You would have to ask the ETI decision makers about that, but we certainly felt that we had put in a good proposition, on the building as well as on other aspects.

Lewis Macdonald: I have two points to make following on from colleagues' questions. Christopher Harvie asked a pertinent question. What am I to understand from the response about

the decision that Shell and BP, for example, were not to be part of the Scottish stakeholders decision-making process? Was that decision taken by Shell and BP, by the universities or by the Scottish Government?

Jane Morgan: As I recall, we approached early on a number of industrial partners who expressed general interest. That is represented in the bid. We did not seek, as I recall—it was Scottish Enterprise that handled the main interaction with industry—explicit endorsement from those companies that were the key funders of the ETI, because we did not think that appropriate. I think that Alison Wall would agree that they could not have given that endorsement; it would have prejudiced their position in being party to the final decision.

Lewis Macdonald: I understand entirely that point, which you made in reply to Christopher Harvie. However, my question is about whose judgment was exercised in coming to that conclusion. In other words, were the companies invited to consider the proposition, did they express any interest in being involved in the Scottish stakeholders group, or was the decision not to involve them taken prior to the establishment of the group?

Jane Morgan: We discussed it collectively and concluded that it was not appropriate to involve the companies, but we certainly communicated with industry generally and sought trade association support for the bid.

Lewis Macdonald: My other point arising from earlier evidence relates to what you said about a ministerial meeting that took place after the completion of the bid but before its submission. What was the date of the decision on the location of the hub in Scotland's bid, what was the date of the ministerial meeting, and which minister was it with?

Jane Morgan: The date of the meeting was either 12 or 13 July. I can check, but I think that it was on a Thursday that the group met. Jim Mather met Jim McDonald, who led the bid, later on. I confess that I cannot remember exactly when that was, but it would have been late August.

Lewis Macdonald: But it was after that meeting.

Graeme Dickson: It was just before the submission of the final bid document. The team was offered a dry run with Jim Mather, so it was much later in the process.

Gavin Brown (Lothians) (Con): I have a question about the meeting at which the final decision was taken. The four organisations that you mentioned sat down in a room and reached consensus on the decision, so in effect there were four votes for Glasgow and none for Edinburgh or Aberdeen. For there to be such a consensus,

there must have been some pretty clear objective, tangible reasons for taking that decision. What were those obvious and clear reasons?

Jane Morgan: As I say, there is a set of criteria. Individual locations were marked against each of those criteria and then ranked. As Mr Swinney's letter to Abigail Tierney made clear, we have not released the precise marking sheet. We did not think that to do so would be appropriate or in the interest of Scotland's full bid or subsequent bids for the substantial research programmes that the ETI will run. We can pass the criteria to you.

Graeme Dickson: They run to three or four pages of fairly detailed criteria.

The Convener: Is it possible to see them and the scoring? Could you share that information with the committee?

Jane Morgan: Well, the minister said in his letter to Abigail Tierney that he was not releasing the marking sheet for the reasons that I have just mentioned. Obviously, you can request it if you wish to, but we have not released it because we felt that it would prejudice the initial bid and could prejudice our future bids for the research programmes. Obviously, we want to present Scotland as strongly as possible and it is not in anybody's interest to show that they have marked themselves lower than perfect on anything.

Graeme Dickson: The information was made available to the university members but went no further.

David Whitton: I ask for clarification on one thing. The final meeting about where would be chosen for Scotland's bid was held—while you were on holiday—after the election, when a Scottish National Party Government and Minister for Enterprise, Energy and Tourism were in place. Are you telling me that the minister did not say to you or give an indication to his officials before that meeting that he thought that the ETI should be in Aberdeen?

Jane Morgan: The minister did not do that personally.

David Whitton: That is not really an answer to the question. He might not have spoken to you personally, but the way that such things work is that the minister makes his views known through officials. Did he make known his opinion that you should go for Aberdeen?

Graeme Dickson: Even if the minister had said that, I am not sure what officials could have done to bring about an outcome contrary to an objective process. We have done a number of collaborations with universities where—

David Whitton: Are you telling me that officials will fly in the face of a political decision? Surely not.

Jane Morgan: No. We set out the process that we intended to pursue—that is, the process that the consortium had asked us to pursue.

David Whitton: But advisers advise and politicians make decisions. Are you saying definitely that Mr Mather did not express an opinion that Aberdeen should be the chosen venue for the ETI bid?

Jane Morgan: He did not tell us not to pursue the objective process that we have described.

The Convener: Crikey!

Brian Adam: Were the officials aware of the speech that Mr Mather made in Aberdeen at the all-energy conference within a few days of taking up office in which he explicitly said that he supported Aberdeen for the hub location of any ETI bid? Are you telling us that you are not aware of the content of that speech?

Jane Morgan: I am very aware of the content of that speech.

Brian Adam: So it was absolutely clear to officials who were taking part in the process what the Government minister who was responsible for the matter felt about where it should go.

Jane Morgan: I do not think that the speech said that.

The Convener: I thank Graeme Dickson and Jane Morgan for that fascinating evidence.

I now welcome Dr David Clarke, chief executive designate of the energy technologies institute. He is joined by Dr Alison Wall, who is joint head, energy and climate change, Engineering and Physical Sciences Research Council lead, research councils energy programme—that is one heck of a title, if I may say so. I congratulate you on having the longest title of any witness to appear before the committee. I hope that it helps in answering questions. I welcome you and I thank both witnesses for coming to Edinburgh.

As you will have gathered, the committee is keen to understand the process and the reasons for the decisions that were taken, but we also want to consider the future opportunities for Scotland. We are interested in understanding why something happened and in looking to the future. We are interested in the benefits that can be gained in Scotland from what has happened.

