



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

Wednesday 8 October 2014

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RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE
25th Meeting 2014, Session 4

CONVENER

*Rob Gibson (Caithness, Sutherland and Ross) (SNP)

DEPUTY CONVENER

*Graeme Dey (Angus South) (SNP)

COMMITTEE MEMBERS

*Claudia Beamish (South Scotland) (Lab)

*Nigel Don (Angus North and Mearns) (SNP)

*Alex Fergusson (Galloway and West Dumfries) (Con)

*Cara Hilton (Dunfermline) (Lab)

*Jim Hume (South Scotland) (LD)

*Angus MacDonald (Falkirk East) (SNP)

*Dave Thompson (Skye, Lochaber and Badenoch) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Gareth Baird (Crown Estate)

John Ireland (Scottish Government)

Alan Laidlaw (Crown Estate)

Ronnie Quinn (Crown Estate)

Paul Wheelhouse (Minister for Environment and Climate Change)

CLERK TO THE COMMITTEE

Lynn Tullis

LOCATION

The Sir Alexander Fleming Room (CR3)

Scottish Parliament

Rural Affairs, Climate Change and Environment Committee

Wednesday 8 October 2014

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Rob Gibson): Good morning and welcome to the 25th meeting in 2014 of the Rural Affairs, Climate Change and Environment Committee. I remind everybody to switch off mobile phones et cetera as they can interfere with the sound system. Committee members may consult tablets during the meeting, because their meeting papers are provided on them.

Agenda item 1 is a decision on taking business in private. Do members agree to consider in private agenda item 4, which is on our approach to the scrutiny of the Community Empowerment (Scotland) Bill?

Members *indicated agreement.*

Climate Change Targets

09:30

The Convener: Agenda item 2 is an evidence-taking session with the Minister for Environment and Climate Change on Scotland's climate change targets, and it follows our evidence session last week with stakeholders. Four committees have been looking at "Low Carbon Scotland: Meeting our Emissions Reduction Targets 2013-2027—The Second Report on Proposals and Policies", which is also known as RPP2. The committee is now going to take a broader view of RPP2 and the climate change targets in the light of three successive years of our not meeting the immediate targets.

I welcome to the meeting the minister, Paul Wheelhouse, and his officials: Jim Gilmour, policy adviser at the directorate for energy and climate change, and John Ireland, deputy director of the low-carbon economy division at the Scottish Government. Members will have a paper in front of them.

Minister, do you wish to make any opening remarks?

The Minister for Environment and Climate Change (Paul Wheelhouse): I do, convener, if that is okay.

The Convener: Please do.

Paul Wheelhouse: Thank you.

Momentum towards a new global climate change agreement is, mercifully, growing. At the United Nations climate summit in New York in September, world leaders committed to finalising a meaningful, universal new agreement under the United Nations Framework Convention on Climate Change in Paris in 2015, and to arrive at the first draft of such an agreement at the UN climate conference in Lima in December. For our part, the Scottish Government is committed to playing as full a role as possible in the international effort and to achieving concerted international action to bring down global emissions to a level that is consistent with containing increases in global average temperatures to 2°C or less.

Scotland's domestic commitments are ambitious and remain an inspiration to many. Although challenges undoubtedly lie ahead, we can be proud of our achievements to date. Scotland is more than halfway to meeting its national Scotland-wide target of a 42 per cent reduction by 2020—and I must stress that latest figures indicate that we remain on track to achieve a 42 per cent or better reduction in Scotland's emissions by 2020.

We have made significant progress towards achieving the low-carbon vision that is outlined in our second report on proposals and policies, as demonstrated in the RPP2 monitoring framework that was published earlier this year. In June, we announced a package of measures to keep us on track to meet the 2020 target, including the establishment of a new Cabinet sub-committee on climate change. Stop Climate Chaos Scotland said that our

“announcements show the government is serious about getting us back on track to meet future targets.”

In addition, our independent adviser, the Committee on Climate Change, has advised that “underlying progress” remains

“on track in most sectors”.

Despite the progress, however, I freely acknowledge that we have fallen short in meeting our statutory fixed annual tonnage targets. Nobody is more disappointed than I am with that outcome. The annual target report that is to be laid before Parliament later this month will therefore show that the tonnage of emissions in 2012 exceeded the level that is required by the annual target that was set under the Climate Change (Scotland) Act 2009 by just over 2.4 million tonnes of carbon dioxide equivalent.

The key factor that is impacting on our ability to meet annual targets is the upward revisions to the baseline against which the amount of abatement and the performance against our targets are measured. By summer 2014, the baseline had been revised up by 5.4 million tonnes of carbon dioxide equivalent compared to the data available when the annual targets were first set. That is an upward adjustment of more than 8 per cent—actually, to correct myself, it is 7.7 per cent—between the 2008-based and 2012-based inventories. Revisions are the result of improvements in methodology, as there is more accurate monitoring of emissions, and understanding of the impact of greenhouse gases improves over time in each successive greenhouse gas inventory.

A Scottish Government paper that documents the key reasons for successive revisions to the greenhouse gas inventory over the past five years was published earlier this week. As a result of those revisions, the fixed annual targets—which are not adjusted; they are set in stone, as it were—are now considerably more challenging than they were when they were set. Although we remain committed to delivering a 42 per cent reduction by 2020 and a minimum of an 80 per cent reduction by 2050, overcoming the methodological issues—which arise from improvements in data and estimation techniques rather than material changes in emissions—is a challenge that I contend needs to be addressed.

Our independent adviser, the Committee on Climate Change, has identified two basic options for addressing inventory revisions. The first option would be to adjust targets, for example by recasting them in terms of year-on-year emissions reductions or by revising them to allow for adjustments that arise from each annual inventory revision. The second would be to adapt to the inventory change by finding additional opportunities to reduce emissions that go beyond current and proposed policies. In effect, that would involve seeking even deeper percentage reductions than the 42 per cent by 2020 and the 80 per cent by 2050 that the Parliament chose to seek in 2009. I would welcome the committee’s views on the merits of those or other options.

I believe that, by demonstrating solid progress towards the targets set in the Climate Change (Scotland) Act 2009 and by acting as a progressive partner in international negotiations, Scotland can continue to be a model for the international community and demonstrate the opportunities of the low-carbon economy, which is creating jobs, investment, trade and growth benefits for the people of Scotland. We are by no means perfect, but in a world that faces an enormous challenge to avoid societal, economic and environmental damage as a result of uncontrolled climate change, Scotland—our country—has shown and continues to show leadership of which I think we can all be proud.

The Convener: Thank you for that opening statement.

We know from evidence that we received last week from the United Kingdom CCC that Scotland has made what Dr Ute Collier called an “appropriate contribution” to meeting the UK’s first carbon budget targets, but we also know from WWF and many others that, although excellent progress has been made on renewables, a good deal more effort needs to be made on energy efficiency, transport and areas such as renewable heat. Do you have particular concerns about that? Can we attend to those issues and increase our efforts in those areas as part of our continuing work on climate mitigation?

Paul Wheelhouse: I certainly agree that that is an extremely important area for progress. The CCC has been complimentary about what we are doing on energy efficiency in Scotland, but Dr Ute Collier pointed out:

“In the current situation in which more devolution is being discussed with Westminster, you could look at those areas. If you really want to deliver in Scotland, you might need to push for more control over those issues”.

She went on to say:

“you cannot do much about the energy companies obligation.”—[*Official Report, Rural Affairs, Climate Change and Environment Committee*, 1 October 2014; c 20-1.]

That is true—it is a reserved area. She also said that she knew that the Scottish Government had tried to influence the Department of Energy and Climate Change—that is also true—but she perceived that DECC was not delivering. That is a challenge for us.

I am not having a pop at DECC—this is a difficult area for everyone—but if we had control over such matters, we might take a different approach. It is clear that energy efficiency is an extremely important policy area for the Scottish Government not only in tackling climate change but in meeting our fuel poverty targets, and it is an area in which we want to make as much progress as possible as quickly as we can.

The Convener: I note your reference to matters that will be dealt with by Lord Smith of Kelvin and which will involve input from various parties. As far as our budget for the next period is concerned, we will discuss some of those issues in detail once the budget documents have been published. We want to make more progress, but how do we plan to secure that on the basis of the resources that we have?

Paul Wheelhouse: That is a key consideration. There is a high level of investment in energy efficiency in Scotland, but we must attack the problem from a number of angles. Obviously, the planning system and building regulation play a role in driving up building standards, but we must recognise that we have a relatively slow turnover rate when it comes to buildings.

There is a huge pool of buildings already out there. Retrofit is extremely important, and money for that is an important consideration. The fact that we can change new buildings through regulation is important, too. I note for the record that, between 1990 and now, we have made progress on this issue in Scotland and have improved the energy efficiency of new builds by about 70 per cent.

However, challenges remain. Around Scotland, there are many old, solid wall properties and other older buildings that desperately need to be retrofitted with energy efficiency measures. Great progress has been made in cavity wall insulation; two thirds of the properties that can be cavity wall insulated have been insulated, and a high proportion of buildings that can receive loft insulation have received it. However, we are now coming to more difficult properties such as rural, stone-built, solid wall properties and those of non-traditional design, and they will be more of a challenge for us.

The Convener: As the committee knows, rural and fuel poverty are major issues. However, they need to be better stated in statistics, because if they were, we might be able to see the direction of policies that are trying to address them. Given that

hard-to-heat and hard-to-treat houses have been known about for a long while, are you doing anything specific in the next round of your activities that will give us some certainty that the issue will be tackled?

Paul Wheelhouse: Around the time of the announcement that I made in June, my colleague Margaret Burgess also made an announcement on the allocation of home energy efficiency programme funding, with £60 million of the £79 million that has been allocated this year going into area-based schemes throughout Scotland. An additional £5 million within that has been earmarked for off-grid properties in recognition of the more limited options for improving the heating performance and energy efficiency of those properties.

We are trying to direct more money at harder-to-treat properties in harder-to-treat locations, where people might have fewer options than they would have in an area connected to the gas grid, and to ensure that building design is better in the first place. It is a challenge but I am confident that through the work that is being done by colleagues, particularly Margaret Burgess, efforts are being made to tackle those hard-to-treat properties.

Nigel Don (Angus North and Mearns) (SNP): Good morning, minister. I recognise that this is not directly part of your portfolio, but there seems to be a lot of evidence that hard-to-treat houses are also old houses. Those that are not being treated are in private hands and are often rented, which means that the people who own them have the least incentive to improve them. Can you encourage your colleagues to consider whether we should legislate in that area? Legislation is probably required if we are going to get older leased properties, many of which are not even wind and watertight, up to standard.

