



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 1 February 2012

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ECONOMY, ENERGY AND TOURISM COMMITTEE

4th Meeting 2012, Session 4

CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*John Wilson (Central Scotland) (SNP)

COMMITTEE MEMBERS

*Chic Brodie (South Scotland) (SNP)

*Rhoda Grant (Highlands and Islands) (Lab)

*Patrick Harvie (Glasgow) (Green)

*Angus MacDonald (Falkirk East) (SNP)

*Mike MacKenzie (Highlands and Islands) (SNP)

*Stuart McMillan (West Scotland) (SNP)

*John Park (Mid Scotland and Fife) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Fergus Ewing (Minister for Energy, Enterprise and Tourism)

Charles Hendry MP (Minister of State, Department of Energy and Climate Change)

Colin Imrie (Scottish Government)

CLERK TO THE COMMITTEE

Stephen Imrie

LOCATION

Committee Room 2

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 1 February 2012

[The Convener opened the meeting at 10:00]

Energy Policy (United Kingdom Government)

The Convener (Murdo Fraser): Good morning, ladies and gentlemen. I welcome members and guests to the fourth meeting in 2012 of the Economy, Energy and Tourism Committee. I remind everyone to turn off their mobile phones and other electronic devices. We have no apologies.

We will take evidence on the United Kingdom Government's energy policy from Charles Hendry, who is Minister of State in the Department of Energy and Climate Change. Welcome, Mr Hendry. It is good to have you here. Would you like to say something by way of introduction before we move to questions?

Charles Hendry MP (Minister of State, Department of Energy and Climate Change): I am delighted to have the opportunity to give evidence to the committee. I regard engagement with Scottish policy makers as an important part of my brief, so this is a valuable opportunity. We have constructive engagement with the Scottish Government, generally. There are differences on some issues, but across the spectrum we have sought to find as much common ground as we can do, because that is the best way of giving as much long-term clarity to investors as possible about opportunities in Scotland and throughout the UK.

The Convener: We are conscious that you need to be away by 11 o'clock, so we will rattle through our questions as best we can. Members have a range of questions on different issues. Perhaps we can start with the feed-in tariff, which is of interest to many members, in the context of different technologies.

Angus MacDonald (Falkirk East) (SNP): Good morning, Mr Hendry. You will be aware that there are proposals for at least four large-scale, 100MW biomass plants on the east coast of Scotland—not too far from Edinburgh, as it happens. You will also be aware that the Scottish Government is conducting a consultation on the renewables obligation. It is reported that renewables obligation certificates are to be phased out from 2017.

There is a large body of opinion against large-scale biomass plant, on the basis that the process

is environmentally unsound, not least because of the vast distances over which the raw material must be transported. For the Scottish plants, material would be imported from north and south America and Russia. The plants are inefficient; electricity-only plants operate at efficiency levels of only 30 per cent, compared with 70 per cent for combined heat and power plants. It is also argued that large-scale plants will severely distort the UK wood market and lead to a large number of traditional industries going out of business. Last but not least, the approach encourages the burning of wood before it has reached the end of its useful life and undermines recycling.

Given that there are so many factors against the approach, will the UK Government review its position on support for large-scale biomass plants? We hear that DECC is increasing support for wood-burning power stations.

Charles Hendry: Thank you for your question. A short while ago I was pleased to attend a meeting that was co-chaired by Fergus Ewing, to talk in particular to the wood industry about its concerns. Like Scotland, we have been consulting on the renewables obligation that applies south of the border and in Northern Ireland, which is a separate jurisdiction.

We have broadly recommended that there should be continuing support for biomass. We have drawn a distinction between new, large-scale, purpose-built biomass plants and conversion and co-firing, because we think that there is a significant early gain in relation to carbon emissions when coal plants convert, as we have seen at Tilbury on the river Thames, and when there is co-firing, which Drax is interested in exploring.

We recognise that most large-scale biomass facilities would overwhelmingly require imported fuels—the sector reckons that 90 per cent or more of the fuel that it used would be imported. We are putting together a bio-energy strategy, which will include much greater sustainability criteria, because central to the long-term success of the biomass industry is that it should operate in a sustainable way. Much activity can be supported by imported biomass, but we must be clear about the sector's overall sustainability.

The sector has an important role to play as part of a low-carbon economy and as a mechanism for meeting our renewable energy requirements, whereby perhaps 30 per cent of electricity will come from renewable sources by 2020. Biomass electricity has the advantage of being dispatchable—it is generated not just when the wind blows or the sun shines, and more electricity can be generated as demand increases.

Biomass has a role to play, but it must operate within sustainability criteria. I talked to Mr Ewing again this morning about how we might try to ensure that we reach as close agreement on the area as possible.

Angus MacDonald: That is all well and good, but in your reply you did not talk about the impact on traditional industries, such as the wood panel industry. A number of plants in Scotland would be severely affected, because they would not be able to source material. Has that been taken into account?

Charles Hendry: We have had good written engagement with and offered meetings to Anne McGuire MP, who chairs the all-party parliamentary group for the wood panel industry. We are keen to ensure that we fully understand the industry's perspective.

Our view is that for smaller-scale biomass plants, fuel would be sourced predominantly from domestic production, with demand from each unit being modest, whereas for large units fuel would be overwhelmingly imported. We have asked the industry to put together a code of practice, to ensure that people are comfortable about the extent to which they will be looking for imported biomass. The industry is looking for secure supply contracts of seven years or longer, so it will be clear where the fuel is coming from.

We think that there is inadequate wood husbandry in this country at the moment and that with good, sensible management of our resources there can be much greater production of indigenous biomass. Much of the biomass that would be used in the plants would not be trees. There would be some branches, bark and off-cuts from the wood panel industry, but much of the biomass would come from other biofuel stocks, such as miscanthus, or elephant grass, and purpose-grown willow. We think that we can address the issue that you raised as part of the sustainability criteria.

Rhoda Grant (Highlands and Islands) (Lab): We have a problem with the housing stock in some of our rural areas, in that the cost of insulating a house can be more than the house's value. The feed-in tariff and carbon emissions reduction target schemes do not work in a way that protects the people who live in such homes. For instance, there is no eligibility for the feed-in tariff for solar panels if a house's energy efficiency rating is below C. Many people argue that using renewables to heat homes rather than using insulation to keep heat in would be an answer.

The CERT scheme also discriminates against rural areas, in relation to the requirement for a proportion of the people in the area to be on low incomes or fuel poor. Rural communities are too

interwoven for that to be the case. Housing tends to be privately owned, rather than part of a housing association estate or council estate.

Has the UK Government considered the issue? I accept that the CERT and FIT schemes are about carbon reduction, but will the new schemes take into account the issues that I raised, with a view to alleviating fuel poverty?

Charles Hendry: There were several points to respond to in that. We recognise that the issues of hard-to-heat homes and insulation are often more challenging in Scotland, and not just in rural communities—John Robertson MP has raised the issue of the nature of the housing stock in Glasgow and how difficult it will be to insulate. We recognise that there are particular insulation issues. As we implement the green deal, we are considering how it can be used most effectively to provide insulation for hard-to-heat homes. We recognise that people who live in such homes will often have more limited means and that therefore their ability to contribute towards insulation will be more constrained.

The principle of the green deal is that, through new sources of finance that are not related to the individual's ability to borrow money but which relate to energy use, people will, on day 1 after the insulation programme, receive the benefit of a warm home and then, gradually, over 20 or 25 years, the cost of the work will be repaid. A proportion of the saving will then be used to offset the costs that have been incurred. We believe that, with that approach, nobody will miss out on the green deal because of their income situation. The final details on that are still to be resolved, but it is an important part of the approach.

Secondly, we have introduced the energy company obligation—ECO—which is an increasing obligation on the energy companies to deal with their most vulnerable customers. During this winter, the companies will write to 2 million of their customers and DECC is writing to 4 million consumers, particularly vulnerable ones, to draw their attention to how they can get a better energy rate. We are encouraged by the fact that some energy companies now offer the dual fuel benefits to homes that are off the gas grid. Whereas, historically, people in such homes could not take advantage of those tariff benefits, they should now be able to do so.

We are also considering off-grid issues more generally to see how we can get help to those homes at an earlier stage. For example, the renewable heat premium payment, which is the forerunner to the renewable heat incentive and which gives a grant for renewable heat measures, is particularly targeted at homes in rural areas that are off the gas grid. The scheme provides a grant

to people to assist them in going down the renewable heat route.

We are considering linking the feed-in tariffs to the degree of energy efficiency because it seems only right that, if we give people a subsidy for generating electricity or heat, they should not waste that energy in a poorly insulated home. We are considering that. We have consulted on the required level of efficiency to ensure that we do not end up unfairly penalising those who cannot achieve a C rating.

Rhoda Grant: Many of the homes that I am talking about will be G rated, simply because of the costs of insulation. To not allow the people in those homes to get the feed-in tariffs and to invest in renewables will almost leave them in that position from now on. Feed-in tariffs might help the owners with the costs of insulation. The houses probably have a market value of £15,000 to £20,000, but it would cost about £60,000 to bring them up to a standard at which the owners could benefit from feed-in tariffs. That approach almost condemns people to live in fuel poverty for a long period.

Charles Hendry: The solution to that is to find better ways of paying for insulation. The obligation on the companies and the work through the green deal are part of that. At the end of the day, we want those people to be warm in their homes. We do not want them to install electricity or heat generation systems that are much larger than they need for a house of that size. The best approach to help consumers achieve a permanent reduction in their bill is through finding ways of delivering energy efficiency. My colleague Greg Barker, who has the ministerial lead on that, is alive to the issues in some of the more remote parts of Scotland and in other parts of the United Kingdom because of the nature of the housing stock. The households that need the support most should absolutely be the ones that get it at the earliest stage.

