PAC/S7/26/12/1

Public Audit Committee
Thursday 26 November 2026
12th Meeting, 2026 (Session 7)

Renewable energy

Introduction

1. At its meeting today, the Public Audit Committee will take evidence from the Scottish Government, Highlands and Islands Enterprise (HIE), Scottish Enterprise (SE) and the Scottish National Investment Bank (SNIB) on the Auditor General for Scotland's (AGS) report on the Renewable energy: The Scottish Government's Offshore Wind Investment Programme, which was published on 1 October 2026.

2. The Committee previously took evidence from the AGS on 29 October. A copy of the report can be found at **Annexe A.**

3. Members also previoulsy decided to defer a decision on the next steps in their scrutiny of the AGS's Management of the ScotWind leasing round report until receiving further information from the Scottish Government (see **Annexe B**) and Crown Estate Scotland (see **Annexe C**)

4. The Committee will decide its next steps on both the Renewable energy and ScotWind reports following the evidence session today.

Clerks to the Committee
November 2026

PAC/S7/26/12/1
Annexe A: Renewable energy report

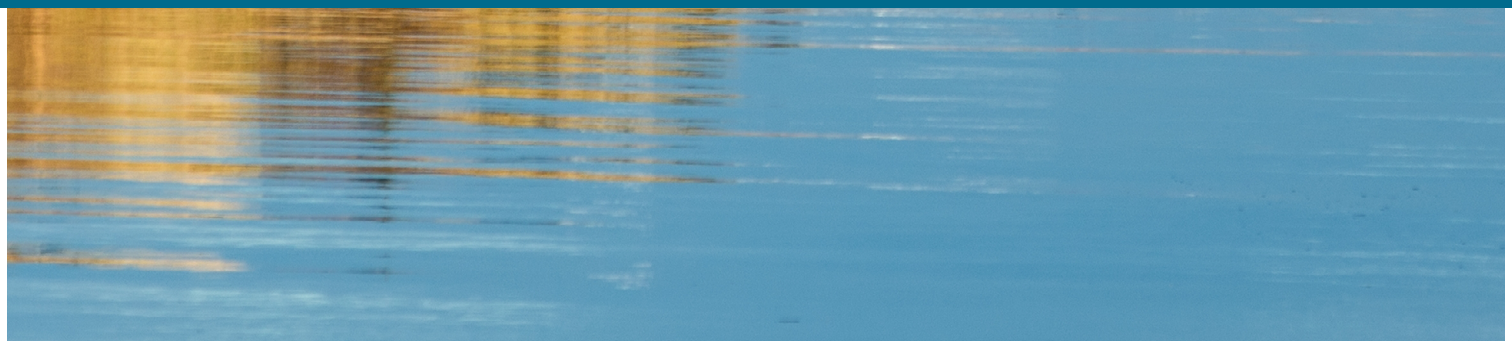
Renewable energy

The Scottish Government's Offshore Wind Investment Programme



AUDITOR GENERAL

Prepared by Audit Scotland
October 2026



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Accessibility

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Audit team

The core audit team consisted of: Dharshi Santhakumaran, Fiona Brannigan, David Love and Jim Troy, under the direction of Cornilius Chikwama.

Key facts

£500m	In October 2023, the Scottish Government announced that it will invest up to £500 million over the next five years into Scotland's offshore wind supply chain.
25	Offshore Wind Investment Programme (OWIP) projects approved to date, 17 of which are contractually committed.
5	OWIP projects completed to date, with the remaining 12 contractually committed projects under development.
£141m	Amount of public funding contractually committed by the OWIP to date.
£413m	Amount of private sector funding leveraged by the 17 OWIP contractually committed projects to date. There is a further £88 million of indicative private sector funding leveraged for the remaining eight projects that are approved but not yet contractually committed.

Notes:
1. Approved projects are projects that have been included on the OWIP shortlist and the Scottish Government has given approval to spend.
2. Approved projects become contractually committed when the relevant delivery partner enters into a binding funding or investment agreement with the recipient.
3. An approved or contractually committed project might refer to a single phase of development at a specific location.

