

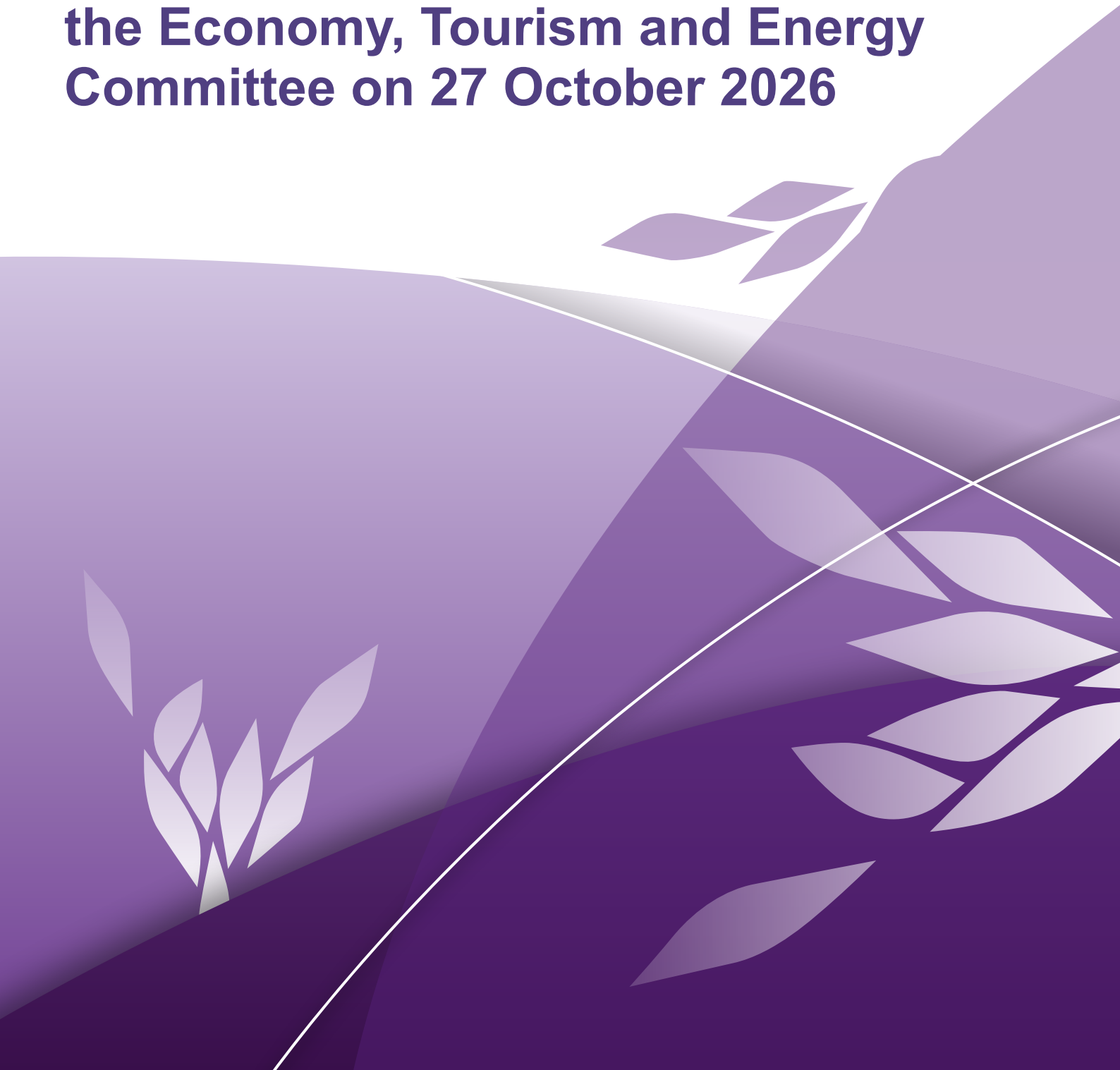


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Economy, Tourism and Energy Committee

Subordinate legislation considered by the Economy, Tourism and Energy Committee on 27 October 2026



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Economy, Tourism and Energy Committee

To consider and report on matters within the responsibility of the Cabinet Secretary for Economy, Tourism and Transport, with the exception of transport, on matters relating to public infrastructure, civil contingencies and resilience, and on matters relating to energy and energy consents

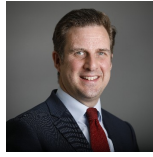


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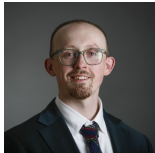
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Renewables Obligation (Scotland) Amendment (No 2) Order 2026 [draft]

Introduction

1. This report sets out the Economy, Tourism and Energy Committee's consideration of the [Renewables Obligation \(Scotland\) Amendment \(No 2\) Order 2026 \[draft\]](#) at its meeting on 27 October 2026.
2. The [minutes](#) of the meeting have been published on the Committee's web page. The Official Report will be available [here](#).