10:15

Stuart McMillan (West Scotland) (SNP): In early December, I spoke to a small businessman who had decided to reprofile his business to go into the solar panel installation part of the energy sector. As a result, he brought someone into his company through an apprenticeship. Then the UK Government decided to reduce the feed-in tariffs for solar panels. We know about the court case and last week's appeal decision on that.

That is the background; my question has two parts to it. First, what can you say to give people who are in business—particularly the small business sector—confidence that they can plan ahead to bring people into employment and

diversify their businesses? Secondly, what can you say to reassure householders who want to install solar panels on their properties to lower their bills and address climate change but who are unsure of what measures the UK Government might introduce further down the line—measures that may be considered unlawful, similar to the recent situation?

Charles Hendry: We were faced with a situation in which the number of installations was going through the roof. Between July and October, the number of small installations in Scotland rose from 2,000 to 5,000 and between October and December it rose from 5,000 to 12,000. That was the total number of feed-in tariff installations in Scotland, and 11,000 of those 12,000 installations were photovoltaic panels. That massive growth rate was threatening to take up the entire budget for a four-year period in one year, and we needed to act because it was being paid for through a charge on people's bills. The changes that we have made will save £100 million a year on people's bills. We are aware of the fact that bills are often higher in Scotland because people need to heat their homes for a greater part of the year; therefore, Scottish consumers will gain more pro rata than people in other parts of the United Kingdom.

We needed to act. We also felt that the rate at which the installations could proceed was such that we had to change the tariff quickly, rather than give people three or four months in which to proceed with their installations before the rate was degressed. We saw more installations in the final six-week period than in the whole previous history of installations. Even after the change had been announced, companies were still advertising that, if they received an order by next Tuesday, they would install before the December deadline. It would have created a fire sale, with people going round saying, "Here's a piece of paper. The Government's reducing the tariff dramatically in April." It would have been completely unsustainable. Difficult as it was, we felt that we had no choice but to change the tariff, and we are now looking to take our case to the Supreme Court for a final decision, which we hope can happen quickly.

I understand that, in all parts of the country, we had seen a significant ramping up of the sector because of the opportunities that existed. In terms of confidence, we did not make retrospective changes—we looked at the evidence from other European countries that did that and killed off the market overnight. We sought to make changes to get the return back to the level that it had been at, which was a tax-free 5 per cent rate of return guaranteed for 25 years. That is still a pretty good rate of return compared to anything that people can get elsewhere. Our aim was to put it back

where we had intended it to be, as it had moved to a tax-free rate of return of 10 or 12 per cent guaranteed for 25 years, which was unsustainable.

We want it to be a long-term industry and we want to reflect the fact that the costs have been coming down dramatically, so we are moving to a system with much more regular changes, which will be more accurately tied to the falling cost of the technology. Rather than the cliff edges that we have seen so far, we want much smaller degressions that are more manageable for industry. The scheme as set up did not have the right levels of degression built into it and did not give us the scope to support community schemes, which many people have been keen to see supported for reasons that we understand. Therefore, we need to rebuild the scheme in a way that gives it greater long-term sustainability.

Stuart McMillan: I have spoken to a number of people since my initial call to that small business owner. Not one person has said to me that the 43.3p per kilowatt hour rate was sustainable; they all agree that it was unsustainable, was too high in the short term and should have come down. However, they raised with me what they perceive to be a short-term approach from the UK Government. It was as if it had not done its sums correctly when the scheme was put together in the first instance. The people to whom I spoke feel that small businesses and householders are being punished as a result of that.

Charles Hendry: The assessments for those figures were clearly wrong. However, in defence of the previous Government and of Ed Miliband, who was in charge when it was put right, I point out that nobody anticipated the rate at which the cost of the technology would come down. The assumption was that it would reduce over time, but we have seen a 30 or 40 per cent—some people say 50 per cent plus—reduction in the cost of the schemes.

When we made the decision, the number of installations was running at three times above the rate that was anticipated in the initial assessments. Ultimately, it ran at four times above that rate.

The figures were significantly wrong, which is partly reflected in the way in which costs have come down much more quickly than anybody anticipated. Any business that discovered that its costs were rising three times more quickly than it expected would not decide to take action in six months' time; it would need to address the question urgently or else it would not have the budget to do anything that it wanted to do in future.

Chic Brodie (South Scotland) (SNP): I understand what you say, but let us look at the overall implications. The construction sector was negative about how quickly the change was made, as my colleague Stuart McMillan indicated. What other costs to the Government were considered, such as unemployment in the sector and the macro costs to the Exchequer?

Charles Hendry: We considered those but, at the end of the day, a fixed sum of money had been allocated to the programme and, when people are worried about fuel prices, they want the Government to make sensible choices about how money is used. Under the old regime, the cost of solar was 10 times as much as the subsidy given to onshore wind and, even with the changes, it is still five times the subsidy to onshore wind.

When consumers are extremely worried about how they will afford to pay their bills throughout the winter and charges are increasing on top of that, it is the Government's responsibility to try to ensure that money is used in the most reasonable and sensible way. At the end of the day, the people who were able to install solar panels tended to be those who had access to a significant amount of capital. There is something rather regressive about people on low incomes paying higher electricity bills so that wealthier investors can get the benefits over 25 years.

We are keen to see the contribution that photovoltaics can make in the longer term. They are part of the mix but, as the costs are tumbling, it does not make sense for us to go too rapidly into the sector when we know that, if we wait for a few years, the costs will continue to tumble.

Chic Brodie: Bringing the decision forward from 23 December to 12 December has resulted in a need for the Government to go to the Supreme Court after the High Court threw out its position. Why was the decision brought forward?

Charles Hendry: Because if it had been an extra three or four months—

Chic Brodie: We are talking about two weeks.

Charles Hendry: No, the original degression date was expected to be in April—the spring—and we brought it forward to December. We had a consultation that ended around Christmas and the closure date for installations was going to be early December. If we had allowed the scheme to run to the original planned degression date, it would have blown the budget and would simply have meant that we would have had to make even more dramatic cuts to the scheme thereafter than those that we have had to make now.

Chic Brodie: Who controls energy policy, you or the Treasury? There were some severe comments in the *Financial Times* last week, and

Mr Whitehead, who is a senior partner and energy lawyer with SGH Martineau, said:

"this whole saga has put at risk investor confidence in the UK renewables sector".

How do you react to that?

Charles Hendry: I disagree. We are simply trying to put the scheme on a sustainable basis for the longer term. Even if it goes back to where it was intended to be—in other words, to a 5 per cent rate of return guaranteed tax free for 25 years—that is, by any standards, still generous. However, when a scheme goes many times over where it was expected to be, a responsible Government must act to get it back on track and that is what we have sought to do.

Individual policy drivers for reserved energy policy lie with DECC, but the Treasury, too, has an overview with regard to the overall cost to consumers. Whereas levies used to be exempt from Treasury consideration, they are now considered within the overall framework of consumer charges and in successive changes, including the removal from people's bills of the carbon capture and storage levy and the renewable heat incentive levy, we have taken the best part of £100 a year off bills. We are trying to get the right long-term sustainable policies in place, but recognise that we have to do so at the lowest cost to consumers.

The Convener: Time is pressing, but Patrick Harvie and Mike MacKenzie have brief supplementary questions.

Patrick Harvie (Glasgow) (Green): I will be very brief. If you lose the appeal, minister, how will you change the policy?

Charles Hendry: As you will understand, we intend to fight the appeal and at this stage we are looking at what will be necessary in that respect. However, we have laid before Parliament a date in March as a fallback period to cover such circumstances. We believe that our case is strong and, even though it has not found favour with the court so far, we will continue to argue it.

Patrick Harvie: Is it correct that, in such circumstances, we would revert to the 43p until March?

Charles Hendry: Anything installed in that short period up to the original degression date will get the higher rate until degression takes effect; after a certain date, the rate will drop. The mechanism is slightly complex in that part of it is enshrined in legislation and part of it is set out in statutory instruments.

Mike MacKenzie (Highlands and Islands) (SNP): I am sure that you are aware that, before last September, the proportion of PV installations

in Scotland was 1 per cent whereas, given the population, one would have expected the figure to be about 10 per cent. You might not realise that that is partly because in Scotland the installed cost—in other words, the cost on the roof—has not decreased to anything like the English level. Indeed, as my colleague Rhoda Grant has pointed out, in some Highlands and Islands areas that suffer most from fuel poverty, particularly Tiree, the outer islands and the northern isles, the installed cost of the technology is particularly high. Ironically, Tiree is the sunniest place in Britain and the northern isles enjoy longer hours of sunshine in the summertime. In those terms, it makes very good sense to use these technologies as part of the solution. Do you accept that, although you might have made a convincing case for reducing the feed-in tariff in the south of England, the case might not be so convincing for parts of Scotland that could well be doing with this technology?

Charles Hendry: Given that the feed-in tariff is directly related to the amount of electricity that is being generated, those who live in Tiree—which, as you say, is the sunniest part of the United Kingdom—will generate more through the tariff than those who live in less sunny parts. The rate of return to consumers is greater in areas with longer daylight hours and greater sun intensity than in other areas that are not so blessed.