Key messages

1 The Scottish Government has set out a clear economic case to spend up to £500 million of public money in an investment programme to build capacity in the offshore wind supply chain in Scotland. Announced in October 2023, the Offshore Wind Investment Programme (OWIP) was established to deliver investments over a five-year period to 2028/29. The OWIP aims to speed up building the port infrastructure and supply chain facilities needed to unlock billions of pounds of supply chain opportunities, largely expected from the construction and maintenance of ScotWind's offshore wind development projects. The OWIP aims to reduce risk for investors and attract private investment.

2 As of July 2026, £141 million of OWIP investment has been contractually committed across 17 projects, attracting £413 million of private sector investment. A further eight projects have been approved, with funding yet to be contractually committed. The programme is currently on track to achieve its private/public investment ratio of 3:1, reducing the cost to the public sector of delivering the desired economic impact. However, due to ongoing market conditions most investments have been grant-based rather than loans or equity. This limits the ability to get money back and potentially increases cost to the public purse. There are also gaps in providing assurance that public sector investment is being directed where it has greatest impact. The Scottish Government is taking action to address this.

3 The Scottish Government's OWIP investment approach has been recognised as innovative and it initially supported collaboration between the Scottish Government and delivery partners (Scottish National Investment Bank (SNIB), Highlands and Islands Enterprise (HIE) and Scottish Enterprise (SE)). However, a data breach in late 2024 significantly limited information sharing and therefore the level of collaborative decision-making, which the Scottish Government had said was essential for maximising value for money. A new Information Sharing Agreement has now been agreed. There are also challenges related to multi-year funding, project monitoring, risk management and wider governance issues that are having an impact on efficient programme delivery. The Scottish Government is currently taking action to address some of these issues.

4 Investments have been made in important infrastructure and manufacturing facilities but progress is slower than expected. By July 2026, 28 per cent of the available funding had been committed, compared to expectations that most investment would be made in the first few years. The slower pace largely reflects changes in market conditions. This includes reduced investor confidence and wider regulatory and policy issues. The Scottish Government has not yet updated the business case for the OWIP to reflect these changes in the market but has said this is currently in progress. There is currently no clear plan for what will happen beyond the initial five-year funding period, which is creating uncertainty and risks to long-term planning and achievement of outcomes.

Recommendations

Within six months, the Scottish Government, working with delivery partners, should strengthen project prioritisation by:

- reviewing and agreeing:
  - the project prioritisation framework to better reflect additionality and the commercial first approach in the framework. This should include agreement of how additionality is defined and the level of information required to assess and report on it at different stages
  - how value for money is assessed at the project proposal stage including agreeing the indicators and impact assessment approaches to be used
  - the level and type of information required by the Delivery Board to support effective project decision-making, while promoting the efficient use of resources within delivery partner organisations and the Scottish Government.

Within six months, the Scottish Government, working with delivery partners, should strengthen programme-level governance, collaborative leadership and oversight by:

- completing a Delivery Board-level review of the programme's strategic aims and timescales in light of changing market conditions, and establishing a timetable for further regular review
- agreeing and introducing:
  - formal terms of reference for the Delivery Board
  - updated governance arrangements to reinstate the originally intended investment decision-making for the programme
  - formal Delivery Board risk and opportunity management processes.

Within twelve months, the Scottish Government and delivery partners should strengthen longer-term planning, transparency and external engagement by:

- providing clarity on the delivery of the programme after March 2029
- completing a review of the strategic outline business case to reflect changes in the market and the need to broaden investment in other opportunity areas, and scheduling further timely reviews
- reviewing and strengthening arrangements for engagement with external stakeholders and programme transparency.

Introduction

Background

1. Offshore wind energy generates electricity from wind turbines located in the sea. Scotland has significant offshore wind resources and substantial planned offshore wind development. As a result, offshore wind is expected to play an important role in Scotland's future energy system and has the potential to support the creation of new jobs, investment and economic activity as part of the transition to a lower-carbon economy. Offshore wind development is expected to bring significant economic benefits to Scotland over several decades including the creation of thousands of high skilled jobs. Much of this economic opportunity is linked to **ScotWind** and **Innovation and Targeted Oil and Gas** (INTOG) with associated supply chain spending.