The Convener: I am happy to take that issue forward in bilaterals with my housing colleagues, Margaret Burgess and, where relevant, Derek Mackay, who is the Minister for Local Government and Planning. These issues are important, and we recognise that regulation can be a driver where there is perhaps no incentive for the individual to do the work.

We can give the committee details of Government programmes that have been extended to private landlords in an attempt to incentivise them to improve the energy efficiency of boilers and so on, and steps have been taken to try to make it easier for landlords with private sector rented accommodation in rural areas to adapt their properties. However, I will raise with my colleagues and their relevant portfolios Mr Don's point about whether regulation could drive that.

The Convener: I think that the next questions follow on from that.

Graeme Dey (Angus South) (SNP): Good morning, minister. It has been always said that hitting the initial targets was the easy part, and that the difficulty increased the further we went into the process. However, in her evidence last week to the committee, Dr Ute Collier of the Committee on Climate Change said that, owing to changes to the European Union emissions trading scheme and further inventory changes that are coming, we are “chasing a moving target” and will have a major problem next year.

You have talked about going even deeper with making changes but, to put that into perspective, I note that Dr Collier equated what was needed with insulating every solid wall home and all the outstanding homes with cavity walls in Scotland in one year at a cost of £5 billion to £10 billion. If that is a good analogy, is that not an almost impossible task? Do we not need to get realistic about where we are at?

09:45

Paul Wheelhouse: I certainly agree that we need to be realistic about where we are at with regard to the available resources and the mechanics of the legislation. Dr Collier's point usefully illustrates the scale of the task. The issue is about not just money, but how a construction sector that has shrunk as a result of the recession can deliver that amount of retrofit. How can activity be expanded quickly enough to physically deliver that? It is an issue of practicality as well as a financial issue.

Clearly there are other options. From what I saw of Dr Collier's evidence, she played the various elements into a single-issue response to the challenge of how we make up the 1 megatonne shortfall, and the method that you have highlighted has been suggested as a way of doing that. We have more options than that, but it illustrates the scale of the challenge.

There has been a lot of focus on the missed targets—and that is entirely right, given that the legislation was set up to monitor performance against the net emissions figures including ETS. To be frank, I think that ETS has been a bit of a let-down in terms of Europe's desire to move to a more ambitious target for 2020. As Dr Collier and others acknowledged last week, the debate has moved on and we are now focusing on 2030. The pre-2020 ambition has fallen by the wayside; we are now reporting on targets that were set on the assumption that we would get to 30 per cent, but it does not look like that will happen.

To give the committee some confidence about our progress, I will read out some figures. I

appreciate that you want to keep the use of figures to a minimum, but I think that these are important with regard to the issue of emissions. In 2010, our target was 53.65 megatonnes and our source emissions—in other words, our actual emissions—were 58.3 megatonnes, which means we missed our target by 4.6 megatonnes. In 2011, our target was 53.4 megatonnes, and our actual emissions were 52.5 megatonnes, or 0.9 megatonnes under the target. In 2012—the most recent year that we have reported on—our target was 53.23 megatonnes and our actual emissions were 52.9 megatonnes, or 0.3 megatonnes under the target.

The problem is that we are reporting on emissions net of ETS; because of the way the system works, ETS adds in paper emissions, which have not actually been emitted. As a result, we are reporting against something that is, in some respects, a bit abstract; indeed, it is difficult for people to get their heads around ETS and carbon trading schemes. However, the point is that the actual amount of gas that we were pumping into the atmosphere was below target in 2012 and 2011, although I fully admit that it was well above target in 2010, for reasons that have been explained previously and which related to bad weather and so forth. The cumulative emissions gap is about 3.4 megatonnes in those terms, but it goes up to 7.6 megatonnes if you take ETS into account.

It is hard to get such a complex picture across to the public; it is also hard to get it across to stakeholders—and, believe me, I have tried. We need to get some realism around the point that Mr Dey has made, and we need to be realistic about our resources, the nature of the targets and how things are moving with the baseline position and becoming more challenging, even though the actual targets themselves are fixed. We need a mature discussion, because the commitment would bind any future Administration and we need a consensus on how we tackle this particularly challenging aspect of our legislation.

I am proud of our legislative framework and of the consensus that we have in the Parliament on tackling climate change. Compared with other countries, we are lucky in that respect.

Graeme Dey: Thank you for that answer, minister. Those figures are interesting.

How confident are you that the measures that you announced earlier this year will get us back on track, either in paper terms or in real terms? If they are not going to do that, will we not need to seriously think about changing the targets? Although it might send the wrong message, is it not something that we would have to do? Dr Collier said that she would not suggest changing them in the run-up to 2015, because that would not be appropriate, but she said that we might

have to do it later on. What are your thoughts on that?

Paul Wheelhouse: I read that evidence with interest. Dr Collier is, more than any of us, well aware of some of the statistical revisions that are likely to come down the line. We know of one or two that will affect us in relation to the next set of figures in June 2015, including the uprating of methane from 21 to 25 times the potency of CO₂. Clearly that will have an impact on the agriculture sector and other parts of the economy such as the waste sector where methane is an important issue.

We know that further statistical revisions are coming, that they will likely make the challenge even harder and that the baseline will probably move again. Given that we will not know how we have performed against emissions targets until close to the publication date in June, we are in a bit of a vacuum in terms of our performance.

The year that we will report on in June is the most challenging. I take the point that Dr Collier and others have made about the sensitivity of the run-up period to the Paris summit. Last week, a number of stakeholders said that the challenge was to ensure a unity of purpose across the world in laying down commitments. It would not look good for us to pull back or to be seen to be pulling back from our commitments, as other Governments in recent times have done. We will take advice from experts such as the Committee on Climate Change on how we should proceed, and I will listen to Dr Ute Collier's views on that in due course.

However, I make it absolutely clear that we are not reducing our commitments on tackling climate change. We are absolutely committed to delivering the 42 per cent and the 80 per cent reductions that we have declared, and it is really important for the international negotiations that other Governments know that. Sadly, we are not a member state for the purposes of those discussions, but it is important that those Governments know that Scotland is committed to meeting its targets, however we manage to achieve that.

We must recognise that it is getting tougher and tougher to deliver the tonnage target that the legislation requires, but I am confident that, in percentage terms and given our higher baseline, we are on a steeper trajectory than the legislation required of us when the targets were set. In a nutshell, we are facing a bigger drop, but we are dropping faster than the legislation initially intended. We are doing our best to close that gap.

Cara Hilton (Dunfermline) (Lab): Leaving aside the complexities about how the figures are calculated, how well do you feel that climate change policy fits in with other Government

policies? Could it be that a lack of coherence is one of the reasons why targets are being missed?

Paul Wheelhouse: Like some other areas of Government policy, climate change policy cuts across a number of departments, so the issue that Cara Hilton raises is important. One of the reasons why we have the bilaterals is to uncover where other departments are with regard to difficulties with implementation of RPP2.

The RPP2 document was developed jointly with colleagues from across parts of Government. The technical officials in each team were asked to come up with proposed measures that would be able to deliver the 42 per cent target by 2020 and the annual targets thereafter up to 2027. There has been good engagement with officials in other departments.

To pick up Mr Dey's earlier point, we need to ensure that proposals are converted into policies: colleagues recognise that and it is why the Cabinet subcommittee will be useful. It will enable colleagues to air any difficulties that they are having, and to use our collective wisdom—I hope that we can agree that there is collective wisdom in Government—to come up with solutions and perhaps see whether there is any way we can share the burden.

We do not have sectoral targets for the climate change legislation in Scotland. It is important to recognise that when one part of the economy that is expected to deliver emissions abatement of a certain amount does not do so, other parts of the economy have to pick up the slack. If it is proving to be challenging to deliver what we intended in one part of the RPP2, we have to find a response that will enable us to pick it up elsewhere. In that respect, there is a recognition that we face shared problems, and that we have a collective responsibility to deliver on the targets. However, the process will always be challenging, as we are asking people to go faster and harder and, in some respects, to use technology that is pioneering and novel in its application, which means that we are taking risks. It is difficult because we are a front-runner. It would be easier to be in the pack and to learn from where other countries go wrong; as it is, however, we have to find things out for ourselves, because we are doing things first.

I acknowledge the point that was made. In the bilaterals, I try to encourage colleagues to do as much as possible.

The Convener: No doubt we can reflect the cross-cutting nature of the issues when we make our remarks after this process.

Jim Hume (South Scotland) (LD): Good morning, minister. We heard in evidence last week that there is still scope to secure further action in

quite a few areas. The Scottish Environment Protection Agency and Stop Climate Chaos Scotland mentioned that more action could be taken with regard to peatland, and said that they would support voluntary carbon auditing in agriculture.

We heard that the agriculture sector has reduced its emissions output by approximately 27 per cent since 1990. The situation with the transport sector is the very opposite: it is a big polluter and there has been very little change—a reduction of approximately 1 per cent—since 1990. WWF Scotland noted that RPP2 has only one policy on transport; the organisation believes that there should be more action in that area.

We have discussed energy efficiency in housing today. Chris Wood-Gee of the sustainable Scotland network noted that there is considerable scope for improving the energy efficiency of existing buildings.

I am interested to know whether the minister plans to introduce new policies or proposals in RPP2 in those areas or in other areas in order to tackle emissions in the future.

Paul Wheelhouse: I am glad that Mr Hume has raised that point. I have often heard it said that there is only one policy approach in transport, but we need to recognise that a lot of good work is being done.

To put the situation in perspective, if things had continued unchecked there would probably have been a massive increase in transport emissions since 1990. Vehicle ownership has increased and people are driving further, and the pattern of commuting is unfortunately now bigger than it was in 1990. Suburbanisation continues apace, and various societal issues mean that vehicle use has increased.

To be fair, the European Union has tried to improve the energy efficiency of engines, which has been effective up to a point, but not as effective as we and all other Governments across the EU had believed it would be when the regulations were introduced. It was anticipated that the regulations alone would reduce transport emissions, but people are responding to the greater efficiency of engines by driving further than they would have done previously, because they can now afford to take more leisure trips. There has been a bit of a spring back in performance on emissions reduction.