10:30

From that perspective, the picture varies across the UK. Understandably, some of the fastest growth has been in Cornwall, but there have been strong rates of growth in other areas, too. However, the system must not be broken down into small units that cover local authority areas, because that would be unworkable. There must be a general approach, but a recognition that if there are specialist issues—I would be interested to know more about the construction cost issues to which Mr MacKenzie referred—their possible impact must be understood.

We have tried to make the system as relevant as we can across the country as a whole. However, as has been said, people in areas of the country that have more sunshine—such as Tiree in the Western Isles—will benefit even more from the feed-in tariff regime than those in other parts of the country.

Mike MacKenzie: I think that the science suggests that that is a healthy and positive but marginal effect, whereas the costs of installation in such island places are disproportionately high.

It is primarily small businesses that have been affected. As Mr McMillan said, there has been a detrimental effect on them. In addition, the finalising of the implementation of the renewable

heat incentive, which is a scheme that offers a lot for some peripheral areas, seems to have been delayed. Can you give us an assurance that that will be implemented soon?

Charles Hendry: Yes. I share your frustration that there have been delays. We recognised that, on the domestic side of the renewable heat incentive, particular challenges still needed to be addressed. We had not been able to get an accurate idea of the efficiency of air-source or ground-source heat pumps. Their technology is central to the RHI moving forward, so we needed greater clarity on that. However, we did not want to use that as a reason for holding up the larger-scale commercial and industrial schemes, so we decided to introduce the incentive in two stages. We have gone ahead with the commercial projects and we will bring forward as soon as we can the details on the residential ones. We are not far off being able to do that.

The Convener: We need to move on, but before we leave the issue of feed-in tariffs, I have a more general question about subsidy. As we have heard, the feed-in tariff for solar power has been successful in stimulating demand and driving forward improvements in technology, but perhaps it has been too successful, given the extent of the interest that there has been. Now that the precedent has been set that when demand reaches a certain level the subsidy is stepped down, might you consider other technologies in that regard? I am thinking, for example, of onshore wind and the fact that there is currently huge demand across Scotland for onshore wind development.

As I am sure is the case for other committee members, I am contacted almost daily by developers who seek permission for particular sites. Equally, we are contacted by many residents who object to developments on particular sites. It seems that something of a gold rush is going on to develop onshore wind in different parts of Scotland. It has been suggested that that focus is to the detriment of other technologies, such as those offshore, that might be more beneficial in the long term. At what point would the Government say that we had done enough on onshore wind and that we do not need to subsidise it to the same generous level, because that subsidy would be better invested in supporting other, more marginal technologies?

Charles Hendry: We are driven not so much by the demand as by what we see as the costs to the industry. With the feed-in tariff, the changes were driven by our assessment of how costs had come down. Similarly, in our banding review of the renewables obligation, we have been looking at reducing the level of support for onshore wind. Alongside our review, the Scottish Government

has undertaken its review in Scotland, which is broadly in line with us in most areas on the rate of support that should be given.

I have been keen to reflect the falling costs of the technology. Onshore wind is an increasingly mature technology, so we do not expect its costs to fall a great deal more. Moreover, by reflecting falling costs, we want to ensure that turbines go to where the resource is most efficient and strongest. I was concerned about finding that, in areas where the wind is not that strong, ever-larger turbines were being erected to a higher level to catch the winds that are higher up.

I believe that adapting the policy will encourage or drive investors to go for areas where the resource is best. South of the border, we have changed the planning approach to give much more say to local communities. However, in doing that, we have looked carefully at what happens in Scotland, where there are good examples of community engagement, with benefits to communities in community ownership.

We can learn a great deal in England from some practices in Scotland. Those practices have meant that a significant number of wind farm developments in Scotland have happened with greater local public support than there has often been in England. I want us to learn from that. I realise that wind farm developments are still very contentious in many parts of Scotland—my Scottish colleagues at Westminster regularly tell me their concerns in that respect—but we see them as important technology for delivering low-carbon electricity in the most affordable way and the cheapest of the renewable resources. However, we need to carry communities with us.

The Convener: We need to move on to carbon capture and storage.

John Park (Mid Scotland and Fife) (Lab): Good morning, Mr Hendry. In your opening remarks, you mentioned that there are sometimes issues on which you do not completely agree with the Scottish Government, and vice versa. Obviously, one such issue is CCS and the UK Government's decision on supporting the trial at Longannet in Fife. What dialogue did you have with the Scottish Government prior to and following that decision? Obviously, the Scottish Government has a clear position on supporting the proposal, but it is impossible for the trial to go ahead without support at the UK level. What dialogue have you had on that? Are you continuing to speak to the Scottish Government about the matter, and particularly about any future support for the type of projects that we are looking to have in Scotland?

Charles Hendry: I think that we were all saddened that we could not reach an agreement

with Longannet. An immense amount of work was done over years to try to get us to that stage. At the end of the day, we allocated £1 billion of public spending for the first project, but it is clear that we could not get the output that we needed. We were looking for 300MW of plant to be installed with CCS technology, but that could not be delivered for £1 billion. The Scottish Government was kept informed of the discussions, which were led by the UK Government. There was no offer of funding from the Scottish Government, although there was no request to it for funding either. Realistically, I think that, if it had wished to contribute, that would not have made a difference to the project's viability.

There were particular issues with the project that were going to push up the costs. As an old plant, it would have needed hundreds of millions of pounds to be spent on it just to give it flue gas desulphurisation technology and a long-term future in the light of directives that are coming through. Those were additional costs that were not related to CCS, but they would have needed to be paid in any case.

We have learned a great deal from the proposal. There is still tremendous interest in CCS plants in Scotland, and we are determined to move forward rather more quickly to identify future projects and get a sustainable industry in the sector that will meet the Scottish Government's and our aspirations.

John Park: Obviously, we have responsibility for the development of skills and human capital in particular in considering such projects in Scotland. When such decisions are being taken, does your UK Government department look at that matter, or do you leave it to the Scottish Government to try to identify what the impact would be of your decision, at the UK level, for the people who work in the industry and their future needs? The Longannet decision places that plant's future under significant pressure, and the question is whether it will be able to retain the people who work there—not necessarily only those who work on the site, but those who are available to the industry.

Charles Hendry: I understand that that is a huge concern to you as the local MSP. I also understand the personal disappointment that you would have felt and acknowledge the commitment that you have shown to the matter.

We looked at work on where the most viable case was for the first pilot plant in the United Kingdom for CCS. If we were going to develop an industry, we had to look at the right project to take that forward and from which we could learn most. We had to consider what would do most to help us to build up a global industry. We do not see there being only a few pilot projects; rather, we want an industry in which Scottish and British companies

can develop skills and take them around the world. That was our driving force.

Any skills issue would inevitably be discussed with the Scottish Government. Had we been able to take forward the Longannet project as we had hoped, the discussions would have been about the requisite new skills for people coming in. Clearly, Mr Park is talking about a loss of jobs that could happen, depending on the future of the plant. As he will appreciate, those decisions are a matter for the company that is involved. However, a difference can be made on some issues. For example, transmission costs, which are critical in Scotland, are being actively considered because of the possible long-term implications for major Scottish plants.

Patrick Harvie: The whole saga of CCS has been a stop-start process. If we are going to find out whether the technology has anything to offer for the long term, there must be clarity. We should use existing plants because, as well as developing the technology, that would reduce existing emissions. It is inappropriate for the UK Government to endorse the proposed Hunterston plant at any level, such as through the new entrants reserve process. That proposal is for a new plant with mostly unabated emissions, so it would create new emissions and not just an opportunity to develop the technology. The proposal is wildly unpopular and would be environmentally destructive to wildlife habitat. The planning decisions are for Fergus Ewing but, as far as I understand it, the UK Government has backed that project through the NER funding process and sees it as a potential CCS site. Will DECC drop its backing for that project?

Charles Hendry: As part of the NER300 process, applications were made to DECC and we had to decide whether we should pass them through. We passed through most of the applications that came to us, because that process was fundamentally about whether there was a technological barrier to development. Clearly, with a new plant, there was no technological barrier, although we understand that there are planning concerns and issues, which as you rightly say are matters for the Scottish Government. At this point, our job is to assess the technology.

We believe that there is a significant gain from using a new plant, because of the issues that I explained to Mr Park about the extra costs of applying the technology to an old plant. Most of our current plant is very old—the most recent coal plant was consented nearly 50 years ago. We have old plant compared with the plant in other parts of Europe. If we want a new industry, we have to consider supercritical power plants and those that use the technology of the future rather

than technology that is being phased out throughout the world.

We have been more open. We have said that we want to consider gas as well as coal. As members will be aware, a positive proposal has been submitted for Peterhead. As a result of the soundings that we have taken for the next competition, additional interest has been shown elsewhere in Scotland. However, at present we are considering technology issues, not planning ones.

Patrick Harvie: Surely the imperative of CCS is to keep fossil carbon out of the atmosphere. If the technology is used as a pretext to develop a new coal-fired power station—the emissions from which will be mostly unabated, even with the proposed CCS element—we will put more fossil carbon into the atmosphere, not less. How does that add anything to Scotland or the UK in meeting climate change commitments?

Charles Hendry: The carbon intensity of a new coal plant is massively lower than that of one that was built 50 or 60 years ago, although it is still much higher than that of other technologies.

Patrick Harvie: It is still additional carbon.

Charles Hendry: Yes, but we have said that, to gain consent in England, any new plant would need to have carbon capture and storage on at least 300MW of its output, with the expectation that it will be fully retrofitted subsequently. We can deal with the matter through planning constraints. The national policy statements, which apply to England rather than Scotland, will determine how the planning inspectors—the Infrastructure Planning Commission—should consider applications for new coal plants. I do not believe that a new coal plant will be built that does not have CCS attached to it.