2. In 2022, 20 projects were awarded seabed rights to develop offshore wind projects in Scottish waters through the ScotWind leasing round. This has since reduced to 18 as two projects have handed back option agreements. Audit Scotland has recently published a separate audit examining ScotWind, where further information can be found. Collectively these organisations are known as ScotWind developers and, through their supply chain development statements, they have set out ambitions for significant expenditure within Scotland's offshore wind supply chain. This includes the procurement of manufactured products such as turbines and foundations, alongside installation, construction, operations and maintenance activities.

3. In March 2023, Crown Estate Scotland awarded exclusivity agreements to 13 projects through the INTOG leasing round, providing developers with a pathway to secure seabed rights for offshore wind projects aimed at innovation and the decarbonisation of offshore oil and gas operations. Like ScotWind developers, INTOG developers at option agreement stage are required to prepare supply chain development statements setting out their intended supply chain and economic commitments.

About this audit

4. The overall aim of this performance audit is to assess the strength of arrangements to secure value for money from public investment of up to £500 million to support the growth of the offshore wind supply chain. The audit aims to answer the following questions:



ScotWind

Formally announced in 2020, ScotWind was the first round of offshore wind leasing in Scottish waters for a decade, and the first leasing round since the establishment of Crown Estate Scotland. It offered developers the opportunity to bid for the rights to develop and build windfarms across designated seabed areas.



Innovation and Targeted Oil and Gas

In 2022, Crown Estate Scotland launched the Innovation and Targeted Oil and Gas (INTOG) leasing round. INTOG was for offshore wind projects that will directly reduce emissions from oil and gas production and boost further innovation. It was separate and distinct from the larger ScotWind leasing round that preceded it.

- Has the Scottish Government set out a clear rationale and sound approach for the investment?
- Are arrangements for making the investments well placed to deliver the programme aims?
- Is the programme on track to achieve its aims?

5. The investment programme is operating in a highly uncertain and fast-changing market, with significant risks relating to costs, investor appetite and supply chain capacity. In this context, strong governance and decision-making are particularly important to target funding to the right projects and respond to changing conditions.

6. Given the current stage of the investment programme and the long-term nature of expected outcomes, it is not yet possible to conclude whether the investments will deliver value for money. Instead, our assessment focuses on the risks to achieving value for money as a result of how money is invested, managed and delivered.

7. The audit does not examine any activity and investment in policy areas that are reserved to the UK Government, such as grid connectivity or energy pricing. While having enough workers with the right skills is important for supply chain development, the audit does not examine this as workforce development is supported under different funding programmes. The audit also does not examine any of the following issues: issues related to planning and consents; community impacts and wealth generation; biodiversity and marine impacts; the ScotWind leasing round. However, all these issues are considered as part of the overall context.

8. The audit findings are based on a review of key documents, data analysis and interviews with officials in the Scottish Government, SNIB, HIE and SE, as well as wider stakeholders. The timing of the audit will allow the Scottish Government and the key delivery partners (SNIB, HIE and SE) to make changes to strengthen those arrangements to secure value for money, for the remainder of the programme. The audit will also highlight areas of good practice.

9. This audit is part of a wider programme of climate change audits undertaken by Audit Scotland on behalf of the Auditor General for Scotland and the Accounts Commission. Our strategy for auditing climate change and relevant audit reports can be found on the climate change hub on our website.

1. Use of public money

The OWIP presents a good case for the use of public money, but early evidence is mixed on whether it is on track to achieve this.

The Scottish Government set out clear reasons for the OWIP but lacks clarity on value for money benchmarks for judging success

10. The Scottish Government has set out a clear rationale for the OWIP. The investment programme was set up to support investments that would attract businesses to build a supply chain and enabling infrastructure for offshore wind development in Scotland. This is largely in response to considerable economic opportunities as a result of ScotWind. There are also wider opportunities within Scotland and the UK and internationally through the exporting of goods, services and expertise.

11. In October 2023, the Scottish Government announced that it was investing up to £500 million of public money to fund investment, with the intention that it would unlock the supply chain commitments around the leased sites. Following the announcement, the Scottish Government developed a programme-level strategic outline business case for an investment of up to £500 million. It is best practice for this to be done before funds are publicly committed. The decision-making process around this sequence of events is not included in the scope of the audit.