Would you tell us briefly about the criteria that were used for the decision that was taken? Colleagues have asked about those criteria. You may then want to comment on the possibilities that exist for Scotland with the new institute.

11:45

Dr David Clarke (Energy Technologies Institute): I thank the committee for giving us the opportunity to come here and answer questions.

I hope that members will acknowledge that we used a clear and open process. In a moment, we will take you through the criteria that were used, but perhaps it would be relevant to say something first about the ETI's role now and in the future.

The critical issue is that the ETI will pursue the demonstration of new energy technologies. It is worth recognising in the discussion that the ETI has not sought at any stage to set up a bricks-and-mortar research institute in which major research programmes will be carried out. Rather, the ETI is immediately setting up a headquarters office so that it can invest up to £110 million a year in programmes that could be carried out anywhere, including internationally. That is where we are now.

Bearing in mind that background, I ask Alison Wall to cover the criteria that were used to select the host site. Alison was responsible for developing and managing the process that we used to select that site, partly because of her experience of such work with the EPSRC in the public sector.

Dr Alison Wall (Engineering and Physical Sciences Research Council): Questions have been asked about the first set of criteria at the expression of interest stage and about how the criteria changed in the final document that we issued for the bids. I will fill in some details.

At the first stage, when we asked for expressions of interest, we asked for information about the bidder's reputation and culture, the space that would be available, the facilities for the ETI and the location, and the bidder's commitment to the ETI. When we saw the expressions of interest, we narrowed the number of bidders down to five, whom we invited to continue to participate in the process and to prepare bids. We then visited all five bidders to explain to them what our vision for the ETI was and what we were looking for. We wanted to listen to their questions and share ideas. When we had gone through that process, the host selection sub-group sat down and developed a much more detailed set of criteria using the same sorts of headings, but including much more detail. I think that it is true to say that all the five bidders that we selected were strong on reputation and culture, so we set out more details about the buildings that were required, as you have heard.

The Convener: You mentioned a host selection sub-group. It strikes me that that group was an important component in the process. Who was in it?

Dr Wall: Allan Jones from E.ON initially chaired it. It included representatives from the six ETI companies, three public sector representatives and an independent member from the Office of Gas and Electricity Markets.

The Convener: Which organisations did the three public sector representatives represent?

Dr Wall: The Department of Trade and Industry—

The Convener: The organisation that we used to call the Department of Trade and Industry.

Dr Wall: Yes. The other two organisations were the EPSRC and the Technology Strategy Board.

Christopher Harvie: I am interested in two things. First, I suppose that Rolls-Royce is now the largest of the independent suppliers of high technology that are owned and controlled in Britain. Is that right?

Dr Clarke: It depends on how you measure things. You could put BAE Systems in the engineering sector higher. In the non-engineering sectors, some of the pharmaceutical companies would be put higher.

Christopher Harvie: But Rolls-Royce would be regarded as the world leader.

Dr Clarke: It would certainly be in the top bracket.

Christopher Harvie: Secondly, I am interested in the organisation and history of energy. As a result of what I have done in the area, it strikes me that we do not have the manufacturing capacity that we had in the 1970s, say, which was used to extract North Sea oil. Many companies that were involved in extracting North Sea oil have simply disappeared. Therefore, international capability is important, as you have stressed.

I have a vague question. From going round to look at experimental work, I think that it seems to divide into three forms: generation, transmission and storage of generated power. All those elements will be present in the Scottish context in one formulation or another. Could we in Scotland concentrate on one element with unique effectiveness and contribute something that, because of our geographical position, goes beyond the capabilities of European firms and research outfits?

Dr Clarke: The list of technical areas that the ETI will seek to address is driven by the partners from industry and the public sector in what will become a limited liability partnership, which we intend to establish by Christmas. Those partners—including those from the public sector—have their own reasons for their involvement, but we have established a joint set of the outcomes that we hope to achieve from the ETI over a period. Those

outcomes are the pull-through of new technologies in the low-carbon energy sector, the enhancement of security of supply and a reduction in energy poverty.

In that context, we have followed a process of establishing what are the major technical areas in which we expect to invest. That process has been fairly short and sharp; it will be refined as we set up the ETI and establish the processes more fully. The first items on the list that the ETI will address and on which a call for expressions of interest in working with us will be issued in December are offshore wind power and, in marine power, wave and tidal stream power. Those are the first project areas in which the ETI will seek to work and on which we will ask for more partners and collaborators. All those areas play to Scotland's strengths in its environment and its existing industrial base.

The second tranche of areas, on which we have said only that we will do more analysis to understand what the ETI could invest in, will include carbon capture and storage, which plays to great strengths in Scotland's industrial base and, to an extent, the North Sea environment. The scale of activity in the north-east and in other areas of Scotland will assist with the ETI's focus on pulling technology through into demonstration.

Christopher Harvie: We will decommission many production platforms in the North Sea over time, many of which have elaborate generator equipment for the pipelines from the fields. Will you be concerned with the possible reuse of that equipment as combined cycle generators and for local block generating capacity on land with appropriate implantation into local heating schemes, for example? Otherwise, a lot of high technology might go to waste.

Dr Clarke: It is clear that those systems have applicability in the ways that you described, but I cannot say now whether the ETI will support that. Our plan for the next six to 12 months is to undertake a detailed analysis of areas in which the ETI could invest to provide additionality to the incentives that are already available. The technical issue of building efficiency and the use of waste heat in combined heat and power systems, for instance, is on our list and we will examine that fairly urgently but, as we have not done that work yet, I cannot sensibly comment on the question. I agree that most of that plant is high efficiency, so it could offer potential.

