

Economy, Tourism and Energy Committee
Tuesday 27 October 2026
8th Meeting, 2026 (Session 7)

Note by the Clerk on the Renewables Obligation (Scotland) Amendment (No 2) Order 2026 [draft]

Overview

1. At this meeting, the Committee will take evidence from the Minister for Europe, External Affairs and Energy and officials on the Renewables Obligation (Scotland) Amendment (No 2) Order 2026 [draft], before debating a motion in the name of the Minister inviting the Committee to recommend approval of the instrument.
2. This is a draft Scottish Statutory Instrument (SSI), which requires approval by resolution of the Parliament before it can become law. More information about the instrument is summarised below—

Title of instrument: [Renewables Obligation \(Scotland\) Amendment \(No 2\) Order 2026 \[draft\]](#)

Laid under: [The Electricity Act 1989](#)

Laid on: 8 September 2026

Procedure: Affirmative

Lead committee to report by: 2 November 2026

Commencement: If approved, the instrument comes into force on the day after it is made.

Procedure

3. Under the affirmative procedure, an instrument must be laid in draft and cannot be made (or come into force) unless it is approved by resolution of the Parliament.
4. Once laid, the instrument is referred to—
 - the Delegated Powers and Law Reform (DPLR) Committee, for scrutiny on various technical grounds, and
 - a lead committee, whose remit includes the subject-matter of the instrument, for scrutiny on policy grounds.
5. The lead committee, taking account of any recommendations made by the DPLR Committee (or any other committee), must report within 40 days of the instrument being laid.
6. The normal practice is to have two agenda items when an affirmative instrument is considered by the lead committee—

- an evidence session with the Minister and officials, followed by;
 - a formal debate on a motion, lodged by the Minister, inviting the lead committee to recommend approval of the instrument.
7. Only MSPs may participate in the debate, which may not last for more than 90 minutes. If there is a division on the motion, only committee members may vote. If the motion to recommend approval is agreed to, it is for the Chamber to decide, at a later date, whether to approve the instrument.

Delegated Powers and Law Reform Committee consideration

8. The DPLR Committee considered the instrument on 15 September 2026 and reported on it in its [4th Report, 2026](#). The DPLR Committee made no recommendations in relation to the instrument.

Purpose of the instrument

9. The Order amends the Renewables Obligation (Scotland) Order 2009 to implement aspects of the British Industrial Competitiveness Scheme (BICS) in Scotland. The amendments exempt eligible energy-intensive manufacturers from associated electricity costs.
10. Electricity supplied to exempt businesses will be removed from suppliers' liability and from calculations of Scotland's annual obligation level; Ministers may revise the 2027-28 level before 1 April 2027.
11. Around 825 Scottish businesses are expected to benefit through lower electricity bills, with no direct financial implications anticipated for the Scottish Government.
12. Consultation responses were largely supportive, although concerns were raised about cost redistribution and implementation; the Scottish Government considers the approach proportionate.
13. The Scottish Government's Policy Note accompanying the instrument is included in **Annexe A**.
14. 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 2026](#). His response is included in **Annexe B**.
15. In his response the Minister clarified that:
- a. The Scottish Government has not separately quantified either the cost impact on non-eligible electricity customers or the wider economic impact on Scottish businesses.
 - b. 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.

- c. 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.

Report

16. Following today's proceedings, a draft report will be prepared by the clerks. **The Committee is invited to delegate responsibility for agreeing the draft report to the Convener.**

Clerks to the Committee
October 2026

Annexe A: Accompanying material

POLICY NOTE

THE RENEWABLES OBLIGATION (SCOTLAND) AMENDMENT (NO. 2) ORDER 2026

SSI 2026/XXX

The above instrument is made in exercise of the powers conferred by sections 32, 32A, 32J and 32K of the Electricity Act 1989. The instrument is subject to affirmative procedure.

Summary Box

This Order amends the Renewables Obligation (Scotland) Order 2009 to implement aspects of the British Industrial Competitiveness Scheme (BICS) in Scotland. The amendments exclude “BICS excluded electricity” from a supplier’s liability under the Renewables Obligation (Scotland) Order 2009 (ROS).

The Order also introduces amendments to the methodology for calculating the obligation level for Scotland to account for the exemption. This applies to obligation periods beginning on or after 1st April 2027. Equivalent legislative changes are being made by the UK Government in respect of the Renewables Obligation in England and Wales.