I recognise that transport and housing are the two areas in which we have faced the most challenges in delivering substantial decreases in greenhouse gas emissions. In the residential sector, the process is complicated by the fact that weather has an impact on emissions. In 2011-12—my officials will correct me if I am wrong—

there was an 11 per cent jump in residential emissions because of poor weather, and we saw a similar phenomenon in 2009-10. Although that is sometimes dismissed as an excuse for failing to meet our emissions targets—I see that Mr Hume is nodding—we have to be realistic, to go back to Mr Dey's point. That is the nature of the beast, and we have to try to influence behaviours. Beyond a point, we cannot seriously say to people, "Don't turn your heating on" if they are absolutely freezing, especially pensioners and other vulnerable people. We have to be realistic about where we are.

Agriculture has made great progress, but I noted the point that Jim Densham made last week about the potential for that progress to plateau or to go backwards as the future of agriculture unfolds. We are trying to explore various routes, including our farming for a better climate programme. We are thinking about how we can demonstrate to farmers that it is good not only for the climate but for their bottom line to deploy improved agricultural practices that reduce emissions. The primary behavioural driver for farmers is the awareness that such practices will strengthen the financial aspect of their business. Ultimately, the benefit for us as a society is that such practices will lower emissions.

The uprating of methane has led to complexities, and may have an impact on what we do in due course. In the June common agricultural policy announcement, the cabinet secretary said that farms with permanent grassland would be asked to do more on fertiliser management. We will provide support to those farms, and advise them on how to achieve that aim, and we will try to make the process as simple and non-bureaucratic as possible. Farmers can help the environment by lowering their use of fertiliser, which is a sound thing to do because it will also save them money. If they are using too much fertiliser, they are wasting money, but if they are using the right amount, they are optimising their resources and not wasting money. We need to find new and innovative ways to move forward, and we are constantly reviewing what we are doing.

10:00

We appreciate that, in some respects, RPP2 is already out of date, but it still provides a strategy that departments can use to get us there. In areas such as transport, I hope that the additional investment that has been made in sustainable active travel in June—funding for the smarter choices, smarter places initiative—will help to move us slightly further than RPP2 suggested. The minister, Keith Brown, has been working closely with stakeholders in sustainable active travel to look at their vision of Scotland in 2030

and to work back from that to set out the funding programme. Rather than saying arbitrarily that we will increase spending each year by a certain percentage, we are looking at the vision that is required and working back from that to establish what we have to put in to achieve it.

The Convener: A lot of members want to come in.

Dave Thompson (Skye, Lochaber and Badenoch) (SNP): Good morning, minister. My point is about transport. A number of years ago, the Royal Mail experimented with running hydrogen-fuelled vehicles in the north-east of Scotland from—I think—Peterhead to Inverness. It put in place the various bits and pieces to allow it to do that, but I am not sure where that experiment got to.

However, given our capacity to generate electricity and given that there is also plenty of water here, it strikes me that developing the hydrogen economy could help greatly in achieving long-term reductions in emissions. Given that a lot of the electricity has been produced in the north, that is where I would like to see a hydrogen economy based, with all the jobs and so on that would flow from that. How much is that playing in your thoughts? Is it a sci-fi type of thing that is 10, 20 or 30 years away? Alternatively, is it something that we should pursue in the short term?

Paul Wheelhouse: I am old enough to remember watching “Tomorrow’s World”, and a lot of things that I thought were sci-fi back then are reality now. Indeed, in “Star Trek” there were personal communicators and so forth and we now have mobile phones. Today’s sci-fi can often become tomorrow’s accepted wisdom and mainstream technology. I think that hydrogen definitely has potential. I am not a scientist in that respect, but everything that I have seen about hydrogen suggests that there is great enthusiasm that it has the potential to be the next big thing in transport fuels. We are investing strongly in infrastructure to support electric vehicles and hybrid vehicles, because it could be the next big technology. At the very least, it will be a transitional technology.

I agree that there is no reason why hydrogen technology cannot be exploited in a rural region such as the Highlands and Islands, where a huge amount of renewable energy could potentially be used to create the hydrogen fuel. We also have the ability to use the technology when surplus electricity that is being generated at night can be stored through pumped hydro storage or, indeed, the fuel can be created at night when the electricity is not being used. That would be a complementary technology when it comes to the development of our renewables potential. For a number of reasons, it is an attractive option to

pursue. If Scotland could take an academic lead in the area, we could gain the employment impacts and the research and development impacts of pursuing the technology.

I ask my colleagues whether they are up to date with developments on hydrogen. Does John Ireland have anything to say beyond what I have said?

John Ireland (Scottish Government): No.

Paul Wheelhouse: It is an emerging area, but we can come back to the convener in writing, if colleagues can update Mr Thompson on the development of the sector.

The Convener: I have a wee logical follow-on from that question. Last week, I asked about the difficulties of there being different nozzles for charging points for electric cars. When you are at the next EU environment council—in your international role, on which you report back to the committee—can you ask your colleagues when they will get the issue sorted? You can see the references to the issue in column 23 of the *Official Report* of last week’s committee meeting.

Paul Wheelhouse: I acknowledge that the situation does not look particularly sensible from a consumer’s point of view. Furthermore, if we are trying to develop our tourism offering across Europe and allow people to travel across Europe in sustainable vehicles, it would make sense to enable them to use the charging points.

The good news is that by the end of the financial year, we hope to have up to 1,200 charging points across Scotland, many of which will be publicly available. The bad news is that people might need a big adaptor to be able to use them, from what was said at last week’s committee meeting. However, I promise that I will raise that issue at the environment council if I get the opportunity.

Alex Fergusson (Galloway and West Dumfries) (Con): Good morning. The field of agriculture is expected to play quite a large part in the process. The minister has already mentioned the farming for a better climate initiative and the fertiliser efficiency measures that are envisaged within RPP2. Of course, great store is also set by future technological developments to deliver carbon savings.

All those measures require voluntary uptake and a great deal of voluntary input. Without a really good method of monitoring and evaluating how all those things are taken up, it must be extremely difficult to attribute any resultant carbon savings. Can the minister expand a little bit on what plans the Government has to monitor the various initiatives? Is there an idea that the initiatives will have to change from proposals to policies to make them more effective? Will that take away the

voluntary element, as some measures might have to become compulsory?

Paul Wheelhouse: On the last point, changing something from a proposal to a policy does not necessarily make it mandatory. That would require us to make it a mandatory requirement, which is a separate decision. As we take forward the outlined measures in agriculture and make them firm policies, they are still in many cases assumed to be voluntary rather than mandatory.

We have already done work on evaluating the effectiveness of the farming for a better climate programme. We expanded the programme because the evaluation evidence showed a 10 or 11 per cent improvement in the carbon efficiency of the farms that were taking part. We can get details of that evidence to the committee in due course if that would be of help. The details just add to the messages from the evaluation. We have to acknowledge that it was a limited evaluation because there were a small number of monitor farms to start with. However, we are expanding the coverage up to eight monitor farms to try to get a better diversity of farms and different geographies so that we can demonstrate further the impacts of the programme.

In June, we announced voluntary farm carbon audits. The audits will be supported under the new Scotland rural development programme farm advisory service, so there will be guidance for individual farmers on how to undertake a carbon audit if they want to volunteer to do that. It is important to get the point across that we are not expecting them to do the audit off their own bat without any support at all. They will be given advice on how to do it.

We need to strengthen the monitoring evaluation. One aspect of it is important to recognise: farmers do not necessarily listen to politicians. Shock, horror! I am sure that we all accept that. However, farmers will listen to their peers. I have been to visit Robert Neill's farm at Upper Nisbet, down in the Borders, and I recommend that Claudia Beamish, Jim Hume—if he has not already been there; I am sure that he has—and others visit it. It is a good example of how a farmer, by joining the programme, can then communicate with his peers about it in language that they understand and accept, and in a convincing way—in a way that politicians who do not have a farming background, such as myself, cannot.

It is important to recognise the role of peer groups and what they can do, but I recognise the point that there is a lot of monitoring evaluation information that we can put in the public domain, which might help to influence people to make voluntary decisions to do something similar.

In 2013, we undertook, through a national survey, a formal data gathering exercise on the uptake of a range of the measures that the farming for a better climate programme has been piloting. Further analytical work will take place to refine our assumptions of uptake of the measures in order to inform delivery of RPP2. We are also working with Scotland's Rural College to understand better the distribution of uptake of the programme across Scotland. We will try to get the committee more information on the effectiveness of that peer message.

Alex Fergusson: I am grateful to the minister for that explanation. I do not wish in any way to undermine the value of the initiatives that are being put in place. However, to specify a particular initiative, I note that a great deal of weight is given to the idea that 90 per cent uptake of the fertiliser efficiency measures will start in 2018, and in all the documentation and the forecasts, an allocation of carbon saving is given to that measure. How on earth do we know that there is going to be 90 per cent uptake? I appreciate that it is a guess, but unless there is really effective monitoring, it will be impossible to know what the uptake is. You have sort of answered that, but will you comment on it?

Paul Wheelhouse: We need to work hard to get as much coverage of carbon audits as possible, and then scale up from the audits to what we expect the whole of Scotland to be doing. We also need to understand whether people who are doing a carbon audit are representative of those who are not, so there are a lot of ifs.

We need to look at how we can influence farmers to do the work. I have always maintained that it is better to achieve that through voluntary action, if we can. I am confident that farmers recognise the work's importance, but we can use a behavioural approach and encourage farmers to do it because it is a smart thing to do from their farm's point of view. It is daft for people to waste money if they can avoid doing that. If we point out the relevance of carbon audits not just from the greenhouse gas perspective, important though that is, but from the point of view of strengthening farm businesses, we will get a higher take-up.

Whether we will achieve 90 per cent is something that we need to work on between now and then, and we need to encourage NFU Scotland and other stakeholders, and we need to interact with them on how effective the policy is. Through interaction with stakeholders in the run-in to the June announcement, we have taken forward the approach in bringing, in effect, nutrient management measures into permanent grassland. That involved accelerating something that was in RPP2 and bringing it forward to start in 2016—subject of course to the agreement of the

European Union, as we have yet to sign off on the CAP package.

Claudia Beamish (South Scotland) (Lab):

Good morning, minister. I was going to ask about the agricultural issues because of the serious concerns about the contribution to emissions. I am pleased that my colleague Alex Fergusson asked about that, but I still have concerns about whether there will need to be regulation. A lot of the good practice that has been taken forward through the climate monitor farms and the voluntary carbon audits will make an impact, but we will have to wait and see how they roll out. I highlight that we should not rule out regulation in case we have to go down that road.