The Convener: Dr Clarke mentioned four work streams that are in play and are relevant to Scotland. That raises the obvious question: why did Scotland not win the institute?

Dr Clarke: That goes back to what I said at the start. We put out a request to host a headquarters,

which will basically be an investment office. The immediate work streams will run for a number of years, but we also have a starting list of 15 other topics that we will work through gradually. Will that be the total list? I doubt it—it will probably be a longer list. Looking at the entire spectrum, I think that it is clear that Scotland plays very strongly in certain areas, but I could argue that not just other areas of the UK but other areas around the world play strongly in some sectors. For instance, if I wanted photovoltaic solar technology, I might think that, as Japan is one of the world leaders, I should be talking to the Japanese.

The Convener: We have very good flights to Japan—without going through Heathrow.

Lewis Macdonald: Like the convener, I am excited to hear about the work streams. Clearly, there is a lot of potential for Scotland in the future. Many of the marine activities—whether they are wind, wave or tide—will use the technologies and expertise that have developed with the offshore oil and gas industry in the UK, particularly in the north-east of Scotland. When you visited the five shortlisted bidders, where did you visit in Scotland? Did you visit the three partner universities and cities?

Dr Wall: No, we came to Edinburgh.

Lewis Macdonald: So you did not have a direct look at the facilities or potential in the other two cities.

Dr Wall: No. We were not evaluating the facilities at that stage, so we would not have expected to do that. We wanted a chance to engage with the bidding teams. We offered to look at any other sites that they wanted us to look at during the process, but we did not provide any detailed feedback, on the buildings for example. That would not have added to the process.

Lewis Macdonald: I think that I understand your point. You described a process in which you measured things such as reputation, culture and commitment, and you found that all five bidders scored highly. You went on to focus on location and buildings, but at the point at which you visited the bidders, you were not looking at that.

Dr Wall: That is right. They were not assessment visits; they were very much information-sharing visits.

Lewis Macdonald: Just to touch base and meet the bidders.

Dr Wall: To answer questions and share visions and ideas.

Dr Clarke: I should add that all the specific sites were visited before ETI took a final decision.

Lewis Macdonald: When you say “the specific sites”, do you mean the University of Strathclyde or all three cities in Scotland?

Dr Clarke: For each of the final three bids, each of the bidders showed us the specific sites that they were offering.

Lewis Macdonald: So, in the context of the Scottish bid, you visited Edinburgh before Scotland had identified its hub and Glasgow after Scotland had identified its hub. However, you did not visit Aberdeen, which clearly has a relevance to the work streams that are at the top of your list, because of how the process was designed. Is that right?

Dr Clarke: Correct.

Lewis Macdonald: If there had been a separate bid led by the University of Aberdeen or the Aberdeen city and shire economic forum that showed comparable levels of commitment, reputation and culture to the five shortlisted ones, would there have been a fair chance that it would have been shortlisted separately? Is it fair to comment on that, or is it impossible to make that judgment?

Dr Wall: It is impossible for us to make that judgment. There were many very strong bids at the expression of interest stage. It was competitive even then.

Lewis Macdonald: But if an Aberdeen bid had been of such quality as to justify shortlisting, you would have visited it first to share information and then, potentially, to look at the other aspects.

Dr Wall: If there had been a separate bid, we would have treated it in exactly the same way as the other bids.

Lewis Macdonald: When you came back to Scotland and visited the University of Strathclyde to consider the location and building resources that it was offering, clearly you could not compare that with other potential sites that Scotland might have nominated. You simply looked at the one that was nominated.

Dr Clarke: Yes. We were offered a specific site, and we reviewed it. Clearly, we could not judge any other site because it was not offered.

Lewis Macdonald: Absolutely.

Dr Clarke: And that was reasonable.

Lewis Macdonald: I completely understand that point. Therefore, when it came to the final, deciding question of location and buildings, your judgment on the Scottish bid was based entirely on whether Strathclyde competed effectively with Loughborough.

12:00

Dr Wall: The final assessment examined all the different aspects. We considered research and development, reputation, the site, the transport links, the commitment to ETI and the financial information. It did not all hang on the building. My earlier comments referred to the fact that the detailed specification contained much more information about the building than there was in the original request for expressions of interest.

Dr Clarke: The whole package of reputation and culture that the bid from Scotland offered was very competitive.

Lewis Macdonald: So Scotland did not lose on that.

Dr Clarke: Absolutely not. More than half the 15 work streams listed are covered by that package of reputation and culture.

Lewis Macdonald: So the criteria on which the bid was unsuccessful essentially concerned the building and the location. Scotland competed very effectively on the reputation and culture side, so it follows that it was on the building or location side that Scotland lost.

Dr Clarke: As Alison Wall said, we considered four areas of criteria. Bear in mind that all the bids were viable as an HQ for ETI. We had to select which was the optimum option for ETI. The Scottish bid contained a proposal involving an interim building—which was acceptable—and a longer-term option using an as yet unbuilt building. Compared with some of the other bids, the Scottish proposal was a higher-risk option.

The Convener: Could you define “higher-risk” for me, please?

Dr Clarke: ETI is a brand new organisation. It is working to a brand new funding model, which has not been tried before, involving 50 per cent public sector funding and 50 per cent private sector funding in a single pot, managed by a separate entity, ETI. We are looking to invest in an area of technology development—the demonstration of low-carbon energy technologies—that has largely not been addressed in a highly integrated way before or in such a way as to facilitate the very rapid pull-through of capability into commercial application. Given that context, the last thing I want, quite bluntly, is to have building risk, organisational risk or management problems around me. I do not want those issues.

The Convener: Are you saying that the Scotland bid contained building risk, managerial risk or organisational risk?