12. The Scottish Government did not develop a full business case for the programme. The reasons for this decision were set out in the strategic outline business case. It was based on the Scottish Government's assessment that:

- the level of detail required for a programme-level full business case will be contained in the business cases for individual projects. A full programme-level business case would only be possible if all projects had full information available
- waiting for full information to be available would create a significant risk as, to maximise economic opportunities, significant investment would be required in 2024/25 and 2025/26
- the approach is aligned with the Scottish Government requirements that were in development at that time for business case development, governance and assurance for spending programmes.

13. In the strategic outline business case, the Scottish Government set out that critical infrastructure and manufacturing facilities would be needed for the supply chain in Scotland to be able to secure contracts to produce the goods and provide services needed by the offshore wind farms. The Scottish Government identified challenges that might prevent this from happening. It identified three market failures: a lack of large-scale investment; poor coordination between public sector bodies; and difficulty **crowding-in** private investment. In particular, the Scottish Government drew on market intelligence and analysis which indicated that developers and investors faced high levels of financial risk when making investments. This is due to high upfront costs combined with uncertainty about the scale of the opportunity and delays in getting a financial return on their investment. The strategic outline business case was developed in collaboration with, and drew on the findings of, a Short Life Working Group (SLWG) to consider how to respond to the offshore wind opportunities. The SLWG included the delivery partners and other public sector organisations.

14. The strategic outline business case included evidence that private investors are often reluctant to take on these early risks without public sector involvement, and that action is needed early so that infrastructure and facilities are ready when opportunities arise. Public sector investment can also send a strong signal to the market and increase investor confidence more widely within the supply chain.

15. In the context of this rationale, the Scottish Government identified two specific outcomes for the investment programme:

- delivery of the necessary enabling infrastructure to catalyse the sector
- supporting the successful delivery of inward investment opportunities (and domestic investment opportunities) to support Scotland's supply chain capability.

16. The strategic outline business case did not include a clear, quantified expectation of the levels of outcome that could be achieved from the up to £500 million investment. Instead, it provided an illustration of potential returns for the public investment, within a scale of values using a **Benefit–Cost Ratio** (BCR) value for money indicator. The strategic outline business case highlighted that BCR was used as the information was available from other similar projects, but there was no assessment that BCR was the most appropriate indicator to fully demonstrate value for money.

17. This approach creates difficulties in establishing an effective evaluation and monitoring framework to show what growing the offshore wind supply chain sector would look like for communities in Scotland. Including for example: the scale and timings of benefits expected from the programme; what indicators should be monitored for the outcomes; and what level of their achievement represents value for money.



Crowding-in

Crowding-in is a term used when public spending leads to an increase in private sector investment.



Benefit-Cost Ratio

The Benefit–Cost Ratio (BCR) is an economic indicator used to evaluate public spending. A BCR of 2:1 means that for every £1 of spending on a given project £2 worth of benefits are returned to the economy. While the benefits in a BCR are represented monetarily, the benefits are not always purely financial and may include things such as job creation or combating climate change.

18. The Scottish Government's decision to proceed without a full business case was a pragmatic decision and reflected the strategic nature of the programme, the absence of identified investments and the need to respond quickly to opportunities in a developing offshore wind market. In these circumstances we would have expected to see a plan in place to regularly review and update the strategic outline business case as new information becomes available, paying particular attention to whether there remains a case to continue with the investment programme or to modify it. The Scottish Government is in the process of developing an addendum to the strategic outline business case.

Realising the economic opportunities from Scotland's offshore wind developments could support other Scottish Government priorities

19. The Scottish Government's investment in the offshore wind supply chain has the potential to support a **just transition**. A stronger supply chain could help create and protect jobs in areas that are currently transitioning away from oil and gas and enable workers to transfer their existing skills into renewable energy roles, as the energy sector changes.

20. At the same time, investing in the offshore wind supply chain can also contribute to the Scottish Government's environmental priorities by supporting the transition to clean energy.