Patrick Harvie: It will be partially attached.

Charles Hendry: Yes, but with the expectation that that will be extended in due course. If we want to develop those technologies, we should recognise that the pressure around the world is for new coal plants. China is building two new coal plants a week. We need to work to develop the technology, which has great export potential. That will create great opportunities for businesses that specialise in the sector, such as Doosan Babcock in Renfrew, and ensure that they can take advantage of the technology. At this point we are looking at the technology but, as you rightly say, there is a range of different planning issues that will be entirely within the remit of the Scottish Government.

10:45

Patrick Harvie: The export—

The Convener: I am sorry, Patrick, but you have had a fair go and other members are waiting to get in.

Stuart McMillan: The message that I have heard this morning is that in implementing CCS technology, older plants will be at a disadvantage because of additional cost, and newer plants will have a bit more of an opportunity. Is that an accurate assessment of what you have said this morning?

Charles Hendry: It is not wholly accurate. There are additional costs with the retrofitting and necessary upgrading of some of the older plants, but some of them have already invested in the necessary infrastructure to ensure that they meet the industrial emissions directive when it comes in at the end of the decade. Some plants have planned to do that, so they will not need to make further investment in order to comply and additional costs will not apply.

Part of the process that we need to go through now will bring up different costs according to whether the CCS technology is pre-combustion, post-combustion or oxy-fuel combustion, or whether it is on gas or coal. We have a lot to do but we are much better informed as a result of the front-end engineering and design—FEED—study that was done at Longannet and in Kent as part of the early stages of the previous competition.

The Convener: As no one else has any pressing questions on CCS, we move on to the two other areas that we want to cover very briefly. Mike MacKenzie has a question on electricity market reform.

Mike MacKenzie: We all broadly welcome the suggestions by the Office of the Gas and Electricity Markets for the reform of transmission charges, which should go some way towards levelling the playing field for generators in the north of Scotland. However, I am concerned about the situation of islands. I am led to believe that the playing field for islands will by no means be level because of the suggestion that transmission charges might be as much as six times higher than they will be on the adjacent mainland. Given the generating capacity that is available as a result of the raw resource of wind in the inner and outer Hebrides and the northern isles, are you comfortable with going ahead on the basis of Ofgem's suggestions or can you do something for those islands?

Charles Hendry: Before we move on from CCS, I have one further comment that is relevant to Scotland. One of the best academic bases in the world for CCS is here in the Scottish universities, particularly in Edinburgh with the work of Professor Gibbins and Professor Haszeldine, which is world class. We want to see that used as

part of this way of going forward. Regardless of the number of projects that are coming forward in Scotland, Scottish academic institutions and businesses can make a strong contribution to the process.

On the transmission charges, Ofgem is at the start of the consultation process. The old regime is not appropriate for the future and as we look for new sources of generation that will be more remote from where the electricity is needed, we need a different infrastructure. In the past, our old plants were near the coal heads and the industrial centres grew up around them. CCS plants will be predominantly coastal, as are the nuclear plants in the UK, and as will be much of the wind resource and, of course, the offshore and marine resource. That will mean a different structure from our generation network, so we will need a different system for incentivising that power to be brought to market.

Ofgem has done some useful work on project transmit as part of the process, but that is not the end of the process. It is a consultation process, so the concerns of the Scottish Government and the communities in the Highlands and Islands about the cost of the infrastructure to the islands must also be borne in mind. We have had good discussions with the Western Isles Council, for example, about some of its ambitions for wind and renewables development, but those ambitions will not be realised as we hope they will if we cannot get the power to market.

That is one of the most important issues to be addressed. Ofgem has the lead on it, but it will consult the UK and Scottish Governments to ensure that we end up with a system that works for consumers and encourages investment in new generating capacity.

Rhoda Grant: You spoke earlier about how communities are involved in developing community renewables. More communities are involved in that on the islands because of community land ownership and the like. They have been told that costs for any increased capacity in the grid will fall on developers as well, which will cover transmission charges and the cost of grid development. However, such costs prevent small-scale renewables projects from getting off the ground. Will you factor in that issue?

Charles Hendry: Ofgem is doing a separate review of connection charges, which it does periodically in any case. Currently, anyone who requires a new grid connection is responsible for the cost of providing it and anyone who later joins the connection must pay towards the costs that the first applicant incurred; that is one of the ways in which they can get back some of the initial costs.

However, there is an issue for the islands in that regard. When an initial grid infrastructure is put in place, we do not know how much capacity may ultimately be required. If one wants to see a significant roll-out of renewables generating capacity in the islands, a larger infrastructure would have to be put in place initially rather than a small one that might ultimately prove to be insufficient. Squaring that circle is one of the most challenging areas of policy. We are involved with the National Grid and Ofgem to find the right funding formula to support developers' aspirations without imposing on them excessive costs that would make a development unaffordable.

The Convener: Before we move to our final topic, I welcome to the public gallery visitors from my old school, Inverness royal academy, who have come to listen to questions on the issue of fracking. They are extremely welcome.

Patrick Harvie has a question on the issue, but I have a question for the minister first. Has DECC put any value on the potential for shale gas in the UK?

Charles Hendry: We have not, but there have been assessments of how much shale gas there may be. The assessments have been done independently, particularly on behalf of Cuadrilla Resources, which is the company that has done most work in the area. It has come up with a vast figure, but there is a very real difference between gas in place and recoverable gas. Typically, we would expect recoverable gas to be about 10 per cent of gas in place.

The British Geographical Society has also undertaken some work in the area, but DECC has not done so.

Patrick Harvie: The report from the Tyndall Centre for Climate Change Research, which was commissioned by the Co-operative, acknowledges that if—I stress the word “if”—shale gas replaced other, more polluting forms of fossil fuels, there could be a reduction in emissions. However, the report states that the likelihood is that fossil fuels that are getting taken out of the ground will get burned somewhere, which means that shale gas would be a substantial additional source or stock of fossil fuel. According to the report, if a relatively conservative rate of extraction of shale gas were achieved—about 20 per cent of the available resource under Lancashire—it could represent more than a quarter of the UK's entire carbon budget up to 2050. What is your response to that particular argument and to the Tyndall report in general?

Charles Hendry: The Tyndall report is one of a number of assessments of lifetime carbon emissions from different forms of gas. Clearly, it must assess the drilling technologies and the

amount of methane, which is a much more damaging greenhouse gas. However, the expectation is that the methane would be captured because of its commercial value. Such an assessment must also consider combustion emissions.

We are looking at the importance of carbon capture and storage in gas plants, because we recognise that there is a much more important role for gas as we go forward than the previous Administration believed. That reflects the greater global availability of gas and the fact that global gas demand has now been estimated at 200 to 250 years.

We should recognise gas as part of the mix as we move forward, but we must consider how we can reduce or eliminate its carbon emissions over time. We know that we can mitigate the emissions that are associated with gas through carbon capture, but that technology still needs to be brought to fruition and to market.

We believe that shale gas can make a contribution, but we are still looking at the evidence. It has clearly been a game changer in the United States, which has moved from being a major importer of gas to a potential significant exporter. The gas price in the United States is now a third of that in Europe and a fifth of that in Asia, so it is clear that there is a very significant economic benefit from shale gas.

We need to look at that technology, but there are very real complications around the pace of its development in the United Kingdom in comparison with other countries, particularly in relation to land ownership rights. In the States, people own the mineral rights to what happens beneath their home. In the UK, the Crown owns the rights, and somebody else buys a licence and has to get permission from the people who own the land above to develop it. That is a much more complicated and slower process, and people would expect to be remunerated for any activity that happened in that way.

So far, shale gas extraction has been happening mostly in fairly unpopulated parts of the world, whereas we live in one of the most densely populated parts, which will inhibit the pace. There are environmental issues and drilling issues that must be addressed, and very high environmental standards that need to be reasserted, but we would certainly not rule out that technology or the contribution that it can make.

Patrick Harvie: Much like the Scottish minister, you talk about CCS in relation to shale gas as something that we know that we can do. I gently point out that it is something that we hope that we may be able to do one day, not something that we know that we can do.

The Scottish Government's planning policy addresses the derivation of gas from shale reserves and identifies environmental and other factors, among which is the potential pollution of land, air and water. I will put questions to Fergus Ewing about whether that includes CO₂ emissions and whether those environmental factors include the climate impact of CO₂. Does the UK Government recognise the CO₂ emissions as one of the environmental factors that should determine licensing for shale gas extraction?

Charles Hendry: The licensing approach is separate, and it is right that it should be. A range of different processes must be undertaken, and the Environment Agency in England and the Scottish Environment Protection Agency in Scotland must be satisfied about environmental protection to ensure that nothing can seep through into the earth or any water around that area.

Patrick Harvie: But does that environmental protection include the climate impact of CO₂ emissions from combustion of shale gas?

Charles Hendry: That is not part of the consideration by those agencies. There are very strict environmental measures in place: the regulations for shale gas are the same as those that would apply to drilling for oil and gas offshore. The activity is very heavily regulated; we would certainly say that we have some of the tightest regulations in place anywhere in the world.

Patrick Harvie: But they do not cover climate change.

Charles Hendry: The CO₂ emissions would be a more general matter for Government policy. We must be satisfied that CO₂ emissions can be mitigated. If gas was to replace coal, for example, there would in any case be a CO₂ gain as a result of that change. That should not be part of the consenting process, but it would clearly be a part of the policy process.