Policy Objectives

The Renewables Obligation (RO) has incentivised renewable electricity generation since 2002 through a system of tradable certificates known as Renewables Obligation Certificates (ROCs). Three complementary schemes operate across the United Kingdom: the Renewables Obligation for England and Wales, the Renewables Obligation Scotland (ROS), and the Northern Ireland Renewables Obligation (NIRO). The Scottish Ministers are responsible for the legislation governing the ROS.

The British Industrial Competitiveness Scheme (BICS) is a UK Government initiative announced as part of the Modern Industrial Strategy that covers Great Britain only. The scheme aims to reduce the high electricity costs faced by energy-intensive manufacturing businesses and improve the competitiveness of British industry. Eligible businesses will receive exemptions from the indirect costs of a number of energy policies, including the Renewables Obligation, Feed-in Tariffs and the Capacity Market. Decisions regarding scheme design and eligibility are reserved to the UK Government.

Implementation of BICS requires changes to the ROS framework. This Order amends ROS to exclude “BICS excluded electricity” from suppliers’ liability under the ROS.

The Order also makes changes to the methodology used to calculate the annual obligation level for Scotland. In setting the obligation level, estimated electricity supplied to BICS-exempt businesses will be removed from the total electricity supply figure used in the calculation.

The Order provides a power for the Scottish Ministers to revise the obligation level for 2027-28. The obligation level for the obligation period 2027/28 will be published by 1st October 2026, and any revision must be made before 1st April 2027.

UN Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 Compatibility

The Scottish Ministers have made the following statement regarding children's rights:

In accordance with section 23(2) of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024, the Scottish Ministers certify that, in their view, the Renewables Obligation (Scotland) Amendment (No. 2) Order 2026 is compatible with the UNCRC requirements as defined by section 1(2) of that Act.

EU Alignment Consideration

This instrument is not relevant to the Scottish Government's policy to maintain alignment with the European Union.

Consultation

The Scottish Government undertook a statutory consultation between 16 June and 30 June 2026 on the proposed amendments to the Renewables Obligation (Scotland) Order 2009 required to implement BICS. The consultation sought views from (but not limited to) electricity suppliers, generators, consumer representatives, citizens advice agencies, businesses and other interested stakeholders. In total, nine valid responses were received.

The Scottish Government also held a number of discussions with key Scottish based stakeholders to inform this amendment, and the related Business and Regulatory Impact Assessment (BRIA).

The majority of respondents supported exempting eligible businesses from ROS costs. Respondents highlighted the potential benefits for industrial competitiveness and investment, while also raising concerns regarding cost redistribution and implementation arrangements. The Scottish Government carefully considered the responses received and concluded that the proposed amendments represent an appropriate and proportionate approach to delivering BICS within Scotland.

Impact Assessments

The following impact assessments have been completed in relation to this SSI:

- Business and Regulatory Impact Assessment (BRIA)
- [Children's Rights and Wellbeing Impact Assessment](#)

The assessments will be published to coincide with the laying of this instrument alongside this Policy Note.

Screening exercises were also undertaken for:

- Equality Impact Assessment

- [Island Communities Impact Assessment](#)
- Fairer Scotland Duty Assessment
- Consumer Duty Impact Assessment

The screening exercises concluded that full assessments were not required.

Financial Effects

A BRIA has been completed and published. The primary effect of the instrument is to facilitate the delivery of electricity cost exemptions to eligible businesses under the British Industrial Competitiveness Scheme. The exemption is intended to improve the competitiveness of these eligible manufacturing businesses by reducing the indirect policy costs included within electricity bills. It is estimated that around 825 Scottish businesses will benefit from this scheme.

The instrument is not expected to have any direct financial implications for the Scottish Government.

While the exemption changes the allocation of ROS costs within the electricity system, the UK Government has indicated that impacts on remaining consumers will be offset through a combination of wider energy system measures and Exchequer funding.

**Directorate for Energy and Climate Change Scottish
Government
26 August 2026**

Annexe B: Response from the Minister for Europe, External Affairs and Energy

7 October 2026

Dear Convener,

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

Thank you for your letter of 22 September 2026 inviting me to give evidence at the Economy, Tourism and Energy Committee in relation to the above draft Scottish Statutory Instrument (SSI). I welcome the opportunity to attend the Committee's meeting, and look forward to confirmation of the time slot.

This letter also provides responses to the questions raised in your letter:

Q1. The BRIA says the costs of the draft Order on non-eligible customers will be covered by savings from other policy changes, but it does not say specifically what the costs are. Are you able to set out the costs the Scottish Government has estimated for non-eligible customers?