About the instrument

3. The Order amends the Renewables Obligation (Scotland) Order 2009 to implement aspects of the British Industrial Competitiveness Scheme (BICS) in Scotland. Its purpose is to exempt eligible energy-intensive manufacturers from specified electricity costs.
4. Electricity supplied to exempt businesses will be excluded from suppliers' liability and from calculations of Scotland's annual obligation level. Ministers may revise the obligation level for 2027–28 before 1 April 2027.
5. Approximately 825 Scottish businesses are expected to benefit from lower electricity bills. No direct financial implications for the Scottish Government are anticipated.
6. Consultation responses were largely supportive. Concerns focused on the redistribution of costs and the implementation of the scheme. Having considered these issues, the Scottish Government regards the proposed approach as proportionate.
7. On [22 September 2026](#), the Committee wrote to the Minister for Europe, External Affairs and Energy to request information on the implications of the draft Order. The Minister replied on [7 October 2027](#).
8. In his response the Minister clarified that:
 - The Scottish Government has not separately quantified either the cost impact on non-eligible electricity customers or the wider economic impact on Scottish businesses.
 - The British Industrial Competitiveness Scheme is principally a UK Government responsibility. Although exempting eligible businesses redistributes some electricity-system costs, the UK Government intends to offset these through policy savings and Exchequer funding so that other households and businesses do not face higher bills. The Scottish Government has no additional powers under the draft Order to provide further mitigation but will monitor

implementation.

- The amendments allow Scottish firms to receive the same support as businesses elsewhere in Great Britain. Around 825 Scottish businesses may qualify, potentially reducing their electricity costs by £35–£40 per megawatt hour, or about 25%, which should improve their competitiveness.

Consideration by the Delegated Powers and Law Reform Committee

9. The Delegated Powers and Law Reform Committee considered the instrument on 15 September 2026 and reported on it in its [4th Report, 2026](#).
10. It made no recommendations in relation to the instrument.

Consideration by the Economy, Tourism and Energy Committee

11. The Committee took evidence on the instrument from the Minister for Europe, External Affairs and Energy on 27 October 2026.
12. The Minister made an opening statement, setting out the purpose and objectives of the instrument.
13. The Minister explained that the Scottish statutory instrument establishes the legislative framework required to implement the British Industrial Competitiveness Scheme (BICS) in Scotland. The UK Government scheme aims to reduce electricity costs for eligible energy-intensive manufacturing businesses and improve their competitiveness relative to European counterparts. The UK Government estimates that approximately 825 businesses in Scotland could potentially benefit, with electricity costs falling by approximately £35 to £40 per megawatt hour.
14. Eligible businesses will receive exemptions from the indirect costs of the Renewables Obligation and Feed-in Tariff schemes from April 2027, followed by a further exemption relating to the Capacity Market from October 2027. While the Feed-in Tariff and Capacity Market are reserved matters, Scottish Ministers are responsible for legislation governing the Renewables Obligation Scotland scheme. The instrument enables an amendment to the Renewables Obligation level ahead of April 2027 and provides exemptions from up to 100% of the scheme's indirect costs, without otherwise altering its operation.
15. The Minister stated that the amendments would support eligible businesses in clean energy, defence and advanced manufacturing, alongside key supply-chain sectors such as chemicals and metals. Maintaining consistency across Great Britain would support market stability and ensure that Scottish businesses benefit on the same basis as those elsewhere. The Minister also confirmed that the exemption would not impose additional costs on business or individual consumers, as these would be

offset through changes to the Renewables Obligation's annual inflation adjustment, the removal of carbon price support and UK Government Exchequer funding.

16. The Minister reported that a majority of consultation respondents supported the proposed exemption, although concerns were raised about implementation and the potential redistribution of costs to other consumers. The Scottish Government had worked with the UK Government to address these concerns by offsetting additional consumer costs and allowing electricity suppliers sufficient time to implement the changes. The Minister concluded that the amendment was necessary and proportionate to support industrial competitiveness while maintaining the effective operation of the Renewables Obligation Scotland scheme.
17. Members sought an update on the progress of the British Industrial Competitiveness Scheme (BICS). The Minister stated that the scheme was progressing through the UK Parliament, with completion expected on 16 November (17 November in Scotland). Rachael Hamilton expressed concern that due to this timing there was not sufficient information for MSPs about the Scheme.
18. The Minister was asked how many of the 825 Scottish businesses expected to benefit from lower energy bills remained eligible. The Minister stated that the application process would remain open until the end of November and that engagement with potentially eligible businesses was ongoing. The Minister noted that the UK Government set the eligibility criteria and was responsible for determining eligibility, and confirmed that he would engage with his UK counterpart.
19. The costs would not be borne by consumers.
20. The Minister confirmed that the Scottish Government had no additional powers but would continue to monitor the position and keep the Committee informed.
21. The Minister moved motion S7M-01559—

That the Economy, Tourism and Energy Committee recommends that the Renewables Obligation (Scotland) Amendment (No. 2) Order 2026 [draft] be approved.
22. The Motion was then agreed to.

23. **Accordingly, the Committee recommends to the Parliament that the Energy Performance of Buildings (Scotland) Amendment Regulations 2026 [draft] be approved.**