The Scottish Government put in place three appropriate value for money principles to guide public investment

21. When the Scottish Government decided to invest up to £500 million, it set out three key principles to maximise value for money (referred to in this report as value for money principles). These principles are designed to make sure that the right projects are supported for the least amount of public money:

- Private to public sector investment ratio: Securing a high level of investment from the private sector is a key way of maximising value for money for public finances. Attracting high levels of private sector investment means that the private sector is spending most of the money. The Scottish Government has said it expects the private sector to spend three times as much money as the government on the projects the OWIP invests in. Therefore, if the full £500 million of public money is spent it would mean £1.5 billion of private sector money.
- Additionality: The Scottish Government placed a strong emphasis on the need for 'additionality' when making investment decisions. This means that the public funding should only be used where it leads to activity that would not have happened otherwise or would



Just transition

The Just Transition Commission defines the just transition as both the outcome – a fairer, greener future for all – and the process that must be undertaken in partnership with those impacted by the transition to net zero. It supports a net zero and climate resilient economy in a way that delivers fairness and tackles inequality and injustice.

not have happened as quickly or at the same scale. Demonstrating additionality of public investment avoids the risk that the public sector might be replacing private investment that would have happened anyway. It provides assurance that private companies do not benefit financially from public funding without delivering any meaningful additional impact.

- Commercial First: The Scottish Government established an investment hierarchy that prioritised commercial investments over grants. This means support should first be provided through **loans or equity investments** where possible, with grants used as a 'last resort' only where necessary. This approach means public funds can potentially be repaid and reused to support other projects in the future. The strategic outline business case included an indicative funding mix of 75 per cent commercial investment and 25 per cent grant funding. While this is not a target and the Scottish Government recognised that the eventual funding mix would depend on the needs of a large number of projects, it provides an indication of the balance between commercial investment and grant funding that the Scottish Government considered realistic when the programme was designed.



Loans and equity investments

A loan is a borrowed sum of money which is to be paid back at a later date, usually with interest. An equity investment is where investors put capital into a company or project in exchange for partial ownership of that company or project. Unlike a loan, equity investments are not directly reimbursed and instead investors make gains based on the value of the company.

The Scottish Government set out ten criteria for prioritising projects that should receive investment, but they do not fully reflect the value for money principles

22. When the OWIP was first established the Scottish Government and delivery partners expected demand for the investment to far exceed the amount of money available. To help target the projects that would contribute the most to catalysing the supply chain and increase supply chain capability, the Scottish Government put a prioritisation framework in place. It was designed to support consistent and streamlined decision-making across delivery partners who each have different remits and objectives. A Delivery Board (Part 2), chaired by the Scottish Government, uses this framework to assess investment proposals.

23. The prioritisation framework includes ten selection criteria (Exhibit 1, page 14). Overall, the criteria used are clearly linked to the strategic aims in the strategic outline business case and the prioritisation framework provides a credible basis to prioritise the projects that will make the biggest contribution to achieving the intended outcomes. The criteria explicitly draw on wider market intelligence and early engagement with offshore wind developers. This is central to the approach adopted by the Scottish Government and has been recognised as innovative by stakeholders (Part 2).

Exhibit 1.
Prioritisation criteria

	Criteria
1	Strategic importance
2	Criticality of infrastructure/supply chain
3	Economic impact
4	Benefit–Cost Ratio
5	Affordability/scale of funding gap
6	Project risk/project complexity
7	Scale of investment from SIM/developers
8	Project confidence
9	Project readiness
10	Market opportunity

Note: SIM refers to Strategic Investment Model. The SIM is an industry-led collaborative mechanism for identifying and prioritising investment opportunities.

Source: Offshore Wind Directorate

24. The prioritisation framework includes a criterion to explicitly consider the level of private sector investment, but it does not include consideration of the other two OWIP value for money principles. It does not clearly consider how the investment provides additionality or check whether commercial investment options were considered first. Under OWIP arrangements, primary responsibility for assessing both of these value for money principles rests with the delivery partners. Evidence shows that these issues are discussed at the Delivery Board more widely, but not explicitly including criteria for these principles in the prioritisation framework means there is no clear, documented and consistent way of capturing what the delivery partner assessments concluded.