The Scottish Government has not produced a separate assessment of the impacts on non-eligible customers arising from the redistribution of Renewables Obligation Scotland (ROS) costs. The draft Order makes the amendments required to enable implementation of the UK Government's British Industrial Competitiveness Scheme (BICS) in Scotland. Assessment of the wider costs and benefits of the scheme, including impacts on consumer and non-consumer electricity bills, is the responsibility of the Department for Business, Innovation, Science and Trade (BIS) which has not yet published quantified estimates of these impacts. The overall cost of the scheme will depend on the number of businesses that qualify and the level of exemption they receive. BIS is expected to be in a better position to assess the impacts once the number of successful applicants and the level of exemption awarded have been confirmed following the application process.

As set out in the BRIA, exempting eligible businesses from ROS costs results in those costs being redistributed across the remaining customer base. However, decisions on the funding of BICS are reserved to the UK Government, which has stated that it will meet the costs of the scheme through a combination of savings from within the energy system delivered by DESNZ and Exchequer funding used to reduce the cost of the Contracts for Difference levy.

The effect of these measures is intended to offset the increase in electricity costs that would otherwise arise from the redistribution of ROS, Feed-in Tariff and Capacity Market costs across other consumers. The UK Government has therefore stated that domestic and non-domestic electricity consumers should not see an increase in their electricity bills as a result of the scheme.

Q2. We note the BRIA states that costs on non-eligible customers would be mitigated by UK Government policy changes (such as changing RO and FiT indexation from RPI to CPI, and removal of the Carbon Price Support from electricity bills – and exchequer funding). What actions can the Scottish Government take to address these costs to non-eligible customers if these policy changes prove not to fully mitigate the costs of the change?

Energy market design and regulation, including BICS, are reserved to the UK Government. The Scottish Government's role is limited to making the necessary amendments to the Renewables Obligation (Scotland) Order 2009 to enable implementation of the scheme in Scotland. The measures referenced in the BRIA relate to the wider aspects of the scheme that are the responsibility of the UK Government.

As set out in the BRIA, the UK Government has put in place a number of measures intended to offset the redistribution of costs associated with the exemption. These include the change from RPI to CPI indexation for the RO and FiT, which came into effect in April 2026, and the planned removal of Carbon Price Support from electricity bills from April 2028.

In addition, Exchequer funding will be provided through the Low Carbon Contracts Company (LCCC) to reduce Contracts for Difference (CfD) charges for domestic and non-domestic electricity suppliers from April 2027. The UK Government has also committed to regular reconciliation of scheme costs and eligible electricity consumption, with funding adjusted on a rolling basis to reflect actual rather than forecast costs. The purpose of these arrangements is to ensure that funding matches the actual cost of the scheme over its lifetime and to protect households and non-eligible businesses from bearing the costs of the exemption.

The draft Order does not create any new powers that would enable the Scottish Government to introduce additional mitigation measures should these UK Government arrangements prove insufficient. Decisions relating to the operation and funding of BICS remain reserved to the UK Government. The Scottish Government will, however, continue to engage with relevant counterparts and monitor the implementation and impacts of the scheme.

Q3. What the Scottish Government's estimates are for the impact on the competitiveness of Scottish companies, and the wider impact on Scottish businesses, from proposed changes in the draft Order?

The Scottish Government has not undertaken a separate quantitative assessment of the impact of the draft Order on the competitiveness of Scottish companies or the wider Scottish economy. The draft Order makes the amendments required to the Renewables Obligation (Scotland) Order 2009 to enable implementation of the British Industrial Competitiveness Scheme (BICS) in Scotland. The design of BICS, including its eligibility criteria, administration and economic impact assessment, is reserved to the UK Government.

As set out in the BRIA, the Scottish Government considers it important that Scottish businesses are able to access the same support as equivalent businesses elsewhere in Great Britain. Without these amendments, eligible businesses in Scotland would be unable to benefit from the exemption from ROS costs available under BICS, potentially placing them at a competitive disadvantage relative to businesses elsewhere in Great Britain.

The BRIA refers to UK Government estimates that eligible businesses could see reductions in electricity costs of £35 to £40 per megawatt hour, equivalent to around 25% of electricity costs. BIST estimates that approximately 825 businesses in Scotland could be eligible for support under the scheme. On that basis, the Scottish Government considers that participation in BICS is likely to support the competitiveness of eligible Scottish businesses by reducing operating costs.

While the Scottish Government has not undertaken separate modelling of impacts on competitiveness, investment, employment or economic output, the amendments are required to enable implementation of BICS in Scotland and to ensure that eligible Scottish businesses can access the support available under the scheme.

I hope this information is helpful, and provides the clarification that you, and the other members of the Committee are looking for.

Yours sincerely,

STEPHEN GETHINS