Paul Wheelhouse: For the record—and with apologies to Mr Fergusson, as I should probably have said this when he asked his question—I note that we could resort to mandatory measures if there is insufficient progress, and I think that the industry recognises that. We have powers under, I think, section 44 of the Climate Change (Scotland) Act 2009—Jim Gilmour or John Ireland will set me right if I am wrong about that—to bring in mandatory measures, if necessary, to deliver on our climate change targets. We would need to ask the lawyers whether that would be applicable and whether it would work, but farmers recognise and understand that we may need to put mandatory measures in place if there is insufficient progress.

We must also recognise that, although agriculture is an important part of our emissions today, it will be a huge share of our residual emissions in 2050. We have the twin objectives of maintaining livestock production and numbers while delivering climate change mitigation economy-wide, so agriculture, by necessity, will become a bigger and bigger component of what is left in terms of emissions. More and more emphasis will then probably fall on farmers, fairly or unfairly, to deliver on our climate change targets.

I hope that we can use the behavioural approach and point out that from the farmers' perspective the work is a smart thing to do that will save them money, but we have the backstop of mandatory powers if necessary.

Claudia Beamish: I want to expand on the areas that are under discussion, which were touched on briefly, and ask a broader question. Do you have concerns about funding for research in relation to what you referred to as “pioneering” technology? As you know, the issues are evolving. For example, the peatland measures that were highlighted in RPP1 have rightly moved from proposals to policies, and the marine environment is in RPP2 and I expect action on it in the future. Can you give the committee some reassurance

about the funding for moving these big policies through in the future?

10:15

Paul Wheelhouse: Absolutely. We are probably at the same stage with blue carbon now as we were with peatlands in RPP1. At that point, we did not have sufficient knowledge about what was possible, the sorts of emissions that were related to peatlands and, more important, the sequestration that we could achieve through investing in re-wetting peatlands. It is still an emerging area; as Claudia Beamish will know, there is still some work to be done on developing Scotland-specific figures for peatland restoration, and those figures will further inform policy.

With regard to blue carbon, I believe that Scottish Natural Heritage has done some preliminary work for us on the significance to Scotland of sea grass meadows, kelp forests and other areas of the economy. It looks as though they have the potential to be a very significant asset for Scotland in tackling climate change, but we do not yet understand fully the types of activities and investment that will be required. That said, if our economy was to invest in, say, shellfish production and seaweed harvesting, we might be able to sequester a lot of CO₂. As shellfish grow, they sequester CO₂ in their shells, and, being a plant, seaweed absorbs CO₂ as it grows.

There is potential in certain sectors, but we are not yet ready to move. However, I give a commitment to Ms Beamish and assure her that we are interested in finding out more about the issue. If I am still here for RPP3, I will fulfil my commitment to flagging up opportunities in blue carbon, which, after all, is a very important area of emerging policy in the European Union. Indeed, the outgoing commissioner, Commissioner Potočnik, was very interested in the blue economy and what we can do not only to tackle the environmental degradation of our seas but to improve the seas' performance in tackling climate change.

Graeme Dey: I want to be clear about something, minister. I understand your point about taking a voluntary approach with the agriculture industry, but given the very large sums of public money that it receives, we are entitled to expect it to make a sizeable contribution. If the Government were to consider the approach, would there be barriers to making carbon audits mandatory and linking performance to payment levels in the next CAP? In other words, anyone who had performed well would have made savings anyway and would be financially advantaged, while the poor performers could be penalised.

Paul Wheelhouse: The simple answer is that we could put more emphasis on carbon audits in due course. In announcing our nutrient management measures, for example, we made it clear that we will ultimately move to a situation where people will need a fertiliser management plan, or something along those lines, as part of the requirements. Obviously issues can be linked to the CAP through cross-compliance and other means. If it would help, we could come back to the committee with the Cabinet Secretary for Rural Affairs and the Environment's assessment of what he would be able to do with the powers that he has—without, of course, his actually committing to doing it—so that you are aware of what the Parliament could do if it wished to go down that route.

Graeme Dey: That would be useful.

Paul Wheelhouse: Graeme Dey certainly made an important point: a lot of subsidy goes into agriculture, and rightly so, because we need to produce food and we need food security. Nevertheless, that gives us some influence over how things are delivered and over encouraging good practice to be disseminated to and taken up by others.

The Convener: Very good. Angus MacDonald will now ask about EU emissions targets.

Angus MacDonald (Falkirk East) (SNP): Good morning, minister. I believe that you used the word “mercifully” in the preamble to your comments on increasing support for a 40 per cent EU emissions reduction target by 2030. On the basis of the emissions projections in RPP2, we know that the only scenario that will result in the annual emissions targets being met every year up to 2020 is one in which all policies and proposals are implemented and the EU adopts a 30 per cent reduction target. Is the 30 per cent target off the table? What are the implications for Scotland's ability to meet its annual targets in future, especially if a 40 per cent target does not materialise?

Paul Wheelhouse: I do not think that the 30 per cent target is entirely off the table, but the reality is such that it is not likely to materialise—I suppose that that is the straight answer. To all intents and purposes, I do not think that we will get a 30 per cent target, which is a pity.

Some countries in the European Union are pushing back even on our 2030 target and ambitions. The realpolitik is that the debate has moved on and people are trying to secure as ambitious an approach as possible among the countries that we might describe as less ambitious, and to get those countries to commit to something for 2030.

I greatly regret that, because I think that the pre-2020 ambition is essential. However, we must recognise that some progress, at least, has been made, and we are—mercifully, as I said—getting to a position in which the key parties at the negotiations, including the European Union and many other developed countries that up to now have been more progressive, are being joined by other countries, in particular the larger emitters, who look as if they are serious about coming to the table with an offer.

We are in a better position than we were in this time last year, but I regret that it looks as if we will not get sufficient ambition EU wide. There are very progressive countries in the EU, which would have dearly loved to have had an emissions reduction target of 30 per cent or more for 2020, and we would have been one of them. It is unfortunate that the reality of the negotiations is that such a target seems to have been left by the wayside.

We have to push as much as possible to get a steeper trajectory for 2030. We share the UK's ambition that that should be 50 per cent, if a global deal is on the table. The agreement to date by the European Union seems to be settled at 40 per cent, but I encourage members of the EU to consider putting a 50 per cent offer on the table, to help to secure a globally ambitious deal.

Scotland has set annual targets up to 2027. We are committed to a 58 per cent reduction in emissions by 2027. The targets were set on the principle of trying to achieve a 60 per cent reduction by 2030, although that is not a formal target. We are well ahead of the pack on emissions. We set our targets unilaterally and unconditionally, and I have communicated that to all the key players who will be at the negotiations in Lima, including the conference of the parties president and the outgoing commissioner, Commissioner Hedegaard. I have said, “This is Scotland's offer. We have made it and we are sticking to it: it is 42 per cent by 2020 and 58 per cent by 2027,” so that people understand that we are committing to our approach and want to help and encourage others to follow suit.

Angus MacDonald: It is not just other countries in the EU that have lower ambitions; that seems to be the case in the UK, too. There has been criticism of the Welsh Assembly Government's climate change performance from Labour back benchers and a former environment minister, who have called for a statutory framework. Given the current trajectory, there are serious concerns that Wales will fail to reach its target of a 40 per cent reduction in carbon emissions by 2020. Are you aware of the difficulties in Wales?

Paul Wheelhouse: I am. I was surprised when I read Alun Davies's comments. Now that he is free to express himself he has expressed concern

about the Welsh Government's targets. He has presented an interesting choice to his colleagues in Parliament. From what I have seen, he is recommending a legislative framework. He suggested that Wales can either go down the route that Scotland has taken, by having a statutory framework that involves annual targets, or go down the UK Government's route and do a carbon budget, which is easier to achieve.

It is probably quite telling that Governments around the world tend to be picking up the UK Government's approach rather than ours. Our approach is stricter and tougher—that is something that I have experienced regularly. It is important to our stakeholders, including international non-governmental organisations and local stakeholders, that we have a strong model that can be deployed elsewhere, because they see the benefits of the Scottish Government's accountability to Parliament driving our ambition. I am sure that there is some criticism—I am not assuming that everyone supports what we are doing—but the process itself works, because it places us under pressure to deliver, and that is what the world needs. Governments need to be challenged constructively to deliver on their targets. The more Governments we can get to pick up our example, the better the world outcome will be. Rigorous scrutiny by Parliament—which the committee has demonstrated today—and by others is important in driving the process, and we need strong legislation across the world.

The more we can do to make our example as positive as possible for other Governments to copy, the better. It was interesting that Alun Davies said that others have not done enough. It is important to point out that, although the Welsh Government has a 40 per cent target, it applies only to areas that are devolved to Wales. We have applied our targets of 42 per cent and 80 per cent across the entire economy, even to areas that are reserved to Westminster and for which we do not have legislative responsibility, and we have gone one step further to include international aviation and shipping, which may well be unique in a global sense. We are the only Government that I am aware of that has done that.

The Convener: There are no supplementaries on that question. Nigel Don has a question on emissions data.

Nigel Don: The committee heard that, compared with other places, there is a time lag of 18 months after the end of the year before we get the data. Has the minister had an opportunity to talk to the UK Government about whether we can improve that situation? Are there any surrogates that we can use? For example, the tonnage of beef might well convert into methane by some factor and, presumably, we know how much petrol

and diesel are sold in Scotland, which we can assume it is all burned. What options have you got to improve the data?

Paul Wheelhouse: I read the evidence that was given last week and I know that the delay in the production of the data is a source of frustration to stakeholders, to the committee and to me. Ironically, when I gave my first statement on climate change, it related to 2010, which was before I had even been elected. That just shows the nature of the time lag that we are dealing with. Today, in 2014, we are debating figures for 2012, which is frustrating for us.

I understand that the approach that is taken involves a two-step process. As the committee discussed last week, there are initial draft figures at UK level, but no Scottish set is created at that time. It is only when more precise data is produced at UK level that it is possible to drill down and use estimates of the kind that Nigel Don has mentioned to calculate a Scottish equivalent for the publication that we get a few months later, in June of each year. I was thinking about the issue when I was reading the evidence last night and, sadly, I do not think that there is great scope at the moment for us to accelerate the process, because the data on which our figures are based can be produced only once the detailed UK figures are ready, and then we have to apply population factors and gross domestic product ratios to them. I will ask John Ireland to comment on the detail.

The good news is, though, that we are developing our own macroeconomic model, which can be used to inform future decisions by the Scottish Government on our investment priorities, so we will have a much better understanding of how the economy works and of what an investment of £1 million in one area means in terms of carbon impact. That will give us a better understanding of our economy, but at the moment we still rely on DECC to produce the figures as quickly as possible.