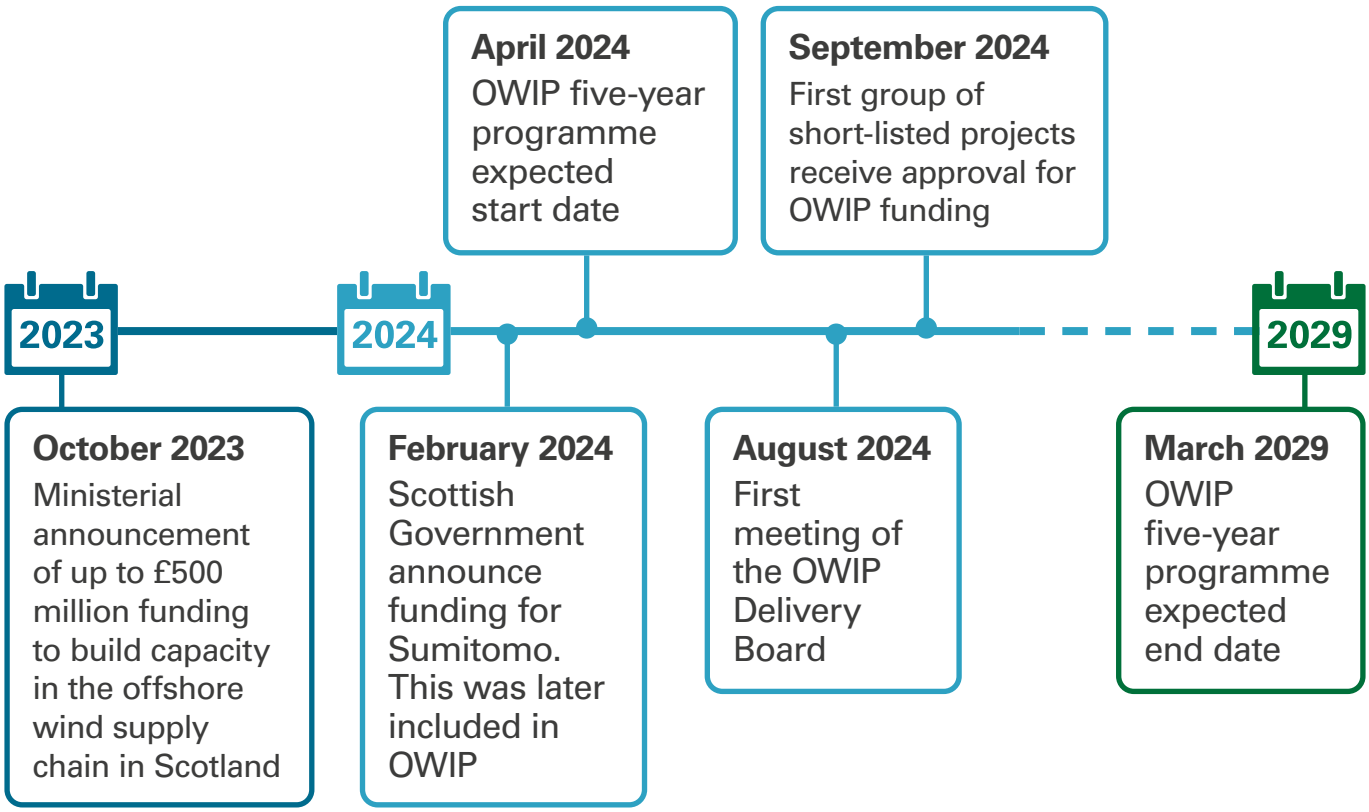
25. There is evidence that the principles are considered in more detail by delivery partners as projects develop. But the Delivery Board also needs enough, clear, consistent information to assess performance and to have assurance in relation to additionality and the use of grants or commercial investment across the whole programme. Without this, it cannot be assured that the programme is making the best use of public money or properly evaluate performance against the value for money principles. The timing of when this information would best be considered is likely to vary from project to project, with high-level information about the nature of expected additionality (eg, increasing scale or bringing forward or accelerating timing) at the project assessment stage.