The Convener: Thank you. There is one final—and I hope very brief—question from Chic Brodie.

Chic Brodie: Mr Hendry, you mentioned the environmental consequences of shale gas extraction. You recently answered a question in Parliament by saying that neither you nor DECC ministers had met representatives of the Environment Agency. Given that it was revealed last month that the US Environmental Protection Agency had established the first clear link between fracking and water poisoning, when do you plan to meet such representatives?

Charles Hendry: In fact, the question asked whether there had been a meeting. I visited the Cuadrilla site in Lancashire and Environment Agency representatives were there too, so

although I did not quantify that as a meeting, I was able to ask their advice on the processes.

There is very close engagement between the agency and my officials, who liaise with it on a continuing basis about any concerns that it has. The agency has an absolute power: it has the right to say, "This should not go forward; we are not satisfied with it", and it can stop any development in its tracks. Any development must have local planning consent and a licence from us, but it must also satisfy the Environment Agency or SEPA that it is in keeping with their objectives.

The answer that we gave very strictly answered the question, but it was not a full answer with regard to the extent of the contact that has already taken place.

The Convener: I thank you very much for coming along, Mr Hendry, and for your very thorough answers.

Charles Hendry: Thank you very much indeed.

The Convener: We have covered a lot of ground this morning, and the session has been very helpful to the committee. If you have learned one thing this morning, Mr Hendry, it is that Tìre is the place to book your summer holiday.

11:00

Meeting suspended.

11:04

On resuming—

Energy Policy (Scottish Government)

The Convener: I welcome to the committee Fergus Ewing, the Minister for Energy, Enterprise and Tourism, who is joined today by officials from the energy division at the Scottish Government: Colin Imrie is deputy director of the energy division, Rebecca Carr is a senior policy adviser, and Howard Steele is a policy manager.

You may have heard some or all of what Mr Hendry said. Would you like to set out, by way of introduction, the Scottish Government's position?

The Minister for Energy, Enterprise and Tourism (Fergus Ewing): Good morning, committee members and clerks. Thank you for inviting me to give evidence on feed-in tariffs, carbon capture and storage, electricity market reform and fracking. I welcome the opportunity to go over the Scottish Government's position on those matters.

I have an excellent working relationship with Charles Hendry and his officials at the Department of Energy and Climate Change; in fact, this is our fifth meeting and we have collaborated closely on a number of areas. In recent months we have met in Glasgow, where we co-chaired a public-facing meeting on biomass; in Aberdeen, at a major oil and gas conference; in London, for a PILOT meeting; and in Brussels, for the European Union energy council. I look forward to building on and strengthening the relationship with UK Government colleagues.

Our draft electricity generation policy statement, which is due to be published soon, sets out clearly how Scotland's electricity generation mix should evolve and what it should deliver. In essence, our future energy mix must provide a secure electricity supply at an affordable cost to consumers. We want an electricity generation sector that is not only largely decarbonised by 2030, but which delivers the greatest possible economic advantage for Scotland, including opportunities for community ownership and benefits—matters that were ventilated in the earlier discussion with Charles Hendry.

The Scottish Government's policy is clear. We are taking action to reduce demand for energy, we want a rapid expansion of renewable electricity throughout Scotland and we want new or upgraded and efficient thermal plant, progressively fitted for carbon capture and storage and with capacity to recover waste heat. We have a target to deliver the equivalent of at least 100 per cent of

gross electricity consumption from renewables by 2020 as part of a wider balanced electricity mix, with thermal generation playing an important role through a minimum of 2.5GW of thermal generation progressively fitted for carbon capture and storage.

We are working closely with the UK Government and have a shared desire to demonstrate CCS at a commercial scale. Given Scotland's technological and storage capacity, we want this country to play a leading part in that venture. We have some of the best candidate sites in Europe, and the procedure has my strong support.

In relation to the feed-in tariffs review for solar photovoltaic, Chris Huhne has written to me to confirm when the phase 1 consultation decision and the phase 2 consultation document will be published. I am grateful to UK Government ministers for keeping me updated. It is crucial that we rebuild confidence in the market among householders and investors as quickly as possible.

The Convener: Thank you, minister. You will be aware, talking of—*[Interruption.]* Whose mobile phone is that? That is a black mark, Mr Steele.

Minister, you will be aware that the committee will shortly begin an inquiry into the Scottish Government's renewable energy targets. I dare say that we will have a great deal of dialogue with you and your officials in that connection.

Perhaps we could start by looking at carbon capture and storage. The UK Government and DECC decided that they did not wish to support the trial of CCS at Longannet. Did the Scottish Government consider putting money into that project to make it viable?

Fergus Ewing: The Scottish Government strongly supported the Longannet CCS project over a long period and we were disappointed by the decision, although we can understand the reasons why it was taken, some of which were set out by Charles Hendry.

The Scottish Government did a great deal of work to pave the way for a successful CCS demonstrator project in Scotland. We set up a thermal generation CCS policy group, which I co-chair with Mike Farley of Doosan Babcock—one of the leading experts in the field; as Charles Hendry said, Scotland has several. Through Russel Griggs, we prepared the necessary changes to the law to set out the extremely complex regulatory framework that would allow CCS to take place. In addition, we strongly lobbied successive UK Governments—this has been a very long-running story—for Longannet to proceed. Ultimately it did not, for reasons that we already know. That remains disappointing, although, as Charles Hendry said, there is a legacy of a huge amount of

practical and academic work that is now available for future projects.

Energy policy is substantially a reserved matter. The Scottish Government is not provided with budgetary resources to make a contribution to CCS. The stimulus was to be £1 billion, and we hope and expect that that money will be rolled over for further projects to be considered. We are part of that process, which was assisted by the attendance of a DECC official—with whom we had a very helpful dialogue—at the most recent meeting of the thermal generation sub-group that I chair. A further industry day is to take place on—I think—23 February, when DECC will have further discussions with the industry about how to move ahead.

We very much hope that Scotland will play a part in the technology, but we do not have provided to us the budget that would enable us to make a substantial contribution, and I do not think that anyone has ever seriously suggested that. However, I have led a delegation to Brussels to promote Scotland as an excellent location for CCS demonstrator projects, particularly in gas-fired power stations. I could be wrong, but I understand that Peterhead, one of the Scottish candidates, is the only example of its kind in Europe of a gas-fired power station where CCS technology would be retro-fitted. It would therefore have strong credentials, although I am not making a judgment—I cannot do so, for reasons that members will understand, given my planning responsibilities—as to the relative merits or demerits of other possible candidates that I know members are concerned about, having had the opportunity to hear some of the previous evidence.

All political parties want to see this matter proceed, and my approach is to continue to work very closely with DECC and with the industry in order to make that happen. When I attended the energy council in Brussels, a leading authority from the International Energy Authority pointed out that it is difficult to see how, unless CCS is applied to large power stations, EU carbon emission reduction standards can be met, given the relatively fixed output of the emissions of most thermal generation stations. CCS is not an optional extra—it is a *sine qua non* of achieving the targets to which we all subscribe.

The Convener: Thank you, minister. A number of members want to ask about this, so can we have brief questions and, I hope, fairly brief replies?

John Park: You said that the decision on CCS will have an impact on the targets that we will need to meet on a Europe-wide basis. What impact will it have on the targets that we have set here in Scotland?

Fergus Ewing: It is essential that we develop CCS technology for the reasons that I have stated, and that will have an impact across all European countries, including Scotland. It is extremely important that we can use to best advantage the massive expertise on this topic that has built up in Scottish industry and universities. The economic opportunities of doing that are manifest. I am therefore keen to work closely with all involved, including the UK Government, to ensure that Scotland is included in the demonstration of CCS technology.

11:15

John Park: We have heard about the dialogue that you have had with the UK Government. Could you say something about the discussions that you have had with Scottish Power and its parent company with regard to the impact of the CCS decision, and will you say whether there is scope for the Scottish Government to engage with the company directly to try to support any new initiatives around CCS?

Fergus Ewing: Led by the First Minister, the Scottish Government fought extremely hard to make Longannet succeed, and made representations at every appropriate level. Of course, the representations that we made included discussions with Scottish Power. I met representatives of Scottish Power and I understand the decisions that it took. The £1 billion did not cover the costs of the scheme, as it estimated. That is partly due to reasons that Mr Hendry explained about the deficit and the shortfall being extremely large and it is partly due to the impact that electricity market reform is perceived to have on the continuing use of coal for generating electricity and the carbon tax. That is an economic factor that, plainly, any company would take into account.

The answer to the question is that we did engage with Scottish Power in an appropriate way, and I was involved in those meetings. However, the decision has been taken.

My view is that, instead of dwelling on the disappointments of the past, it is generally better to focus on the opportunities of the future, which is where our attention is now entirely focused.

The Convener: In that vein, Patrick Harvie has a question.

Patrick Harvie: I expect that everyone agrees that, if CCS can be made to work, it has an important role to play. My concern remains that both Governments are behaving as though it is something that they know is about to be made real rather than something that still needs to be developed. I understand that you are unable to comment on the specifics of issues that might

come up in a planning context—those are questions for another time—but I invite you to go a little bit further than you have in terms of the generality. You have mentioned the Peterhead example. I ask you to agree that, in general, there is a much stronger case for trying to develop CCS at an existing plant than there is for using it at a development that would include additional, unabated capacity. That would be the polar opposite of what CCS is designed to do and would lead to increased emissions, not reduced emissions. I suggest that the Scottish Government should be four-square behind the use of this technology at existing plants, particularly in gas plants.