Dr Clarke: No, I am saying that those are issues that I do not want to have around me in the organisation. One of the issues, and the key one

in Scotland, was risk to do with having a building to meet our requirements in the future. If, at some point in the future, the new building came into being, we would have to transfer staff and so on. I appreciate that the move would be over a very short distance, but it all introduces management issues.

Marilyn Livingstone (Kirkcaldy) (Lab): Would the bidders have been aware that, among the criteria that were given, that risk factor could weigh against them? Would our team know that?

Dr Clarke: I believe so.

Dr Wall: They could clearly see our requirements. We were working through August, and we fed back some detailed questions after our assessment meeting in the middle of that month. Those gave a flavour of any areas of concern.

Marilyn Livingstone: That is a crucial point, if you do not mind me pushing it, convener. Many members have been involved in submitting bids in the past. Would the Scottish bid team have been aware of that factor when it was choosing its location? You are saying that it was a big deterrent against Scotland being chosen.

Dr Clarke: I believe so, judging from the criteria, the visit and the discussions that we had.

Brian Adam: I have a couple of questions in this area. You have explained that, on the general criteria, there was not much between the five bidders, and then the three. I presume that that relates to what we were told about research capability being one of the key criteria and there not being much in it in that respect. I presume, therefore, that whether the University of Aberdeen, the University of Strathclyde or the University of Glasgow led the consortium would have been of no consequence whatever in terms of the location of the hub, as they were all part of the same bid. Is that a fair assessment?

Dr Wall: That is not quite right. If you look at the criteria document—you are welcome to have a copy of it if you do not have one yet—you will see that we were looking at the immediate surroundings of the host location, what would be on site, alongside the hub, and the wider reputation and culture. There were two slightly different aspects.

Brian Adam: Okay. You say that the main criterion on which the Scottish bid failed was the building, around which there was uncertainty. What weight did the folk who made the decision on behalf of Scotland give to the criterion of the building? I understand that an outstanding building was available in Aberdeen and that it was known that there were risks associated with the temporary building in Strathclyde and uncertainty

about the long-term future. What weight was given to that part of our bid?

Jane Morgan: My recollection is that a virtually identical risk was associated with Aberdeen and Glasgow. They were both in the same position in that temporary facilities that required a little refurbishment were readily available at both universities when they were chosen. Both, however, proposed new buildings for the permanent location of the hub.

Brian Adam: Is it not true that Aberdeen City Council had already given a commitment to a building dealing with the same general area and that, as an add-on, the ETI would have been a good fit? The building is going to be built anyway, so there was no uncertainty about the availability of the land, the building or the commitment in Aberdeen, whereas there were uncertainties around the building at the University of Strathclyde.

Jane Morgan: No. Exactly the same commitment existed in Glasgow. The land was identified—

Brian Adam: So, is the building at the University of Strathclyde going to be built now anyway, or is it not going to be built now that we have not got the ETI?

Jane Morgan: If I can just finish what I was saying, the issue was about the certainty of delivery within a specific timescale. Obviously, buildings can be delayed. Scottish Enterprise felt that it had done everything that it could in the presentation of the package to reduce that risk to the absolute minimum, and it felt that the building could be constructed within 18 months to two years. It would have done the same for the building in Aberdeen, so there was no real difference at all.

Brian Adam: Well, the big difference is that such a building is going to be built in Aberdeen anyway for this type of research facility, allowing incubator-type companies to work around it. Aberdeen City Council has given a commitment to that in any case, but I am unaware of any such commitment having been given in Strathclyde beyond what Scottish Enterprise might have done.

Jane Morgan: I think that there was—

Brian Adam: There is no evidence that Scottish Enterprise is going to do that now that the bid has failed.

Jane Morgan: There is a commitment to an incubator building. There was a proposal for another building. I am sure that Paul Lewis, from Scottish Enterprise, can answer your questions on that.

Brian Adam: I would be pleased to hear that.

The Convener: Okay. The building is crucial, and David Clarke and Alison Wall have been very clear about the criterion of the building. It strikes me as extraordinary that we did not win the bid simply because of a building and the risk associated with constructing a building. Is that the case?

Jane Morgan: It is up to the ETI to decide how much risk it wants to take on. Obviously, an existing building has less risk associated with it than one that is yet to be built. We felt that we had put in a good bid and we were extremely disappointed. It is fair to say that many people thought that we would win.

David Whitton: Was the final decision taken on the basis of where Dr Clarke would have a nice office to sit in?

Dr Clarke: I am sure that you would agree that, from the point of view of the chief executive officer's office, the building that we are in is probably the least comfortable of the three longer-term options.

David Whitton: I am sure that that is a great shame.

Dr Clarke: It does not worry me in the slightest.

David Whitton: From what you have said, you will use up a lot of air miles flying up to Aberdeen and back. Much of the work that you are talking about will involve travelling to Aberdeen to look at wave and wind energy projects. Like the convener, I am astonished that the final decision came down to a building. I do not know how much time you spent in Glasgow, but I spend quite a bit of my time there. There is a lot of very nice office space, even down by the riverfront, which is not that far from the University of Strathclyde.

Dr Clarke: As I said, the ETI will fund programmes wherever it is appropriate to fund them and with whichever partners it is appropriate to fund them with. We will fund programmes that can deliver capability that we can quickly pull through a demonstration phase. It is very unlikely—but not impossible—that all the work from the ETI will end up being centred in Scotland. In the context of travel, the issue of where we put the hub is almost irrelevant, frankly, because I am quite sure that we will be involved in projects all over the UK, which might involve partners from other parts of the world. From the point of view of travel, the location of the building is irrelevant.

David Whitton: You might think that it is irrelevant, but we might choose to take a different point of view.