John Ireland: The important thing to bear in mind is that there is a trade-off between timeliness of data and the quality and accuracy of the data. At the moment, the situation might not be ideal, but there is a compromise to be made between getting the data out as quickly as possible and having relatively robust data. The confidence intervals for that data are still pretty wide, and I fear that any attempt to produce a more timely data series in the way that Nigel Don suggests would lead to much lower-quality data with much higher confidence intervals, and would probably confuse us more than help us.

10:30

Nigel Don: I will explore that a bit. One issue that the minister mentioned is that, once we have shrunk the amount of carbon that we emit, those who inevitably must do so, such as beef producers, will by definition become a larger fraction of what is left. Are you specifically working on how that amount can be measured and how it can be reduced? Are we moving to the days when, for example, beef is produced in sheds and the methane that goes up to the roof is burned off to CO₂ before it is emitted as methane. That would be the chemist's solution, without having to worry about the engineering one.

Paul Wheelhouse: I will gladly leave that to a subsequent minister to explain to the farmers.

We have brought in specific measures in the SRDP to help the beef sector through the challenging transition in the CAP. One of the rationales for that is to help make the beef sector more efficient in its use of materials. To pick up on Ms Beamish's point, we are also doing work through research strands, for example on the charmingly named greencow project. A lot of work is being done on the methane performance—if I can put it that way; I am trying to think of a polite way to express it—of ruminants such as cattle with the aim of reducing the emissions thereof. That is a challenge.

I ask John Ireland or Jim Gilmour whether they know of anything that is being done to improve the measurement of the data.

John Ireland: One reason why we have so many upward revisions in the data is that a very thorough programme of statistical research is going on to improve the quality of the data. As we learn more about the science, we get better accuracy and the measured emissions go up. A significant amount of research is going into measurement, particularly in areas in which the quality of measurement is less good than we would like. The evidence of that is that previous data is revised, which creates the issue of upward revisions. A lot is going on.

The Convener: Claudia Beamish wants to ask about that.

Claudia Beamish: I have a brief supplementary question about the compatibility of data collection in the public sector, the private sector and other sectors. How can that be improved? What progress is being made?

Paul Wheelhouse: That is an important issue. As Claudia Beamish will be aware, we are working through the public sector climate leaders forum—PSCLF—to try to improve consistency of recording and reporting in the public sector. We are considering potentially making a mandatory

provision for reporting in the public sector and not just for local government. As the member will know, local government is already doing a relatively good job on that. However, we are trying to get consistency in the way in which local government reports the data, so that it can be aggregated and used in assessing our performance against RPP2.

We have to do something similar in the private sector. It is positive that the 2020 climate group of businesses is working with us and participating in PSCLF, so it is aware of the agenda that is unfolding in the public sector. Ian Marchant attended the most recent meeting of the forum and was able to give the business perspective and say what businesses are doing.

With climate change and with the biodiversity duties, we are trying to develop a template that companies can use. Obviously, some bigger companies are well resourced and have internal specialists who can provide lots of information. That is also true of the public sector. However, we need something that smaller companies can deliver. That will perhaps involve building around a core of information. It would be good if listed companies reported their performance in relation to climate change and could augment that if they wanted to do so because of corporate social responsibility or because it is a core part of what they do.

We need to find exemplars. The Scottish Government is by no means the finished article, but we want to become an exemplar organisation and to demonstrate to others how we will report on these matters and what we do.

People forget that organisations such as SEPA and SNH are, ultimately, businesses. They might be public sector businesses, but they operate in a business-like way and they have shown the way in reporting on the climate action that they are taking as organisations, warts and all. They open themselves up to criticism by doing so, but at the same time, what they have done has been commended by WWF and others as the right thing to do, because they are showing what is possible and are taking the lead.

The Convener: I think that Claudia Beamish has another question.

Claudia Beamish: You have already referred to the new Cabinet sub-committee on climate change that you announced in June. Could you tell us a bit more about that, as appropriate, particularly in relation to the delivery of RPP2 and of future climate emissions targets? In particular, I am wondering whether there will be discussions about issues that might be politically challenging for all parties, such as transport demand, low-emissions zones and road pricing, or what alternatives there

will be if carbon capture and storage does not come online, which is an issue that some stakeholders have raised. Those are just some examples. I am not clear whether the discussions of the sub-committee will be public, and it would be helpful if you could tell the committee a bit more about it.

Paul Wheelhouse: Absolutely. The most important thing to say is that I very much welcome the creation of the sub-committee and the Cabinet's agreement to have one. It will have the delegated decision-making powers that come with a Cabinet sub-committee, and it will involve all the ministers who have a role to play, although that does not mean that other ministers are not responsible for climate change duties—I put that on the record for future reference, convener. It will allow us to make use of the time of those who have some portfolio responsibility, including some ministers that you might not think of, such as Alasdair Allan. He is responsible for education, but he has a role with the academic research community, and schools and education institutions have a role to play in helping to deliver climate change targets. A full range of ministers will be involved who we believe should have the insight and the opportunity to speak from a portfolio perspective.

Importantly, the sub-committee is connected to the work of the climate change delivery board, which came about as one of the governance changes that took place as a result of the RPP2 process. The climate change delivery board has responsibility at senior official level within the Government to monitor performance against delivery of RPP2. We have seen that in the initial reporting that has come out on progress, warts and all, and how we are doing in relation to RPP2. The climate change delivery board is doing the day-to-day monitoring of what is happening on the ground. The Cabinet sub-committee can give political leadership to the delivery board and be a forum for problems or challenges in a particular area of policy delivery. It can have a full and frank discussion about where we go with delivering on an objective.

On the specific issues that might be discussed, I cannot determine what the Cabinet will choose to look at, but we will be able to explore all the options that the Government has available to it, politically difficult or otherwise, when we are trying to achieve our target, and we will be able to make sure that delivery is as robust as possible. There will be quite clear links between the Cabinet sub-committee, the climate change delivery board and, in parallel with that, the PSCLF group and the climate leaders officer group, which is made up of officials in the local government sector and public sector bodies. There are a number of different

strands and the Cabinet sub-committee will provide political leadership to the process.

The Convener: As there are no further supplementary questions, and as the minister is here, I want to ask him about severe weather events, which have been mentioned in the context of the increase in our emissions for RPP2. Severe weather events have battered coasts, homes, harbours and shipping in the north of Scotland this week, and we need to monitor such events very carefully.

The minister will be aware of the engine failure of the Danish-registered vessel MV Parida, which was transporting irradiated cement from Scrabster to Antwerp. The vessel drifted towards the Beatrice platform, which had to be evacuated. The MV Parida is now being taken by tug in the direction of the Cromarty Firth. Does the minister have any further information about the effects of severe weather on our coastal homes and harbours and at sea?

Paul Wheelhouse: An update will have been produced at half past 10, which I will have missed. Notwithstanding that, we know that yesterday's severe weather caused damage. In Mr Don's constituency, properties along Stonehaven waterfront were evacuated because of the tidal surge overtopping it, which is a concern to residents. A number of properties experienced flood damage, which—thankfully—was relatively minor. However, that affects the individuals concerned, and my sympathies go to them in relation to any property damage.

The incident that you refer to involving the vessel that was transporting nuclear waste is a matter of concern. The Cabinet Secretary for Rural Affairs, Food and the Environment said that he wants to meet the Office for Nuclear Regulation as soon as possible to discuss the transporting arrangements. Regardless of whether the vessel was seaworthy—I have no reason to believe that it was not seaworthy—the fact that it had a fire on board meant that it drifted and, because of the weather conditions, that became a serious challenge. Workers on the Beatrice platform had to be evacuated in case the vessel hit the installation. The incident has implications for others and the environment. I am sure that the cabinet secretary will take the matter very seriously in his discussions with the Office for Nuclear Regulation to ensure that arrangements are better in the future.

The Convener: Thank you very much for that information.

I thank the minister and his officials for exploring Scotland's climate change targets with us. We are keen to ensure that we have as much knowledge

as possible of what is an on-going matter of the utmost importance.

We will break to allow for a changeover of witnesses and to have a short comfort break.

10:41

Meeting suspended.

10:51

On resuming—

Crown Estate

The Convener: Item 3 is to take evidence from the Crown Estate in its annual session with the committee. We welcome from the Crown Estate: Gareth Baird, Scottish commissioner; Ronnie Quinn, the lead for energy and infrastructure in Scotland; and Alan Laidlaw, rural and coastal portfolio manager, Scotland. Do you have any initial remarks to make?

Gareth Baird (Crown Estate): I have a brief remark to make.

Good morning, ladies and gentlemen. We are delighted to be here again for what is our third annual appearance before the committee. The appearances have been helpful in enabling us to understand your perspective. Your questioning has prompted changes in how we work, particularly how we report that work.

Two years ago, the committee questioned the fact that round 3 of offshore wind in Scotland, which is beyond 12 miles from shore, was not included in the finance section of our Scotland report. We addressed that matter. Last year, some members asked how we engage communities, particularly in the context of our local management agreements. We have made significant progress, with more agreements coming through and a charter on good engagement that we are set to finalise shortly.

Offshore renewables remain central to our work in Scotland. The consenting of Moray Firth offshore wind projects, which includes the first project in the United Kingdom to reach round 3, was a huge milestone for the industry. Equally, we were very pleased that our investment, alongside that of the United Kingdom Government, Scottish Enterprise and Highlands and Islands Enterprise, in the MeyGen tidal scheme off the Caithness coast means that the first phase can proceed, opening the way for Scotland to play a leading role in the development of larger commercial tidal schemes that can make a real contribution to future energy needs. However, the sector has major challenges ahead. We are working with industry partners on cost reduction, which is critical if we are to maintain investor and developer confidence in projects.

You have received our Scotland report 2014 on our work in the past financial year. We are keen to address any questions that you may have on the report or on any other aspect of our work.

The Convener: Thank you very much. We will start off the questions with Graeme Dey.

Graeme Dey: Good morning, gentlemen. I have a couple of scene-setting questions emanating from the 2014 report.

First, I note that the total property value is given as £267 million, which compares with £237.3 million in the previous year. That is quite a leap. Will you outline how that increase has been arrived at?

Secondly, given the committee's previous discussion with the minister about climate change, I am particularly interested in the suggestion that greenhouse gas emissions from the Crown Estate have been reduced by 3 per cent. How did you achieve that? How will you maintain or improve on that performance in the coming years?