Fergus Ewing: We have been four-square behind CCS technology: it is difficult to see what more the Scottish Government could have done. I do not think that anyone has seriously advanced any analysis that more could have been done that we did not do. Research indicates that CCS has the potential to reduce CO₂ emissions by up to 90 per cent from conventional fossil fuel power stations and that, without CCS, the overall costs of halving emissions by 2050 would rise by 70 per cent, so there is also an economic imperative to ensure that the technology works.

Mr Harvie suggests that we should apply the technology to existing plants rather than new plants. I say to him that both are probably going to be necessary, for reasons that are pretty obvious. If it is the case that, for example, many of the coal-fired power stations in the UK are reaching the end of their expected lifespan, it follows that, in the transition to a low-carbon economy, more traditional thermal generation will be required. Unless Mr Harvie is suggesting that we go for nuclear or biomass, it is difficult to see how that can be done without, for example, new gas-fired power stations.

If we will need new thermal generation stations in the UK—I think that, broadly speaking, that is a correct analysis, although I am not an expert in the matter, so I am always careful about the words that I use and the arguments that I advance—it follows that we wish to be able to apply CCS both to existing stations and new stations. Therefore, the technology needs to be tested not only for existing gas-fired and coal-fired power stations but for new stations.

That is not just a Scotland and UK issue; emissions are a global issue, as I am sure Patrick Harvie will argue. Therefore we need the technology to be applied to existing coal and gas-fired stations and to new stations throughout Europe. I submit that it is necessary in both.

Patrick Harvie: My suggestion is only that developing the technology at existing stations reduces emissions and that, if new capacity is

needed, the stations need to be built at a time when we are able to abate the emissions fully. If we built a plant whose emissions would be only, for example, one quarter abated by CCS, that would be the opposite of reducing emissions; it would be a dramatic increase in our emissions.

Fergus Ewing: Existing and new stations will almost certainly require to have CCS applied. I hope that the Scottish and UK Governments will work closely together on the decision-making process for that and the exact order in which the decisions are made, because we were not involved in that process in relation to Longannet, although we made detailed representations.

I do not accept that existing station equals CCS good, but new station equals CCS bad. I just do not think that that is a feasible approach. There is also a highly specialist and technical argument about whether CCS is applied pre or post combustion. However, I agree with Mr Harvie that we want to get on with it, and we wish CCS to be carried out in Scotland.

The Convener: How does what you said a moment ago about the need to build more gas-fired stations fit with the Scottish Government's stated ambition of having 100 per cent of our electricity generated from renewables by 2020?

Fergus Ewing: That would be entirely consistent with our plans to move to a low-carbon economy. I have said at every available opportunity that the Scottish Government has a balanced energy policy and recognises that there is a need for continued thermal generation as we move to a low-carbon economy. I think that it was Churchill who said that what was essential for the supply of power was "variety and variety alone".

We will continue to need conventionally generated electricity for some time to come, but we wish to move to a decarbonised electricity supply around 2030. The details of how we will do that are set out in the route map. The details of our electricity generation policy statement will become obvious when it is published fairly soon, as I mentioned in my opening remarks. I will ensure that that material is published before the committee takes oral evidence in the inquiry that I am aware is about to begin.

The Convener: Thank you. That would be helpful.

Stuart McMillan: I asked Mr Hendry this question as a result of some of his comments about Longannet. Will older plants be at a disadvantage when bidding for CCS investment as a result of additional costs for work that would be required to bring them up to a particular standard before CCS could be introduced?

Fergus Ewing: By definition, older plants are disadvantaged because they have less of their lives left to run. An older plant may have to close in five, 10 or 15 years' time and the massive cost of CCS is such that one would have the benefit of reduced emissions only over that limited time. There is a strong, commonsense argument that we should not apply CCS to power stations that are at the end of their lives, because the benefit will be available only for a relatively short time.

We also need to know the outcome of the EMR process, which we will discuss shortly. If investors are uncertain about how the carbon tax and the capacity payments will operate, that makes the large-scale investment decisions that are required for all these matters, including CCS, more difficult.

Stuart McMillan: No one would suggest that a power station that has about five years left should realistically be considered. However, older power stations that have longer to go before their natural end should be considered. That is the point that I was trying to get an answer on from Mr Hendry, and it is the question that I put to you.

Fergus Ewing: Certainly, power stations can be upgraded by application of the technology. However, for the reasons that I have outlined, if we are going to look at existing power stations, it makes sense to look at those that still have a fair amount of life left in them.

Rhoda Grant: Minister, you said that you did not have the budget to invest in CCS. Is that because it is a reserved issue and you were unable to invest, or is it because the Scottish Government chose not to allocate a budget to it? If it was for the latter reason, have you given any consideration to the fossil fuel levy, which is unallocated and available to invest at the moment?

Fergus Ewing: I will deal with the fossil fuel levy first. We have argued consistently for some considerable time that the fossil fuel levy should be repatriated to Scotland in its entirety. It is attributable to Scotland and always has been. However, we did not get official agreement to that from the UK Government until relatively recently; therefore, that money became available to Scotland only after the decision on Longannet had been made. In addition, the fossil fuel levy is, strictly speaking, to be applied to renewables only; therefore, there is a question of competence as to whether that budget line could have been used. My advice is that it probably could not have been used even had we known that we would have that money before the decision on Longannet was made, which we did not know.

On your wider question, as I have said, we do not have a budget for CCS. I think that the UK budget of £1 billion came from a rather convoluted

and complicated source. I ask Mr Imrie to shed some light on that recondite area.

Colin Imrie (Scottish Government): My understanding of the process is that the £1 billion was allocated to DECC as funding for a reserved matter in the comprehensive spending review by the UK Government in 2010. That funding, which was set out as part of the DECC budget reserve, was to have been applied to the winner of the first competition and is now to be rolled over into the next competition.

Rhoda Grant: Does that prohibit the Scottish Government from investing in such technology? I am trying to bottom out whether a decision was made about budget spend or whether the Scottish Government is prohibited from making that budget spend.

Fergus Ewing: The scale of the spend would have been such that it would have been completely beyond the Scottish Government. As you know, our budget is fixed, and I am not aware that we have any specific budgetary provision to enable us to contribute in any substantial way to the massive amounts of capital that would be required.

Rhoda Grant: But you could have made the choice to invest if you had wished to do so. I am not suggesting that you take £500 million out of the Scottish budget to do that, but you could have considered doing that.

Fergus Ewing: I do not think that it is a choice that we could have made. To find £500 million spare in the Scottish budget is an impossible and unrealistic demand in any event. The process took place on a UK basis with a UK budget provision and through a UK procurement exercise because these matters are reserved. That is the reality of it.

As I outlined in my initial answer on the topic, we did everything in our power to pave the way. We should not underestimate the importance, the value and the quality of that work, which was carried out by a huge range of people in the Scottish Government and among our partners. It will be a legacy for the future, which will benefit any Scottish candidate that proceeds.

Rhoda Grant: Can I just—

The Convener: I think that we need to move on. I know that Chic Brodie has a question. I will allow you to make one brief comment.

11:30

Rhoda Grant: I want to get to the nub of whether the Scottish Government is prohibited from investing in CCS. If the Peterhead proposal needed a much smaller contribution from the Scottish Government to go online, would you be

prohibited from making such a contribution or could you do so from within your budget?

Fergus Ewing: That question involves a lot of hypotheticals. Generally speaking, it is not sensible to answer hypothetical questions because, almost always, the situation does not arise in the way in which the question suggested. Plainly, we wish to use every measure that is within our competence to support the development of CCS in Scotland, but we do not have the budget to make it happen. Nonetheless, we are engaging constructively with Westminster on how to achieve that goal.

A large part of the money that we have available to develop our energy policy is for renewable energy. It comes from the fossil fuel levy and must be used in accordance with certain provisions, which I believe may be statutory. I think that those provisions restrict the use of that money to promoting renewable energy policy in general, but I will check out the answer, because Rhoda Grant is perfectly entitled to pursue the matter. I will send her a letter in which I will refer to the specific provisions—which I think are in the Electricity Act 1989—that set out the issues in question, which are not entirely straightforward. That way, Rhoda Grant will have a copper-bottomed answer.

The Convener: Thank you, minister. It would be helpful if you could send that letter to the committee, so that we can all see it.

Fergus Ewing: Certainly.

Chic Brodie: Good morning. I asked this question of the UK minister. I am happy that we have a good working relationship with DECC in London, but who controls energy policy? Is there a clear strategic division, or does the Treasury make decisions on the hoof for its own reasons, which might be understandable? I take the point that, within the existing constraints, the Scottish Government is making highly focused decisions, and I have no reason to dispute the fact that we will achieve our targets by 2020. We are engaged with DECC, but how engaged do you think DECC is with the Treasury on establishing and agreeing the overall energy policy? Who is directing the traffic?

Fergus Ewing: It is rather difficult for me to answer that question; you were correct to address it to Charles Hendry.

To be fair, the implications of energy policy for the Treasury are massive. The cost of the measures that we need to take if we are to develop renewable energy and move to a decarbonised energy-generating system in Scotland and the UK are massive, as the committee will discover in its investigations. It is fair to say that any Government will keep an eye on the financial implications. Although I am the

minister for energy, it is, of course, fairly well known that the First Minister takes a close interest in the direction of energy policy. It is correct that all members of Government south and north of the border must look carefully at the financial implications of the decisions that we take.