Gavin Brown: I am slightly concerned about the lack of visits to Scotland and, in particular, to the north and Aberdeen. I do not believe everything that I read in the newspapers, but yesterday an

article was brought to my attention that appeared in the Newcastle paper *The Journal*. It said:

"The Journal has established that two months before the final decision, one of the judges was already working with the man who led the winning bid on setting up a similar renewable energy centre at Loughborough."

Is that true? Do you have any comments on that?

Dr Clarke: Can you clarify who those people are?

Gavin Brown: The judge who is referred to is Bob Taylor. Is the claim true?

Dr Clarke: Bob Taylor was not part of the selection committee, so no, it is not true.

Gavin Brown: The article goes on to say:

"Although Bob Taylor declared an interest and stepped down from the chairmanship of the panel ... he remained on the panel during the selection process."

Dr Clarke: That is incorrect reporting. At no point was Bob Taylor part of the panel and at no point did he have any involvement with the panel.

Gavin Brown: The same paper states:

"the 10-strong group of judges opted to base the project in Loughborough—and appointed panel member David Clarke as chief executive. The new boss is the former head of technology for Rolls Royce, which has a research centre based in Loughborough."

Is that true? Do you wish to comment?

Dr Clarke: It is partially true. Rolls-Royce does not have a research centre at Loughborough, but it supports research activity at Loughborough through technical programmes. There is a centre that would probably be seen as a Rolls-Royce research centre, but it is owned by Loughborough University and is not funded or operated by Rolls-Royce.

We—when I say "we", I mean my current employer, Rolls-Royce, rather than the ETI; I will cease employment with Rolls-Royce at Christmas—have relationships with 20 universities in the UK and nine more overseas. We pay no more regard to Loughborough than we do to any of the other institutions.

The Convener: Lewis Macdonald will ask the final question.

Lewis Macdonald: To return to what you said earlier, was the decision of the host selection sub-group on the final location and the successful bid a unanimous decision?

Dr Wall: We took a vote.

Lewis Macdonald: Was it close?

Dr Wall: The outcome was very clear indeed. In the end, everyone was very comfortable with the decision.

The Convener: I thank David Clarke and Dr Alison Wall—please stay with us. I hope that you appreciate that the robustness of the questioning was because we care a great deal about the issue.

12:15

I invite our other guests to join us. We have with us Professor Jim McDonald, the deputy principal of the University of Strathclyde; Professor Stephen Logan, the senior vice-principal of the University of Aberdeen; Professor David Gani, the director of research policy and strategy at the Scottish Further and Higher Education Funding Council; Paul Lewis, the managing director of industries with Scottish Enterprise; and Simon Puttock, senior manager of strategy and planning for energy with Scottish Enterprise. I hope that I said that slowly enough to give most of the witnesses time to grab a seat.

Brian Adam: We have heard that Scottish Government officials played a facilitating role in relation to the bid. Would the universities and other bodies that helped care to comment on why that was necessary in putting together a Scottish consortium?

Professor Jim McDonald (University of Strathclyde): As was explained earlier, there was a pre-existing set of academic partnerships that pre-dated the ETI concept. Jane Morgan explained that, last October, the DTI organised a meeting to bring together the entire UK energy community. There was a healthy Scottish representation at that meeting. Thereafter, a number of the academic groups, including the University of Aberdeen, the University of Strathclyde and the University of Edinburgh, discussed how we might best present a Scottish bid. There was also representation from the Scottish Executive energy group. It was suggested that if we were going to call a meeting soon after the DTI meeting, it would be good to have administrative support and independent chairing to ensure that we were able to take a broad view of where the opportunities were and that Jane Morgan's office would be best placed to facilitate the gathering of the various players in Scotland.

Brian Adam: At what point did you want the facilitation role to change to a decision-making role, which is what happened, according to what we have heard today? At what point did that become appropriate?

Professor McDonald: There was an evolution of the specification and the perceived requirements from that ETI as we went through the 12 months from October. In May, when we got the good news that the Scottish bid had made it into the final five, there was greater clarification of

the details of what was required in relation to the building. We were always comfortable about the research capability and culture. At that time, there was the healthy signal that there was a great desire from the northern group—I tend to think of the research groupings in terms of the pooling entities, on which the funding council can elaborate—the Edinburgh-based group and the Glasgow group to have the opportunity to host the hub. In those circumstances, we agreed completely that it would be rather unseemly for any individual university group to have led an independent, metrics-based assessment of each of the three geographical locations that we were offering. It seemed natural that the four non-university groups should take a position as to how they would measure and compare what the three city offerings were bringing to the party.

Brian Adam: There might well have been an expectation of political involvement in this. Was there at any point any request from the group to have direct political involvement, such as ministerial engagement?

Professor McDonald: We were aware of discussions with senior politicians and the chair of the ETP—the energy and technology partnership—at the time, but at no time did we put forward a motion that the academic groups would drive engagement with the politicians.

Brian Adam: Was there an expectation among the group that the final decision would be made by ministers, as opposed to the four non-bidders who were part of the consortium?

Professor McDonald: Speaking for myself—others can speak their own minds—and as someone who led the Glasgow bid for the ETP, I expected the four groups independent of the academic team to carry out appropriate consultation and discussions to ensure that all the views had been taken. The decision whether to engage with politicians was taken outside the academics group; although we were part of the panel and discussed the matter, we routinely heard through executive members of the ETP references back to the political side of things.

Brian Adam: In that case, would you have expected the decision to involve ministers at any point?

Professor McDonald: As I understood it, there had been dialogue with politicians. Their views would have been processed and understood by others in the group aside from the senior academics.

Brian Adam: Do you accept that what you have said is at odds with other comments that have been made this morning?

Professor McDonald: I do not think that it is.