Ronnie Quinn (Crown Estate): As you will see from the figures, a large part of the increase in capital value is due to the increasing capital value of renewables. That is not totally unexpected because, just at the tail end of this reporting period, consents came forward for the Moray Firth area, as Gareth Baird mentioned. Renewables are still discounted in our accounts, but they go into another bracket, effectively. There has been a substantial increase effect on the capital valuation of offshore renewables in particular.

As regards the work that we do ourselves, we have initiated a green workplaces initiative in all our offices. That partly involves doing small things. We have quite a lot of recycling in our offices now, and there are various other initiatives, such as switching off laptops and monitors and reducing our use of bottled water. All that kind of thing adds up.

We have an in-house team that is co-ordinated across the Crown Estate, and we have a small team in Bell's Brae here in Edinburgh, who work across the piece to reduce our impact on the environment.

Graeme Dey: That suggests that you have done what you have done and you are where you are, but how are you going to build on that?

Ronnie Quinn: I am not on the green workplaces committee myself, and neither is Alan Laidlaw, but I know that there was another meeting last week. I do not know what new initiatives will be coming forward.

Gareth Baird: Sustainability runs through our veins, and our chief executive, Alison Nimmo, has driven that very hard. There is now a sustainability discipline everywhere we act, right across the business. There will be a consistent level of increased focus on that, and that will, we hope, bring benefits.

Alan Laidlaw (Crown Estate): As regards the core team in our business, the office premises and our activities are quite small compared with the

other interests that we are involved in. A lot of the work that we are looking to do on climate change and carbon reduction involves influencing our tenants and helping to inform the debate.

We have an important role to play in the interpretation of some of the science and policy as reality on the ground. I could cut water use among the 38 staff in our office by 100 per cent, but that would only make a tiny difference if 10 of my farmers continue to do different things. Much of what we are trying to do lies in influencing behaviours.

Graeme Dey: Would you actively encourage your tenant farmers to carry out carbon audits on their farms?

Alan Laidlaw: Yes, absolutely. A lot of them have done so—the early adopters are already doing that. They have gone right down the precision route regarding the use of fertilisers and inputs. There is also a rump of them who consider things from a different perspective, and we are trying to inform their thinking.

We have a workshop with our livestock producers in early November with the Moredun Research Institute. We are working in partnership with Moredun to discuss efficiency, diseases and so on, to ensure that output per methane-producing body is as high as possible. From my point of view, that is where we can make real differences on the rural estate, rather than having a 50 per cent reduction in water use in our office, for instance. It only takes two or three burst pipes and two or three days of people ignoring them to completely mitigate any benefit that we make. That is a key point.

Graeme Dey: That answer is encouraging.

The Convener: Several members wish to ask supplementary questions.

Dave Thompson: My questions are about what you include in property value. Do you value the sea bed only where you have issued a licence to somebody, or do you value the total amount of sea bed that you have? Around Scotland's shores, you own a massive amount of sea bed, which has massive potential. Should that be valued in some way rather than valued purely when somebody asks you whether they can do something on it and you get the rent?

11:00

Ronnie Quinn: We use the red book valuation principles. Valuations are done by an independent valuer or a team of independent valuers, and they are applied only to areas of the sea bed where we have activity and some lease or agreement for lease activity.

Valuing the wider aspect would be outwith the red book, which is the industry standard and norm. If a value or benefit was not being derived from an area, it would be difficult to value it under the red book rules.

Dave Thompson: That is fair enough—I understand and accept what you say. However, an estate in the Highlands is worth whatever it is worth almost irrespective of what happens on it; if little happens on it, it still has a value, which would change if other things happened.

Your report says that your current total property value is £267 million, which represents 3 per cent of the UK total. However, because you have so much shoreline in Scotland, I imagine that the potential value of your sea bed in Scotland—your estate, if you like—is pretty large in comparison with that for the rest of the UK. Would it be useful for us to measure that, even if you only quantified the area, in comparison with the rest of the UK? That would give us an idea of the potential value if further development occurred.

Ronnie Quinn: We could certainly identify the area of the sea bed in square kilometres, but I think—Alan Laidlaw might have more to say—that valuers would find it difficult to value something that did not have a recognised and foreseeable income stream, because I understand that that is not in the red book rules. The valuation would become contentious.

Alan Laidlaw: It is worth saying that, if an area does not have an active interest or an agreement, it carries a management responsibility, which could be viewed as bringing liabilities. We would get into difficulty with the Royal Institution of Chartered Surveyors red book guidance in creating value in those circumstances.

The quantifiable quantum of what we manage and look after is possible to identify. In the coastal estate, which I am responsible for, there are many long stretches of coastline that have limited value, because the interests are limited. Setting a blanket rate per kilometre of foreshore would be slightly disingenuous. I would not like to see that in our accounts.

Claudia Beamish: I understand that the Crown Estate Commissioners have a general duty under the Crown Estate Act 1961—1961 is some time ago, even for someone like me. The act says:

“It shall be the general duty of the Commissioners, while maintaining the Crown Estate as an estate in land ... to maintain and enhance its value and the return obtained from it, but with due regard to the requirements of good management.”

As I understand it, legislation would be required to alter that duty, as it is part of an act, although I stand to be corrected. Has any consideration been given to updating the duty? That could perhaps be

done through reference to a carbon commitment, a social remit, or sustainable development or other duties, even just within a mission statement. There might well be such plans afoot—consideration might be being given to having some sort of statement that is more appropriate for today.

Gareth Baird: We are wholly directed by the 1961 act and it is for Governments to consider whether any changes should be made to it.

I go back to the straplines of the Crown Estate: commercialism, integrity and stewardship. That means that, when it comes to the assets that we are entrusted to manage by the nation, we have to take a commercial view. There are many examples that I hope to be able to bring to the committee's attention later in the meeting of situations in which that results in a win-win for everyone. We have to take a long-term view in any commercial activity that we undertake—that is where the stewardship part comes in. We have to act in an open and transparent fashion.

As far as the carbon footprint of our activity is concerned, all that I can do is refer back to the earlier comments about our chief executive, who has brought a way of working that is focused on sustainability to the whole team and to all the sectors of the Crown Estate. I can assure you that the carbon footprint element is now taking precedence.

Claudia Beamish: As far as a more focused social remit is concerned, which is something that has been highlighted to us to an increasing extent over the past few years, would it be possible for you to have some sort of statement that the public could look at as a way of engaging with that commitment?

Alan Laidlaw: As I have said to the committee previously in discussing land reform—this follows on from Mr Thompson's point—we can create value in revenue or capital terms only when we do something with the assets. Because we are not a trading business, we can do something with our assets only with a partner—a community, a developer, an energy company or a farmer. I have never seen those two aspects as being exclusive to each other.

We can create value in our estate and in revenue only by working in partnership, and I think that the case studies in this year's annual report reflect the fact that what we do to invest in long-term projects creates value beyond that. I am really proud of what my team, the team in Edinburgh and the team around Scotland deliver. We are delivering a commercial return, which an act of Parliament has identified that we must do, but the wider impact of our activity is far greater through the opportunities that it enables.

There is a bit of tension, but I do not think that there is a lot of tension in those areas. Many of the activities that we engage in, whether it be the mountain biking investment in Glenlivet, which has created more jobs and a long-term tourism hub, or whether it be working with communities on local management agreements to take forward their interests, are meeting our requirements under the act but are also delivering on the ground.

Ronnie Quinn: Page 1 of this year's report sets out, in fairly bold print, the statement:

"Our role is to make sure that the land and property we invest in and manage is sustainably worked, developed and enjoyed to deliver the best value over the long term.

At the heart of how we work is an astute, considered, collaborative approach that helps us create success for our business and for those we work with."

That is the kind of mission statement that you were referring to.

Just in case we forget it, we are all issued with a little card that we carry with us that sets out our values in how we work and do our business.

Claudia Beamish: Beyond what each annual report says, would it be appropriate for the Crown Estate to have a mission statement that was relevant to today? Would that be helpful in relation to the interface with communities and the public?

Alan Laidlaw: Yes, we could work on that. Indeed, the charter on engagement with communities that we are working on will help to reinforce that, and the toolkit that we brought with us at our appearance before the committee last year was all about getting a greater understanding of a community's desires and helping to fulfil them. I see no issue with that idea at all.

Jim Hume: Good morning, everyone. At last night's meeting of the cross-party group on rural policy, we discussed the challenges facing younger people. In that respect, Claudia Beamish mentioned a social remit, and you have talked about stewardship. We also heard about the ageing population in some of the rural industries. Given that your estates cover the agriculture, forestry and farming industries, what policies and proposals have been put in place in the Crown Estate to address some of those issues?

Ronnie Quinn: I will kick off on that, and I am sure that Alan Laidlaw will come in later.

This issue is close to my heart, and it is all about education at all stages, particularly with regard to the offshore renewables sector. Things have evolved. We started by telling people in colleges and universities how the industry was moving forward and what would be required, but we quickly realised that many students had already made their life choices and decided where they

wanted to go by the time they reached college or university.

We then began to speak to schools, particularly secondary schools, and we found that that approach had good results and that the pupils and young people were enthused about the industry. They were particularly enthusiastic because it was not an industry that they could learn about from their parents, as it was not there at that time.

We soon realised that we were creating a small industry and that we could spend for ever and a day doing that. As a result, we recently piloted in some secondary schools—one in Kirkwall in Orkney, one in Caithness and one in West Lothian—the clean energy from the sea programme, which fits into the Scottish Government's curriculum for excellence. The programme has been well received by pupils and we are discussing with the industry and other bodies how it might be rolled out on a more nationwide basis or how it can be more broadly received.

We are keen on this work and we see it as central to how we in Scotland and the UK can derive the best benefit from these emerging industries. There is no point in our doing all this work and getting this out there only for commercial gain; we want to maximise the approach and we are keen to have as much home-grown talent as possible coming into the industries. Earlier this year, Scottish Renewables published figures showing that more than 11,000 people are already working in the industries in Scotland, and it would be good if that figure grew year on year.

Alan Laidlaw: The clean energy from the sea programme came out on the back of our forests for the future project, which we developed with the Forestry Commission in line with the curriculum for excellence, and it is all about opening up to wider audiences opportunities in the assets that we manage. A lot of our direct investment in our assets creates such opportunities. Aquaculture, which has just been highlighted as a growth sector, is heading towards being worth £2 billion. However, the figure that struck me in the report that the minister, Mr Wheelhouse, commented on yesterday, was the 10,000 jobs in rural areas. Those are really important jobs for remote communities.