26. The framework requires projects to provide a BCR, but there is limited evidence supporting the use of this indicator for the prioritisation of projects. As noted earlier, BCR was used within the strategic outline business case at a time when limited evidence was available. It is not clear why it was then also used for project prioritisation. We would typically expect to see a clear rationale for why a specific value for money indicator has been selected, as the chosen indicator can have a significant impact on the projects selected. Delivery partners have questioned whether BCR is the right indicator and discussions are ongoing about the use of additional or alternative indicators.

At this point in delivery, there is mixed performance against the value for money principles

27. The investment programme commenced in 2024/25, with an expected end date of March 2029 (Exhibit 2). While the full impacts of the investment will only become clear over a longer timeframe, it is possible at this stage to consider how well the programme is performing in relation to the value for money principles. It's important to note however, that the performance can fluctuate significantly in relatively short periods of time.

Exhibit 2.
OWIP key events timeline



Source: Audit Scotland

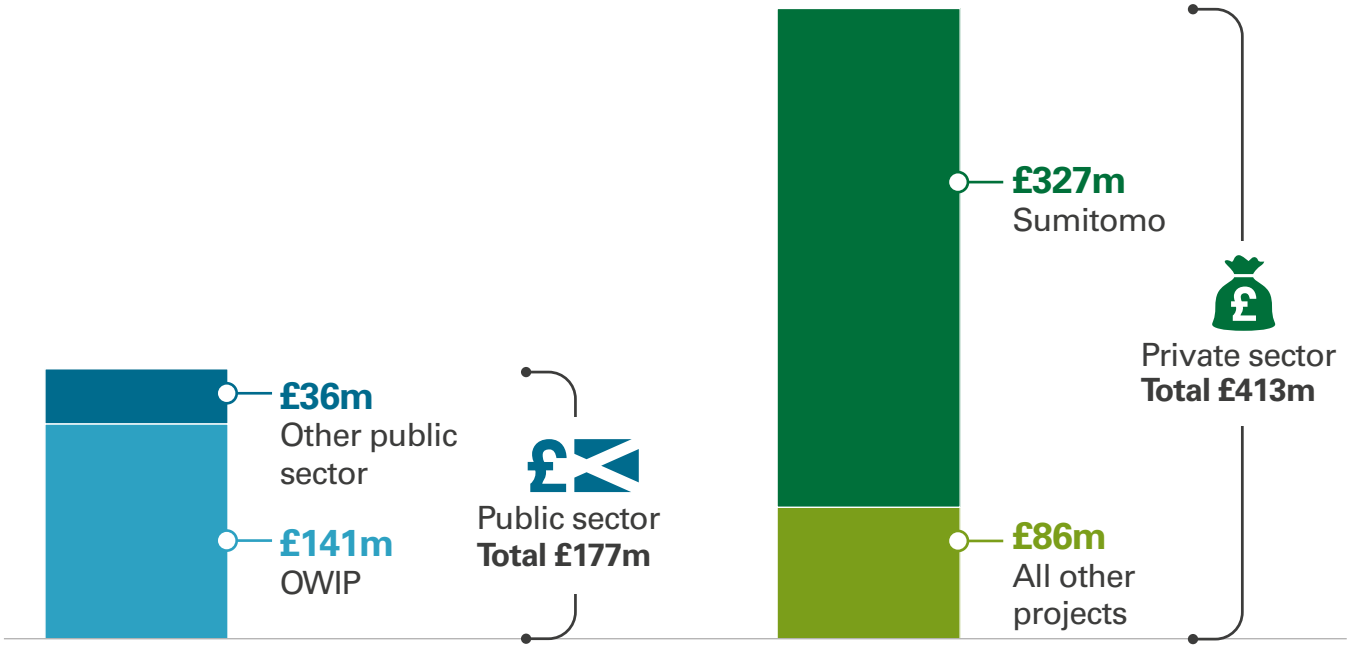
28. As of July 2026, £141 million of OWIP investment had been contractually committed across 17 of the 25 approved projects (see Part 3 for further discussion on issues about the pace of investments). The projects include manufacturing facilities and port infrastructure improvements as well as wider infrastructure such as an access road.