Brian Adam: I do not know how you can square that. We heard a fairly clear statement that ministers were not involved and a clear indication that they expressed their views publicly about where the institute should go. What you are saying is slightly different. As I understand it—and of course I do not want to misrepresent you—you have said that you are aware from others engaged in the process that ministers received information and, presumably, expressed a view on it.

Professor McDonald: We understood that there had been conversations with politicians.

Brian Adam: You said that there had in any case been a series of collaborations in Scotland in this area, prior to the proposal for the ETI. Having failed to win the hub, are you and your group taking steps to ensure that we win a significant share of those collaborations?

Professor McDonald: The committee should understand that the strength of collaboration in Scotland is real. The ETP was not a construct; the northern partnership, the eastern partnership and the Glasgow partnership had established some very good relationships. As I am sure you are aware, Mr Adam, investment has been pooled in Scotland, with major public funds being used to build capacity in a range of disciplines, including—most recently—engineering. The outturn from the unfortunate decision not to establish the ETI in Scotland is that we are now embedding the research component of the energy and technology partnership—the way it has been structured in the past year—in the Scottish research pooling in engineering. I will chair a research directorate that will include senior representatives from the Aberdeen and Edinburgh consortiums, and we are now working on its organisational and management structures to ensure that we engage properly with industry, the public sector and other external investors.

We are working on various models within the partnership, but the research partnership is real and has already been approved by the funding council. I should also note that as well as the opportunities afforded by the ETI, our group has been bidding quite successfully for other major projects. About another £20 million of energy funding has come into the ETP in Scotland because of the strength of the current relationship.

Brian Adam: Given the different views about where the hub might be situated, there was potential for a less than harmonious relationship. Are you able to assure us that there is no longer the potential for any such disharmony and that we can go forward together to win as much work as possible from the ETI as well as the other work that you have mentioned?

The Convener: I am sure that the University of Aberdeen will want to comment on that.

Professor McDonald: I will just finish off this point, and then Stephen Logan will respond.

Just to avoid doubt, I should make it clear that there was at no time what you have called disharmony between the academic partners. Of course each of the geographical groupings involved had a natural desire to win the hub, but the process of preparing the expression of interest, preparing the bid itself and then preparing ourselves for the decision involved enormous co-operation and sacrifice and an awful lot of resources and personal commitment across the three groupings. The premise of the question is whether there will be any more disharmony. There was never any disharmony within the energy technology partnership, which bodes well for our ability to build on the research, deployment and demonstration capabilities in Scotland. We can only do our best—it will be for others to judge our bids.

I would like you to understand, Mr Adam, that while the ETP—the Scottish bid—will be putting forward propositions, we anticipate that we will make bids in partnership with English and, indeed, international institutions. That is an important message about the strength of the Scottish position on energy on the international stage.

Brian Adam: I am pleased to hear that. When I was in the United States in October, I was approached by universities in Oregon seeking exactly that kind of collaboration. I am delighted to hear that such collaboration is going ahead.

Professor McDonald: That is wonderful.

Professor Stephen Logan (University of Aberdeen): To re-emphasise Jim McDonald's point, there was no disharmony among the academics. The relationships were preformed; they existed before the ETI came along. From a competitive point of view, we all wanted the hub in our own location, but we agreed to a set of principles whereby we would accept the end point of a process.

To go back to an earlier point, we were well aware, in Aberdeen, that there was ministerial interest in the process, but I do not think that there was ever clarity about ministerial involvement in the decision-making process.

The Convener: We asked Dr Clarke about a risk assessment on a building. Quite frankly, I find that extraordinary. Were you made aware at any stage—and we would be interested in the stage at which you were made aware—that one of the showstoppers was the assessment, at Strathclyde and Aberdeen, of a building?

Professor McDonald: I will respond first, and the others may take up the issue.

The published ETI criteria always included a requirement for a high-quality building that would house the director and the directorate. That had never been anything other than well understood. After we had gone through the expression of interest process, subsequent, much tighter, specifications were released against the building. Having made the last five and then the last three, it had become obvious to us that our research strength, collaborations, reputation and culture were of the best. At the time, the Scottish bid was going through the internal selection process. In July, it emerged that Glasgow had been chosen, by which time we knew that the building would be a major issue. In our collective opinion, there was no perfect, ready-made building that we could have brought to the party. Once our internal panel had reviewed what was available, and chosen Glasgow, we had to ensure that an interim building was available. We then de-risked and ensured that the ultimate, highest-quality building was available.

In our final bid—before the ETI came back to us—we offered an interim, refurbished space at the royal college building at Strathclyde, located off Strathclyde campus in the city science district. A compelling investment and management case was made for it. Eight questions were posed to us in response to our bid, prior to the meeting in London where we presented the case. Alison Wall may correct me, but I think that the ETI signalled to us that three or four questions pertained to issues to do with the building.

The Scottish bid made a magnificent attempt to de-risk what we thought were the issues being flagged to us. Clearly I am biased, but I thought that, after the questions had been responded to, the Scottish bid had improved and we had an irresistible offering. I was proved wrong. We made every attempt to ensure that ETI criteria were established. The risk is a perceived risk, but it might be worth while for Paul Lewis to comment on that.

The Convener: You are clear that the building was the issue. Are you satisfied that the strength of Scotland's bid satisfied the other criteria?

Professor McDonald: With no inside knowledge of the process, I believe that the weak part of our bid was not the location but the building risk issues.

The Convener: Thank you for clarifying that.

12:30

Paul Lewis (Scottish Enterprise): I will pick up on what Jim McDonald said, and on David Clarke's comments on the visit programme. Once

Scotland had been shortlisted, the ETI bid team visited Scotland. As Jim McDonald said, the proposed interim accommodation, in the royal college at the University of Strathclyde, was deemed less than sufficient for the ETI.