In agriculture, the committee members who came to Glenlivet last year saw, I would suggest, a younger profile of farmer than they would have seen elsewhere precisely because investment is being made in fixed equipment and because those farmers recognise that their units are viable and progressive. When 17 or 18-year-olds are making choices, they know that they can go home to their unit, that it will be viable and that they will have a partner who will work with them.

We are trying to signpost to the opportunities for growth, which include marine tourism. This summer in particular, Scotland has basked in some great results for tourism, and the impact on young people is interesting. The only local authority area in which the 20s demographic is increasing is the area containing the Cairngorms national park. That is because adventure tourism and recreation is a core growth sector in that area and that is keeping those people there. Rather than returning to their home area at 60 to retire, people can return immediately, post-university, because there are opportunities there.

11:15

Marine leisure tourism is a really great opportunity in our sector. Again, that involves working with communities and, for example, investment in new pontoon projects. Gareth Baird recently attended the opening of a new facility at Lochmaddy, which has already had a significant impact on the local community. It will bring people back because they have viable opportunities.

Gareth, do you want to say something about Lochmaddy?

Gareth Baird: There may be subsequent questions about local management agreements, but I was privileged to be at the opening of the Lochmaddy marina in North Uist, which was opened by the Princess Royal. It has been quite extraordinary. When we reported to you last year, we had one definite local management agreement in the pipeline, whereas now we have four completed LMAs and we hope that there will be 11 further LMAs in future. We are communicating on those with the local community.

It is great that Lochmaddy was the first LMA to be delivered. The outstanding feature was that there were real leaders in the community there. Gus Macaulay, who heads up Comann na Mara—the Society of the Sea—and the North Uist estate were strong in driving the LMA. The Crown Estate was able to fund a feasibility study for the new marina and we invested £414,000 in its construction.

The thing that astounded me when I went to the opening at the beginning of September was the colossal use of the marina. Yachts were turning up even before it was completed. At that stage, 300 yachts had been in, some of them from as far away as the Baltic. The tallest two-masted schooner in the world had been in and cruise ships had been coming in, without notice, to scout the area.

On the ground, the economic effect on that small community has been that the small village shop's income has risen by £1,000 a week. The

local hotel's income has risen by £3,000 and it has converted three part-time jobs into full-time ones.

Alan Laidlaw mentioned the marine tourism industry in Scotland. As you know, we have a Scottish liaison group and we have just invited 30 stakeholders to our November meeting. With all those people, it is difficult to go into detail, so we now have sub-sector groups. We met the marine tourism group about a fortnight ago, and that industry is now worth £300 million per annum to Scotland. That figure is not known, and I was astounded to learn that it is higher than the figure for golf in Scotland.

Last year, I talked about the string of pearls and how Scotland plans its marine routes for these high-net-worth people to come in and spend money in coastal communities. The Crown Estate has helped by setting out the details in the magazine "Welcome Anchorages 2014". The east coast is still to be done, but that work is in progress.

As Alan Laidlaw said, developing the LMA has been an extremely collaborative process and we are proud of it. On the day that Princess Anne came to open the new marina, three other communities came to Lochmaddy to ask our officers how to take their communities forward.

The Convener: We will move on to another seaborne topic.

Nigel Don: Good morning, gentlemen. It is good to see you again.

I will start with aquaculture, and fish farming in particular. We have heard in the past few years about the expansion of the industry, which makes good sense for all sorts of economic and food security reasons. I notice that you mention it in your report. Will you tell us how you see it progressing and perhaps how far you see it going?

Alan Laidlaw: I mentioned the report that came out yesterday. The press coverage has focused on the projection that aquaculture is moving towards becoming a £2 billion industry by 2020, with 10,000 jobs. That growth is important but, to go back to Claudia Beamish's point about sustainable growth, there is a tension in aquaculture between food production, demand and sustainable environmental impact. A huge amount of work is going on to ensure that the industry is robust and can defend its credentials. That includes using wrasse to treat fish lice, among other sustainable methods.

There is a huge demand for quality protein and for premium products from Scotland. The growth targets are ambitious, but they are achievable. There is a real buoyancy in the industry with regard to the opportunities, but we are competing with Norway and Chile. We recently met the

aquaculture sub-group, which made it clear that significant investment decisions are being taken about where to invest, that Scotland is on a pitch with other areas and that it needs to ensure that it is open for business in aquaculture.

There is an opportunity for sustainable growth. One of the interesting developments in the field concerns offshore aquaculture and how far offshore the technology can take the industry. The convener mentioned extreme weather events in your discussion with the previous panel. It is hugely challenging to put the equipment into some of the areas that we are talking about, even with all the expertise from the oil and gas industry and from engineering. We need to find the right places to grow aquaculture and the right way to do it.

The community engagement that many of the operators are conducting is far greater than it was in the past. The operators are holding community roadshows and saying, "Do you want aquaculture in your area? If you do, what should it look like?" That is a huge development. I have heard things such as, "Aquaculture arrived in the loch in the 1970s and we didn't want it." Those days are past, and the planning processes—such as marine spatial planning, which is winging its way towards us at present—and community engagement on terrestrial planning have meant that operators have to get things right up front.

If we can get the sustainability credentials right and keep them working, if the industry can keep doing good work in that regard and if we can get community buy-in, aquaculture has a lot of growth still to come. The value that is created in the sector, both upstream and downstream, is phenomenal. We are hopeful about that, which is why we help to invest in research and development. Aspects such as the transfer of planning responsibilities are at the crunch point at present, and we need to ensure that available sites are optimised and used.

Alex Adrian, who leads our aquaculture team and who lives in Strachur, is an industry expert and he has been working for a long time to ensure that the opportunities that present themselves are taken. Vacant sites have often been discussed, and there may be opportunities to do different things on some of them, perhaps involving trout or halibut, or shellfish rather than fin fish. There is a lot to do, but there are a lot of opportunities.

Ronnie Quinn: We are also working with some of the big companies to trial wave technology to power the fish farms and thereby reduce the need for diesel generators on the platforms.

Nigel Don: Thank you for that extraordinarily comprehensive answer, which went into all the spaces that I was expecting I might have to push you towards.

When the committee was scrutinising the Aquaculture and Fisheries (Scotland) Bill, it became clear that the further aquaculture goes offshore, the more chance there is of avoiding conflict. Equally, of course, operators want to engage with the communities that will have to work there, and the environmental consequences are also obvious.

To what extent do you need the support of the Parliament or the Government to achieve some of the things that you talked so eloquently about? Do you have all the powers and the enthusiasm that you need to make things work?

Alan Laidlaw: Successive Governments and the Parliament have always been supportive of aquaculture. The industry welcomes that support, but it understands its responsibilities and what it has to do.

On your point about communities and offshoring, there is a difficult dynamic in that regard, because when we speak to local authorities we find that they want to ensure that economic activity is as close to home—and dry land—as possible. As part of our greater engagement with local authorities, we involved a member from the island authorities in the recent sub-group discussion. It was great to see industry talking to local authorities about their aspirations. It is also about ensuring that local areas benefit, which is quite a challenge.

You mentioned powers. Aquaculture is a well-supported industry, but there are interests that seek to fight it at every step. It is important to understand its value. In our report, there is a case study about aquaculture on Gigha and how important it is to services such as ferries and schools. I am sure that I have told the committee this before, but when a young manager was placed on an aquaculture site, the company could not understand why the community was delighted and the feedback was so exceptionally positive. It was because the manager had three kids at core ages, which was keeping the school open.

The Marine Scotland report that was produced earlier this year by Imani Development, which did our case studies, did a first-class job of identifying the impact of aquaculture and those upstream and downstream values. As long as the Parliament and parliamentarians keep that in mind and the industry keeps delivering on R and D and sustainability, aquaculture will be in a pretty good place.

The Convener: Let us stick with seashore and offshore projects before we move on to land projects.

On Saturday evening, I was at the launch of the Glenmorangie Distillery Company's Dornoch project, which is using anaerobic digestion.

Excess nutrient-rich liquid is going into the Dornoch Firth to feed mussel and oyster larvae. That is not aquaculture, of course, but it is the kind of natural development in which the Crown Estate would be involved, given that it involves waters that you manage. Have you had sight of that project?

Alan Laidlaw: Not personally, but I know that the team is working on the approach. Shellfish farming, which some people call ranching, is still aquaculture, and it has a very high-value product. The downstream flow of nutrients for feeding aquaculture products and other uses is important, and we have been looking at it in the context of R and D. It is like macroalgae and seaweed cultivation for anaerobic digestion, which creates power and heat but also creates animal feeds, pharmaceuticals and nutrients that can go back into the system. Alex Adrian and the team have been working hard on those aspects, because there are opportunities in aquaculture to close some of the gaps that agriculture cannot easily close.

As Mr Thompson said, there is a lot of seabed out there, so there are a lot of opportunities for long-term, sustainable business streams. Seaweed cultivation is currently relatively low in intensity and it tends to involve collection rather than farming, but for the past three years we have been investing in R and D to consider how to scale up production. We could go as far as having smart grids on islands, with AD helping to produce power and heat and agricultural fertilisers and so on. There is a virtuous circle to be developed in that regard.

That brings me back to Claudia Beamish's point about sustainability. The key challenge for us is to ensure that development is sustainable. The last thing that we want is activity on the seabed that is not sustainable or that creates havoc in communities. It is worth while to promote, invest in and follow up the new opportunities, but that has to be done correctly.

11:30

The Convener: Claudia Beamish has a question about the foreshore.

Claudia Beamish: It would be helpful if the witnesses could clarify how much of the foreshore has been handed over to communities. If you do not have the figure now, perhaps you could get back to us on that. Do you have any targets on that for the future?

Alan Laidlaw: Gareth Baird touched on local management agreements. When we spoke last year, four were in train and we are now heading towards 16 across the areas. I have with me a small visual aid—it is hot off the press this

morning, but we will send it to you—that highlights that the LMAs are predominantly in the west. However, we would dearly like some of the communities that are doing interesting stuff in the east to come forward.

We do not have a figure for the area that is involved, because each of the proposals is different. However, we are piloting foreshore sales with the Carloway Estate Trust. As I am sure some members will be aware, the trust is going through its ballot and buy-out process. When it became clear that the trust was going to be successful and before it submitted its land fund application, we went to see it and asked whether, given that some ownership will transfer with its purchase, it would consider buying and taking control of our foreshore interests in the area. The trust is going through a due diligence process, and we have helped it through that. It is looking to take a go/no-go decision and, as you would expect, it is taking the responsible approach that the decision is one for the community. It has decided to buy the land part of the asset, but it needs to know more about the foreshore. We are working with HIE and the Carloway Estate Trust on that, and I am hopeful that the process will work well, that it will progress and that it can then be rolled on beyond that.