It is clear, as Charles Hendry admitted, that the decision on solar power was taken for financial reasons, which we understood. I have already stated to Parliament at question time that we recognise the financial pressure that existed. It would be wrong if Government departments were disconnected and the Treasury had no input into energy policy. However, we hope that financial factors will not prevent the realisation and achievement of DECC's and the Scottish Government's energy objectives.

The Convener: At the weekend, I noticed—I am sure that the minister did, too—press reports that suggested that, as part of its austerity package, the Government in Spain has suspended all subsidies for new renewable energy projects. That shows the impact that budgetary pressures will have in this area.

I think that we need to move on. After all, we need to cover the question of feed-in tariffs, which you have just mentioned; the transmission charging regime; and, of course, fracking. Have we exhausted the feed-in tariff regime or do members wish to pursue it a bit further?

Mike MacKenzie: I was slightly dissatisfied by Mr Hendry's responses to our questions on the review of feed-in tariffs for solar PV for two reasons. First of all, the uptake of that technology in Scotland is much less than you would have expected compared with England and, secondly, the cost on the roof of fitting those technologies does not seem to have come down in Scotland, particularly in the Highlands and Islands, as it has in the south of England. Have you made representations to the UK Government on that?

Fergus Ewing: On 24 October and 3 November, I made detailed representations to DECC in which I strongly opposed the speed with which the Government was seeking to reduce tariff rates for solar PV. On 14 November, I wrote to all solar PV installers in Scotland to seek their views on the predicament. On 8 December, I met a number of installers and we had a useful, practical discussion during which the points that Mr MacKenzie has just highlighted were raised.

It should be said that the tariff that was set by the previous Westminster Government now seems to have been too high. It might have seemed correct at the time, but we need to recognise that it cannot be sustained. I am given to understand that this move will not be without an impact on jobs in Scotland, but particular difficulties have been

caused by its introduction on 12 December—or shortly before the period of consultation. Of course, the matter went straight to the courts. I understand from Mr Hendry's evidence that, after this most recent court defeat, an appeal has now been made to the Supreme Court.

The area is extremely difficult. There is no doubt that a reduction had to be made; I think that it has been made wrongly, but we have to move on and consider what practical measures we can take. The UK Government is correct to try to introduce a measure before April—indeed, it has no choice in the matter—but I have particularly urged Chris Huhne to consider the case for social housing and, for example, the more complicated work that was being done by Scottish housing associations alongside industry to install solar PV in such housing. I understand from the meetings and very detailed discussions that I have had with a number of companies that quite major projects were being contemplated in Scotland and it would be very sad indeed if those kinds of extremely useful projects involving some of the most vulnerable people in Scotland were not to go ahead because of all this. I have been focusing on what we can do now to make the best of things and I very much hope that DECC will look very carefully at mechanisms to preserve the use of solar PV in social housing, despite the reduction in tariff.

Two Fridays ago, I attended a dinner in my Inverness constituency as a guest of the Scottish and Northern Ireland Plumbing Employers Federation—and a very pleasant and lively evening it was, too. When we make decisions about the level of tariff, we need to engage with the people who are doing the work. After all, they tend to know best how much these things cost. I do not know whether, in introducing this measure, DECC carried out a process of engagement—it probably did—and in any case we all have the benefit of hindsight. However, to get the right answers, you need to ask the right people, usually those who do the job. In this case, those people are the members of SNIPEF.

The Convener: A number of members want to ask about this issue. Given the minister's timetable and the fact that we have other areas to cover, I ask for very brief questions from Rhoda Grant, Stuart McMillan and Chic Brodie.

Rhoda Grant: I understand that the wider subsidy regime—the renewables obligation certificates and the like—is mostly governed by Westminster but that the Scottish Government has the ability to make different tariffs for some things. Where might the Government deviate from Westminster?

Fergus Ewing: The feed-in tariffs are matters for Westminster, although we are consulted. On renewables obligation certificates, we have the

ability to make decisions as to incentivisation for various types of renewable energy. We have just finished a consultation on that and an analysis of the responses will, I hope, be made available next week, or perhaps even before that. We do not have specific power over the small scale, although we are consulted. On the larger scale—the ROCs—we have a say.

Rhoda Grant: Do you envisage having a different regime from that in the rest of the UK, or is it too early to tell?

Fergus Ewing: Do you mean in the setting of renewables obligation certificates?

Rhoda Grant: Yes.

Fergus Ewing: Generally speaking, it is better that there is consistency across the UK. That is generally a better approach, but that does not mean that the approach needs to be identical. Without divulging any confidential discussions, I think that it would be fair to say that the Scottish Government has made an impact through the detailed work that my officials have done under my direction, largely behind the scenes, in persuading DECC to give due support to marine renewables, for example. I have not made a decision on ROCs, as I received the analysis of the consultation submissions only last night, because the consultation period has just closed. As a matter of general practice, it is desirable not to have an entirely different system of ROCs, as it is good to generate investor certainty and confidence, which are key components in the field. I cannot overestimate the importance of that. The convener's reference to Spain perhaps underlines the importance of Scotland not being deflected from its commitment to renewable energy—indeed, we will not be.

Stuart McMillan: You touched on the impact on jobs in Scotland of the changes to the feed-in tariffs for solar PV. I am conscious of time, so can you provide written information on what you have heard from the people whom you have met, so that we can consider that information?

Fergus Ewing: Various views have been expressed to me, some of which have been from individual companies about the impact on their business. Those details should probably remain confidential, unless otherwise authorised. General views about the impact on the sector have also been expressed to me. I have a figure in mind but, rather than mention it now, it would probably be prudent for me to write to the member on the issue. All of us, including Mr Hendry and me, wish to do everything that we can to restore confidence where it has been damaged in the solar sector, which has an important role. We want to ensure that jobs that might be at risk are, as far as possible, preserved and that businesses continue

and do not fail. I have visited several of those businesses in my constituency in Inverness and in central Scotland. They are well-run and successful businesses that support many people. Our priority is to try to preserve jobs. I will therefore write to the committee with the best information that we have on the topic.

Chic Brodie: I want to return to the minister's answer to Rhoda Grant and to the question that I asked earlier about the Treasury. Andrew Whitehead of SGH Martineau said about the FIT for solar energy:

"this whole saga has put at risk investor confidence in the UK renewables sector—at a time when vast amounts of private sector cash is needed to decarbonise our power".

A recent report cited the Treasury's tax grab last year on North Sea oil and gas production and its intervention on solar feed-in tariffs, and asked whether the carbon price floor that has been set will prove to be a third example of DECC being destabilised by the Treasury. You made the point that people such as those in SNIPEF know the cost better than most. There are also other considerations that are unique to Scotland such as its geography. You set the levels for renewables obligation certificates; why can we not do the same for feed-in tariffs? Why do they have to be the same as for the UK?

11:45

Fergus Ewing: It is no secret that we would wish to have power over all such matters. If and when we do, we will continue to work closely with our colleagues south of the border, albeit as an independent Scotland. There will be a seamless transition to a continued good relationship from an existing good relationship, if I can put it that way.

I am concerned generally about the investment hiatus that EMR and the lack of a decision on the feed-in tariff are creating. It is a matter of fact—it is not a political point—that, as long as those matters are unresolved, it is impossible for many investors to decide whether to invest. Before they can be expected to invest hundreds or thousands of millions of pounds, investors need to know what the ground rules are. That is a statement of the blindingly obvious. The changes that are being contemplated are the biggest changes since the privatisation of electricity supply and they must be considered very carefully. However, the longer it takes to reach a decision, the longer the existing investment uncertainty will continue. That said, we and the UK Government have a shared desire and objective to reach the right decisions, and I hope and expect that we will be fully and properly engaged in that process.

Other sectors also face an impact from the feed-in tariff. For example, the hydro sector is

experiencing a delay in resolving the FIT issue for that sector and the delay in publication of the proposed revised tariffs for other technologies is having a negative impact on a number of projects. Several hydro developers have told me that they are sitting on permissions to go ahead with new hydro schemes in Scotland but they cannot decide whether to make the investment before they know what the rate of return will be. That is no criticism of DECC; I just place that on the record as one of the points that, I am sure, the committee will be grappling with in its inquiry.

The Convener: We must move on, in view of the time. We have other areas to cover. Let us turn to the issue of fracking, which was raised with Mr Hendry.

Patrick Harvie: There are two specific points on the issue that I would like to explore with you, minister. First, in a series of written answers, you have said that

“shale gas production could result in lower overall emissions, if it displaces fuels such as coal”.—[*Official Report, Written Answers*, 8 December 2011; S4W-04185.]

It is that “if” that I would like to explore. Unless you are prepared to end the extraction of coal by opencast mining in Scotland, how does the Government intend to ensure that shale gas displaces coal instead of adding to it, whether it is combusted in Scotland or exported? If both are being extracted from the ground, both will end up putting carbon into the atmosphere.

Fergus Ewing: As Patrick Harvie knows, our whole energy policy is designed to decarbonise the production of electricity in Scotland and to supplant carbon with renewable sources. We are usually criticised for being too ambitious in that regard, and I know that Mr Harvie supports our energy policy. The overall driver of our energy policy is the decarbonisation of electricity generation. Of course, a second driver is the huge economic benefits that are starting to ensue to Scotland, as we saw yesterday in the announcement that Samsung is investing in Methil. Mr Harvie needs to see the overall picture.