The Scottish bid took two important decisions at that time, the first of which was to replace the temporary accommodation for the ETI with a much more attractive building. The bid team visited the facility and was more than satisfied with the quality of the building. It would have given the ETI short-term accommodation while a permanent facility was built, unless it chose to stay there. The building could have accommodated up to 50 people, which is about the size of the ETI. The building gave them flexible options in that regard.

We did not have a building on the city science site when the ETI bid team visited, but we looked to de-risk the process of procuring a building. In the final bid in London, we made a proposition around the four elements of risk in any construction programme. The first element is infrastructure, or whether one can get services on to a particular site. Scottish Enterprise owns the city science site and has invested a few million pounds in its infrastructure, so in our view that was not a risk to the project. Another element of risk is the planning risk, but detailed planning consent for the master plan for the city science site was in place in advance, so that risk had been removed. In addition, through Jim McDonald's office, we had a commitment from the city council to fast track detailed planning approval of the building, which was helpful.

The third element of risk is funding. Our preference is for the private sector to build such buildings. We were confident that that would happen, but to give comfort to the ETI bid team we agreed to underwrite the funding of the building if necessary. The final element of risk is procurement. We cannot change the timetable for how long a building takes to procure. We proposed 18 months in the bid plan. That was an ambitious timetable, but one against which we could deliver.

The Convener: Thank you for that clarity.

Lewis Macdonald: That is extremely helpful. I have a question for Scottish Enterprise and the Scottish funding council. When you made a judgment between the potential hubs or research groups within the Scottish bid, were you aware of the weight that was attached to the building issues, or was it too early for that to be clear? You were involved in making that judgment, along with the Executive and the Scottish Science Advisory Committee.

Professor David Gani (Scottish Further and Higher Education Funding Council): A couple of criteria required an holistic view. Some 42 different

criteria were considered. We needed to consider them in absolute terms, and we needed to be aware of where the best place to meet the criteria would be. I speak as a representative of a national organisation that does not have an issue of location provided that it is north of Hadrian's wall.

Of course, it is not just a question of the three sites—the University of Aberdeen, the University of Edinburgh or the University of Strathclyde. As Professor McDonald said, we are talking about pooling arrangements that would mean that there was pre-clustering, so we are talking about the total research capacity of, for example, the University of Glasgow and the University of Strathclyde.

One of the key criteria was proximity, so that it was convenient for the facility to interact with the research base that underpinned it. As soon as we acknowledged that, we asked whether any university in Scotland had close to its campus and intense research area a building that would be suitable for immediate occupancy and for scaling up over a period of time, as the ETI board set out in its specification. The answer was that there was nowhere suitable in Scotland.

I reiterate what has already been said: the issues about the building seemed to me to be identical in Aberdeen and in the part of Glasgow to which the University of Strathclyde is close. However—a further resolution—the distances by which other buildings that might be available could be secured meant that there was an issue about the ability to interact with the research base itself, and it would need to be somewhat more remote. We had to try to balance all those things.

Lewis Macdonald: I am sorry, but I did not quite understand the last point.

Professor Gani: The issue is where we would put a brand new building that might be able to accommodate the things that we want to do. Another option is to refurbish existing space. That leads on to a risk analysis of how long it would take to clear out existing users and refurbish the space for occupation. Such issues needed to be addressed at the Glasgow site and the Aberdeen site. Paul Lewis has described the solution that was arrived at after it had been decided on other criteria associated with research prominence, depth, critical mass and subject coverage for interdisciplinary work that Glasgow was the preferable city for the location of the energy technologies institute hub.

Paul Lewis: The building and location were among the criteria that were set out by the ETI bid team, once the initial expression of interest had been made. As Professor Gani said, when we compared the various locations in Scotland that were bidding to host the hub, we found that the

issues in Glasgow and Aberdeen were similar. In both cases, there was a need for temporary accommodation prior to providing a permanent facility—a building of the right type, with potential for expansion, low carbon emissions and energy efficiency—that we believed would meet the specification that the bid team was seeking. The real pressure on the building issue came after it had been decided that Glasgow should be the Scottish bid. After the bid team had spent time visiting Glasgow, its response to Scotland's proposition focused on both the temporary and the permanent facility, as Professor McDonald said.

Lewis Macdonald: We have heard from Paul Lewis and others about the Scottish bid and the quality of the building that was offered. Paul Lewis identified four areas of risk: infrastructure, planning, funding and procurement. Dr Clarke, was there one area in which you did not accept that the Scottish bid was as strong as the bidders believed it to be?

Dr Clarke: We did not assess the bid at that level of detail. We simply perceived a degree of risk.

Lewis Macdonald: So, before the decision was made, there was no analysis of the detailed work that Paul Lewis described, which was done to ensure that the bid met the four criteria to which I have referred?

Dr Clarke: No.

David Whitton: My question is directed at Professor Logan and Professor McDonald. How surprised were you—as I am—that it all came down to where the building would be?

Professor McDonald: We were surprised and disappointed. The original criteria majored on research capabilities and international standing, so it is disappointing that, ultimately, bricks and mortar were an issue. However, I hear what David Clarke is saying and accept that a major organisation needs to concentrate on its core start-up activities. I understand why a building that is ready made, as is the case in Loughborough, might be attractive. I cannot speak from a position of objectivity, but given our hopes for the future of the ETI hub, I would have liked to think that other factors would outweigh the immediate availability of a permanent building. Paul Lewis described our ultimate offering and the temporary accommodation that was offered—a nice set of professional offices in close proximity to a lot of research facilities. However, that is in no way an attack on the ETI group, which made its decision. It perceived risk, whereas we thought that we had taken risk out of the proposition.