As for the number of kilometres that we are talking about, some of the LMAs are for 10 yards of foreshore, but what they unlock is massive. We could give you an update on where we are with all those dealings, but it probably would not be an area-based report. In response to direct feedback from the committee last year about the promotion of LMAs, we went to the Community Land Scotland annual general meeting in June and held a workshop to engage with community owners on the opportunities. More than 21 community organisations and others were in the room listening to those opportunities—interest really has been awoken. I suspect that the reason why most LMAs are in the north and west is because of the make-up of the CLS membership, but we are trying to push LMAs elsewhere.

Interestingly, one or two groups whose foreshore is not owned by us have said that they could do with some help in relation to what is going on in their areas and, because of sea bed interests, we have been able to work with some of them to develop their projects, which go right from small-scale aquaculture and mussel farming to large-scale projects and pontoons. Yesterday afternoon, I had a discussion about a large-scale project on Harris that is looking to unlock a significant amount of public funding and connect Lochmaddy to what is going on.

As Gareth Baird has said, community groups are now asking to come and speak to us or are asking us to speak to them, because they have

heard good things about us from other groups. I am proud that we now have local ambassadors who say, "This really worked for us—go and speak to them and they will help," which, I think, is progress.

Claudia Beamish: The second part of my question was whether you have any targets. Also, will you give a little more explanation about the nature of the agreements? Are they about handing over the management of assets to communities? Is that done on a commercial loan basis? Maybe the LMAs vary—I do not know.

Alan Laidlaw: You are absolutely right—they vary. An LMA is designed to be not a rigid process but almost a light-touch introduction. For example, it could lead to a full-scale lease of the foreshore and sea bed; it could lead to an investment, as is happening in Lochmaddy; or, alternatively, it could lead to nothing because the community has decided that it can do what it needs to do without that. There is no formula that says that an LMA equals lease or investment or whatever.

Some of the LMAs on the list receive funding. For example, The Glendale Trust on Skye has a small-scale development at Loch Pooltiel, and we have put £5,000 towards a feasibility study there because we think that it is a good idea. That is in its early stages, but it is in line with our investing to create value and we are happy to put the money in.

The Lochmaddy proposal was more developed. As Gareth Baird has suggested, the community was firing on all cylinders, and the fact that it had a well-developed proposal and a really robust business plan allowed us to invest. It is a commercial investment but I must point out we are different from a bank—I used to be a bank manager, but I am okay now. The investment that we set up has a risk element to us and is based on the profile of the growth that is expected. There are three years of bedding-in time to allow the project to get going. We have skin in the game, so to speak—we have taken the risk that all our investment might not be paid back—and it all involves a greater understanding and reflection of what is happening on the ground, particularly in marine leisure tourism.

As for targets, I told the committee during the land reform process that we support the local management of assets. The more we can do in line with what we are able to do, the happier I am—so we need to do as many as possible. I therefore reiterate the request that I made to you guys last year: bring us ideas from your constituencies or tell us about projects that you have seen on the ground. As has been made clear, you guys have aquaculture industry responsibilities and, given your engagement on

the ground, we would be happy for you to bring us any opportunities that we have not heard about.

Angus MacDonald: With regard to the foreshore issue, how detailed are your foreshore ownership records? You have mentioned the Carloway estate and I know myself that there are crofts in the Western Isles that have foreshore rights, but how detailed is that information?

Alan Laidlaw: It is pretty detailed and, we think, quite robust. It involves a huge number of dealings and records. With the 6km at Carloway that we are talking about, there are something like 32 agreements; the community thought that there would probably be six or so, but then we started talking about outfalls and things like that.

Our records are pretty robust and, following the land reform review group report, we committed to being active in recording land registration publicly where possible and ensuring that the information was there. I am not going to say that it is perfect but it is in pretty good order and we are working with Registers of Scotland and others to ensure that the data set is as robust as it can be.

In fact, we recently had a request for information about your constituency. A large processing plant could not establish exactly where the foreshore started and ended and where the ownerships were. Our records were able to help with that, so the information is pretty robust.

Angus MacDonald: When you say "my constituency", are you talking about Falkirk East?

Alan Laidlaw: I am sorry—I was talking about Grangemouth.

The Convener: Given that you have robust records of these things, can you tell us whether you sold the foreshore in the 18th century to the Duke of Sutherland and others who now own vast acreages of it?

Alan Laidlaw: My time horizon in the Crown Estate is 10 years. I would have to defer to some of my colleagues who have been there slightly longer—although not, I should add, on the sort of time horizon that you have asked about. We can ask what the arrangements were in those areas but I would not like to comment on that at the moment.

The Convener: I can understand why you would not want to comment but it would be interesting to find out whether, compared with your current behaviour and the way that you are now selling parts of the foreshore, you previously gave the foreshore away. If you could give us an answer to my question, we could see whether policy has changed over the centuries.

Alan Laidlaw: There has been a change. The biggest change was probably the 1961 act.

The Convener: I will stay offshore for a minute. We have explored in some detail the community benefit that can be expected from marine renewables, and we have heard about your investment in the MeyGen tidal scheme and indeed the two large offshore wind farms in the Moray Firth, which are expected to go ahead. Within the total asset value that you mentioned, do you have any clearer figures for the expected income per annum from those schemes?

Ronnie Quinn: I am happy to try as best I can to give you an overall picture. Last year, I mentioned the figures for the offshore wind schemes, should they be built. At 2020 values, the figure for the far offshore schemes under the round 3 scenario would be about £7.6 million per gigawatt, while for the closer inshore schemes, a typical rental valuation would be about £4.3 million per gigawatt. For marine renewables, by which I mean wave and tidal, a typical rental would be about £30,000 per annum for 10 MW.

The Convener: So the figures are being worked on. Are the offshore assets included in the capital value?

Ronnie Quinn: No. I should make a distinction between capital value and revenue. Those figures are the annual rentals that we would expect on deployment and on the things generating electricity.

The Convener: Are those items now included in the Scottish figures?

Ronnie Quinn: Absolutely. As you will see, we have a value of £800,000 over the piece, but I have to be honest and say that the sum is not quite that because there has been some rounding up. However, it includes rental income from offshore wind, £1,000 from wave and tidal and some revenue in respect of CCS.

The Convener: We look forward to updates on that, because what might become available to communities is of considerable interest to them and to us. They are looking to what is being produced offshore—and not just in the way of jobs—in the same way that they look to onshore wind developments.

I have a further question about land ownership. In the past, the Crown Estate has divested itself of certain urban properties in Scotland in order to invest in supermarket developments or whatever in other places. Are any of your properties likely to be sold in the next year?

Alan Laidlaw: We work to our investment strategy and look to invest in areas where we can. In my area, we are talking about some foreshore transfers, and I also have about 11 acres in various small plots on the market. If anyone is in the market for a small housing development in

Moray, we have a number that are not moving as fast as we might like. However, no significant disposal discussions are being undertaken at present.

As for our wider investments, we are still investing in improving some of our urban assets and no major sales are proposed at present. We are talking about minor transfers. For example, we have previously talked about the transfer of rights over oysters and mussels to the Scottish Government, and I understand that that is now being approved, which is progress. However, there are no substantial proposals at present.

Cara Hilton: In the context of the current debates about more powers for Scotland, I would be interested to hear more from you about how the Crown Estate can and needs to change to reflect that situation. I am particularly interested in comments on the land reform review group's suggestion that the Crown Estate commissioners' responsibilities under the 1961 act be fully devolved to the Scottish Parliament.

11:45

Gareth Baird: It is clearly not for the Crown Estate to make any decisions on the overall strategy; that is a matter for Governments throughout the United Kingdom. We have set out to be—and I hope that we are—very engaged in discussions with the Scottish Government, local authorities, all our stakeholder communities and now the Smith commission. Our efforts are solely directed at providing all those bodies with clear facts about the Crown Estate's activity in Scotland; it is for others to take the decisions about what happens with these assets and their on-going management.

Alan Laidlaw can say more about land reform.

Alan Laidlaw: I came before the committee on, I think, 4 June to discuss the LRRG report, and we said then that a lot of people are getting more of an understanding of what is and what is not part of the Crown Estate's role. That is the key point: we need to make people understand what we do.

The map probably highlights this quite nicely, but there are areas where there is huge interest in the foreshore and the sea bed. There are also significant areas where there is zero interest. That is interesting, because we must ensure that the strategic management of the sea bed in particular is borne in mind with regard to aquaculture and marine leisure, never mind for offshore renewables and the work that Ronnie Quinn does. We need to provide the Smith commission with information for its discussions, and we have met a number of people who are participating in them to ensure that that information is readily available.

The Convener: Graeme Dey has another question about your estate.

11:49

Meeting continued in private until 12:18.

Graeme Dey: I want to investigate a fairly topical subject. Does the Crown Estate own any land or sea bed in Scotland in areas that could become the subject of shale gas extraction? If so, what is your position on fracking?

Alan Laidlaw: I am sure that we will own sea bed in such areas because some pretty significant lines are being drawn on maps—not, I hasten to add, by us. I am sure we will have such interests.

Ronnie Quinn: The offshore extraction of oil and gas is a matter for DECC.

Graeme Dey: I was thinking more of something on a coast that would go down and outwards through the sea bed. Would that impact on the Crown Estate?

Ronnie Quinn: It would still be a matter for DECC.

Graeme Dey: And on land?

Alan Laidlaw: It would be a matter for the regulators, not for us.

Graeme Dey: No, but do you have a view on the wisdom of the approach?

Alan Laidlaw: Yes, as far as due process, planning and community consultation and engagement are concerned. There has been a significant amount of discussion in Parliament about fracking and last year I attended a cross-party group meeting at which there were some fairly robust exchanges of view. We would follow Government guidelines and policy on such opportunities.

Graeme Dey: That would be Scottish Government policy.

Alan Laidlaw: Yes.

Graeme Dey: Thank you.

The Convener: Thank you very much, gentlemen. We have had a good range of discussions, and you might well agree that such meetings are valuable for giving us updates. We might have many other questions to ask you as the year goes on, and we certainly hope to continue this process.

As agreed earlier, we now move into private session. However, before I close the public part of the meeting, I should say that this is the final meeting before the October recess. At our next meeting on Wednesday 29 October, the committee will take evidence on the 2013 annual report on wildlife crime from senior Police Scotland representatives and the Lord Advocate.

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