Fracking does not take place in Scotland. We have made it clear that we recognise the concerns—particularly the environmental concerns—that exist about fracking, and we have set out the fairly complex licensing procedure that is necessary before any fracking could conceivably take place in Scotland. Shale gas will not form part of any assumptions that we make in our electricity generation policy statement. In other words, when we produce the statement, it will be based on the assumption that we will not produce any shale gas in the timescale considered in that statement. It is right that we consider the matter because, as Mr Hendry pointed out, shale gas has been a game changer in the USA, and we must

therefore look at what is happening in energy policy throughout the world. However, it is important to make it clear that, while we keep a watching brief on developments throughout the world, we have no plans whatsoever to incorporate fracking in our energy policy.

The Convener: Can you clarify the timescale in your electricity supply policy?

Fergus Ewing: The electricity generation policy document looks at how we will continue to supply Scotland’s energy needs over the next several years. Plainly, it looks to the future and makes various estimates as to what will be required.

The Convener: Yes, but you mentioned a timescale, and I am curious to know what it is.

Fergus Ewing: Our target is to produce 100 per cent of our gross consumption needs for electricity by 2020. The policy will therefore focus on 2020, but it will also, as it must, consider the whole issue in the round as to how, given the lifespan of the existing power stations, our electricity needs will be met from each source, and it will go into some detail on that. However, it will focus primarily on 2020, by which time we assume that precisely zero megawatts will be supplied from shale gas.

The Convener: Thank you for that clarification.

Patrick Harvie: The minister is perhaps assuming a lot in saying that I support the Government’s energy policy. I certainly support the emphasis on renewables, but there are other aspects that I would like to pursue. He implied that shale gas and fracking have no role at all in Scotland, but I have seen the following in written answers:

“Scottish Planning Policy does already address the derivation of gas from shale reservoirs and identifies a range of environmental, social and economic factors that can be considered”.—[*Official Report, Written Answers*, 6 December 2011; S4W-04089.]

The Scottish planning policy document says that those factors may include

“potential pollution of land, air and water”.

Clearly, that includes the climate impact of greenhouse gases that would be emitted from shale gas were it to be extracted.

Fergus Ewing: In setting our energy policy, we are driven by the desire to move to a decarbonised electricity generation system, so that is plainly uppermost as a factor in our energy policy, as is well known. SEPA has statutory responsibilities that it must consider in relation to any operator who wishes to drill a well. There must be consultation with the Environment Agency in England and Wales or with SEPA in Scotland. Those bodies are also statutory consultees to the local planning authority, which will determine

whether an environmental impact assessment is required. I cannot prejudge matters, but I would be astonished if an environmental impact assessment were not required, and rightly so. We can assume that SEPA will look on its statutory obligations in the round.

I am happy to have a further look at the matter in order to answer Mr Harvie's question, because I suspect that he may feel that we are not answering it, or at least not doing so to his liking. I am perfectly happy to consider this aspect directly with SEPA to see whether an interpretation of the statutory responsibilities incorporates or infers a specific duty to consider CO₂ emissions. That is a legal matter that must be addressed. The overall point is that the need to decarbonise energy production is the driver of our policy, and so of course this matter is relevant and important.

Patrick Harvie: I would be grateful if the minister could come back to us with that specific answer. I have asked a specific question, in writing and orally, previously and today, about whether the factors referred to by the minister in written answers—in which he points me to the SPP—include the climate impact of CO₂ that would be produced from the combustion of shale gas were it to be extracted in Scotland. The Scottish Government has not answered that question. It was answered earlier this morning by the UK minister, who said that it would not be a factor. That is breathtaking. I hope that the Scottish Government answers that specific question.

Fergus Ewing: I am happy to write to the committee on that. I have pointed out that the statutory duty is SEPA's. It seems self-evident that, in answering a question, one should be careful to check out precisely what the statutory duties are. I am sure that I can clarify that to Mr Harvie in due course.

Patrick Harvie: I am grateful.

The Convener: In November, SEPA gave a licence to a company to extract coal-bed methane in Dumfries and Galloway. What is the substantive difference between coal-bed methane extraction and fracking for shale gas?

Fergus Ewing: I think that you might be referring to a case last year when SEPA authorised an exploratory drilling operation at Canonbie near Dumfries for the purposes of coal-bed methane extraction. Hydraulic fracturing would be used to develop the seam, but the operation has not yet gone ahead. I am advised that a suitable drilling rig is not available. SEPA expects further applications for development wells in the near future.

The Convener: That was not what I asked about. I asked what the difference is between

extracting coal-bed methane and extracting shale gas by fracking.

Fergus Ewing: The difference is that shale gas and coal-bed methane are natural gases found respectively in shale rock and coal. Natural gas produced from shale or coal is often referred to as unconventional. That term refers to the rock and not the gas, whereas conventional oil and gas refers to hydrocarbons, which have previously been sought in sandstone or limestone. I suppose that the answer is a geological one.

The Convener: I apologise if I misled you, but what I was trying to get at was whether there is any practical difference in the process of extraction.

Fergus Ewing: The process of obtaining consent to drill a well is the same whether the well is targeted at conventional or unconventional gas.

The Convener: No, no. I did not mean the process of gaining consent; I meant the process of extraction.

Fergus Ewing: I am not an expert—I am not a miner or an engineer.

The Convener: Perhaps your officials can help.

Colin Imrie: I apologise but I am not a miner or an engineer either.

The Convener: The reason why I asked the question is that, although a licence has been granted for coal-bed methane extraction, you have told the committee that you are not licensing for fracking at this stage. I am trying to determine whether there is a practical difference between the two processes. I am happy for you to write to the committee on the matter.

Fergus Ewing: What I have said is that we are not assuming that those activities will play any part in our energy policy. We do not want to prejudge the outcome of those issues and will keep a watching brief on them because we are aware of the concerns that have been expressed. I have made that view very clear to Mr Harvie on numerous occasions. I have done so in the chamber and in the committee last September.

The Convener: So there is no presumption on the part of the Scottish Government against fracking.

Fergus Ewing: We are keeping an open mind. By definition, if one does not prejudge an issue, one keeps an open mind. However, we recognise that there are strongly held views on the environmental problems associated with fracking. I concur with the view that I think I heard Mr Hendry express, which is that there are differences between the USA and the UK in this regard—differences that mean that it would be difficult for

the process to become as widespread in the UK as it is in the USA.

Fracking has been looked at in other parts of Europe, such as Poland. The EU is looking closely at it. France recently issued a moratorium on it. It is an area in which a lot is happening. It is correct that we should keep a watching brief on fracking, but it plays no part in our energy plans.

Murdo Fraser: Thank you. That is clear. I am conscious of the time, so do members have any further questions?

12:00

Rhoda Grant: I have a question on a totally different subject, which is wind farms. We have not touched on it today, but we will probably do so in our inquiry. The issue is whether we can achieve the 100 per cent target given the growing opposition to onshore wind power because of its impact on the natural environment. People talk to me about the cumulative impact of more and more wind farms being built. Will there be new guidance in that respect? Will the Government consider its target in the light of the concerns that communities have expressed?

Fergus Ewing: We are confident that our target of meeting 100 per cent of our electricity needs from renewable sources by 2020 will be achieved. It is an ambitious target, but it is achievable. However, I emphasise that it will not be achieved by onshore wind alone. As members will be aware, there are substantial developments in marine renewables—wave and tidal, and offshore wind. In fact, just before Christmas, Mitsubishi signed a memorandum of understanding to work in Dundee with Scottish and Southern Energy and a consortium of other companies. *[Fergus Ewing has corrected this contribution. See end of report.]* Further, I was delighted to see that just yesterday in Methil, where I visited John Robertson at Burntisland Fabrications in December, Samsung announced its plans to invest heavily there.

The reason why such investments are being made in Scotland, which is a massive vote of confidence by some of the world's leading companies in Scotland and its future as the renewable energy powerhouse of Europe, is that the potential here for offshore wind and wave and tidal power is considerable. Much of the work that we do behind the scenes is to take forward that potential. Onshore wind plays an essential and useful part in that, producing about 3GW of electricity capacity, which is set to increase. However, it will not be the only method of securing the achievement of our target.

That is my answer to Rhoda Grant's question at this point, because I know that we will explore the issue in more detail. Sometimes, when one reads certain newspapers—I do not buy them, but I have

them shown to me occasionally—it is as if the only form of renewable energy in the world is onshore wind. It is a valued, important and effective part of an overall energy mix, but it is by no means the only form of renewable energy. Scotland is set to see a new industry of offshore wind being created in this country.

On my visit to Methil, I reflected to John Robertson that one of the changes that might have to be made, given the song that The Proclaimers wrote that incorporated the phrase "Methil no more", is that The Proclaimers will have to write a new song after we see a new industry born in Scotland.

The Convener: We will all look forward to that. Given the time and given that, as the minister indicated, we will explore the issues in greater detail as part of our inquiry, we will call a halt at this point. Looking at the wider picture, I am sure that all committee members will want me to express our support for the bid that has been made for Edinburgh to host the green investment bank. I think that we all want to see that come to Scotland.

Thank you for your time and for answering the questions. We look forward to seeing you at next week's meeting to deal with another topic of land registration.

Meeting closed at 12:03.

Correction

Fergus Ewing has identified an error in his contribution and provided the following correction.

The Minister for Energy, Enterprise and Tourism (Fergus Ewing):

At col 939, paragraph 5—

Original text—

In fact, just before Christmas, Mitsubishi signed a memorandum of understanding to work in Dundee with Scottish and Southern Energy and a consortium of other companies.

Corrected text—

In fact just before Christmas, Scottish and Southern Energy plc, Scottish Enterprise, Forth Ports and Dundee City Council signed a memorandum of understanding to work in Dundee.

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