Professor Logan: I endorse what Professor McDonald has said. We have had a double disappointment: first, that Aberdeen was not

selected as the site for the Scottish bid; secondly, that the ETI hub will not be in Scotland. The second disappointment is much bigger. I thought that we made a compelling scientific and academic case and that we offered a strong link to a series of industrial companies in the north-east of Scotland and in the central belt. In our bid we ticked as many of the boxes as we could.

David Whitton: I am well aware of the city science park project; I am not so aware of the Aberdeen project, but I take on board what Brian Adam said about the availability and the space. Given what Professor Logan has just said, I am astonished that the institute is at Loughborough—but maybe I am biased.

Professor Logan: The Aberdeen bid was like the Strathclyde bid—it involved refurbishment of space in our engineering school initially, then a longer-term move to a building called the energy futures centre, which the city council, along with Scottish Enterprise, was intending to build at some distance from the university, on the beachfront. It was exactly what it said on the tin—an energy futures centre, and it was designed to meet all those criteria.

The Convener: On a cross-party basis, we are all biased.

Dave Thompson (Highlands and Islands) (SNP): Dr Clarke said that it does not matter where the headquarters are, but it does—it is all to do with status and the things that gather round a headquarters such as that. Paul Lewis said that, after the first visit to Glasgow, the details in relation to the building were beefed up. When the criteria were refined in June or whenever, were some of the building criteria refined, or did they stay the same all the way through?

Dr Wall: The building criteria stayed the same. We put a lot more detail in when we did the detailed specification, and we really increased our aspirations in terms of the overall sustainability and performance of the building. For example, we said that we would like to see BRE environmental assessment method standards.

Dave Thompson: So, in relation to the building, the goalposts were moved right at the last minute?

Dr Wall: No, I do not think that they were moved at the last minute. The first expression of interest was very general—just some bullet points to address. In the detailed specification, we were clear about the type of buildings we wanted, and that was for the bidders to respond to. We set out specifications that were minimum requirements, and we set out additional requirements. The target to respond to regarding the building was very clear.

Dave Thompson: Maybe one of the bidders can say whether that posed any particular problem at that time.

Paul Lewis: You are right—the goalposts did not move, but there was a lot more detail on the specific requirements of the ETI when we got to that stage. What happened subsequently—the point I was emphasising—was that once our submission had been put in for that single location, the ETI bid team visited and sought to raise questions regarding the bid. It was our job, prior to the final presentation in London, to ensure that we responded to those questions and addressed all the concerns that the ETI bid team might have had about accommodation. That principally concerned the quality of the temporary accommodation—I have spoken about the fix that was put in place for that—and the deliverability of the permanent facility.

The Convener: It would be helpful if Dr Wall could write to the committee. You kindly offered early on to write to the committee in respect of the criteria and the weightings, so that we can understand that properly.

Dr Wall: We can give you the specification document as we sent it out to the bidders, if that would be helpful.

The Convener: And the weightings of the different criteria?

Dr Wall: We said that the weighting would be equal.

Dr Clarke: And it was.

Dr Wall: That is what it said in the document, and it was.

The Convener: That is very helpful.

Christopher Harvie: There has been a lot of emphasis on office accommodation, but this time last year a major energy project was live in the Aberdeen area: the Miller field to Peterhead power station carbon-capture project. It was arbitrarily hit on the head by BP in April. Would it have made any difference to your decision-making process if that had still been on the go? The carbon-capture technology was being pioneered in the Sleipner oil field in the Norwegian sector of the North Sea. It would seem that the centre would have given a tremendous boost to the north-east. The whole notion of pumping carbon dioxide back into oil fields to enhance the exploitation of oil fields is of major interest. Did BP's killing off the project have any effect on that?

Dr Wall: It did not have any effect on our decision-making process.

The Convener: Okay. I thank you all for coming along today—we appreciate your time and your evidence, and we thank you for your honesty and clarity.

Meeting closed at 12:44.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice at the Document Supply Centre.

No proofs of the *Official Report* can be supplied. Members who want to suggest corrections for the archive edition should mark them clearly in the daily edition, and send it to the Official Report, Scottish Parliament, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

Monday 3 December 2007

PRICES AND SUBSCRIPTION RATES

OFFICIAL REPORT daily editions

Single copies: £5.00

Meetings of the Parliament annual subscriptions: £350.00

The archive edition of the *Official Report* of meetings of the Parliament, written answers and public meetings of committees will be published on CD-ROM.

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

Single copies: £3.75

Annual subscriptions: £150.00

Standing orders will be accepted at Document Supply.

Published in Edinburgh by RR Donnelley and available from:

Blackwell's Bookshop

**53 South Bridge
Edinburgh EH1 1YS
0131 622 8222**

Blackwell's Bookshops:
243-244 High Holborn
London WC1 7DZ
Tel 020 7831 9501

All trade orders for Scottish Parliament documents should be placed through Blackwell's Edinburgh.

Blackwell's Scottish Parliament Documentation
Helpline may be able to assist with additional information on publications of or about the Scottish Parliament, their availability and cost:

Telephone orders and inquiries
0131 622 8283 or
0131 622 8258

Fax orders
0131 557 8149

E-mail orders
business.edinburgh@blackwell.co.uk

Subscriptions & Standing Orders
business.edinburgh@blackwell.co.uk

Scottish Parliament

RNID Typetalk calls welcome on
18001 0131 348 5000
Textphone 0845 270 0152

sp.info@scottish.parliament.uk

All documents are available on the Scottish Parliament website at:

www.scottish.parliament.uk

Accredited Agents
(see Yellow Pages)

and through good booksellers