29. There is good performance in terms of the ratio of OWIP to private sector investment (Exhibit 3) and £413 million of private investment has been leveraged for the contractually committed projects. This could increase by a further £88 million if the remaining eight shortlisted projects proceed to contractual commitment. This means the programme is currently on track to meet its 3:1 ratio of private to public investment in OWIP projects. The OWIP has also secured £36 million of additional public sector funding for individual projects with £20.3 million of this coming from the UK Government, and £8.7 million from the Scottish Government through the Islands Growth Deal.

30. While the overall picture looks positive, we note that most of the private sector funding currently relates to just one project, Sumitomo (Exhibit 3 and Case study 1 (page 27)). Without the Sumitomo project, the ratio would change significantly. Across the remaining 16 contractually committed projects, for each £1,000 of OWIP funding invested only £705 worth of private sector financing is leveraged.

Exhibit 3.

The private/public investment split for OWIP contractually committed projects as of July 2026



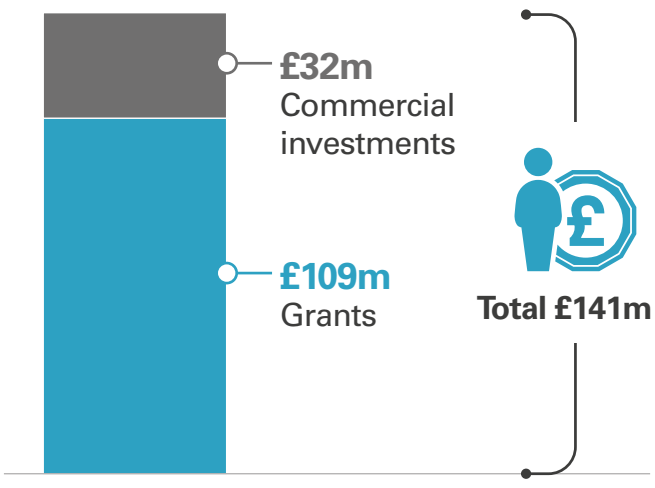
Source: Audit Scotland

31. As of July 2026, the amount of money that has been invested on a grant basis far outweighs the amount invested on a commercial basis, such as equity and loans (Exhibit 4). This is in contrast to the original position that most of the investments would be made on a commercial basis. The main reasons provided by the Scottish Government and delivery partners are that:

- the market has shifted since the investment programme was first set up and the risk appetite of the whole market is lower. This shift means that investors are now more cautious about making investment decisions than they were only a couple of years ago (Part 3). Organisations are less willing to take on debt or enabled equity because of the reduced confidence
- a greater emphasis on grant funding is to be expected at this stage in delivery as, in order to attract inward investment at later stages, port infrastructure often needs to be developed first. This often relies on grant funding (see bullet point below)
- many of the initial, strategically important port infrastructure projects are located at **trust ports** which restricts commercial investment. Other investments involve **SMEs** with limited ability to take on significant debt levels
- commercial investments can be more complex, take longer to negotiate and are more sensitive to changing market dynamics than grant-based funding
- the split between the commercial and grant is variable and commercial was higher than grant in the first year of programme delivery. The figures can quickly change as new projects are approved.

Exhibit 4.

OWIP contractual commitments by funding type as of July 2026



Source: Audit Scotland

Trust ports

Trust ports are ports which are both strategically and financially independent of the government and operate largely in the private sector. They own themselves, rather than being government owned, with any surplus profit made by trust ports being reinvested back into the port for further development or for the benefit of stakeholders.

SMEs

Small and medium-sized enterprises (SMEs) account for most of the business population in the UK. Generally, to qualify as an SME an enterprise must have fewer than 250 full-time equivalent staff and less than or equal to £44 million in annual turnover or a balance sheet total of less than or equal to £38 million.

32. The extent to which the investments are additional is not clear. The Scottish Government has highlighted that, by providing funding beyond that available to delivery partners through existing budgets, the programme has increased the scale of activity that delivery partners can support, helping to reduce barriers to investment and accelerate delivery. However, the core rationale for public investment in the programme set out in the strategic outline business case extends beyond the provision of additional funding. It is based on three key dimensions of additionality: that activity would not otherwise occur, would not occur as quickly, or would not occur at the same scale without intervention. An internal Gateway Review identified the need for a benefits realisation exercise. We welcome that the Scottish Government is now in the process of implementing this, including an assessment of additionality.

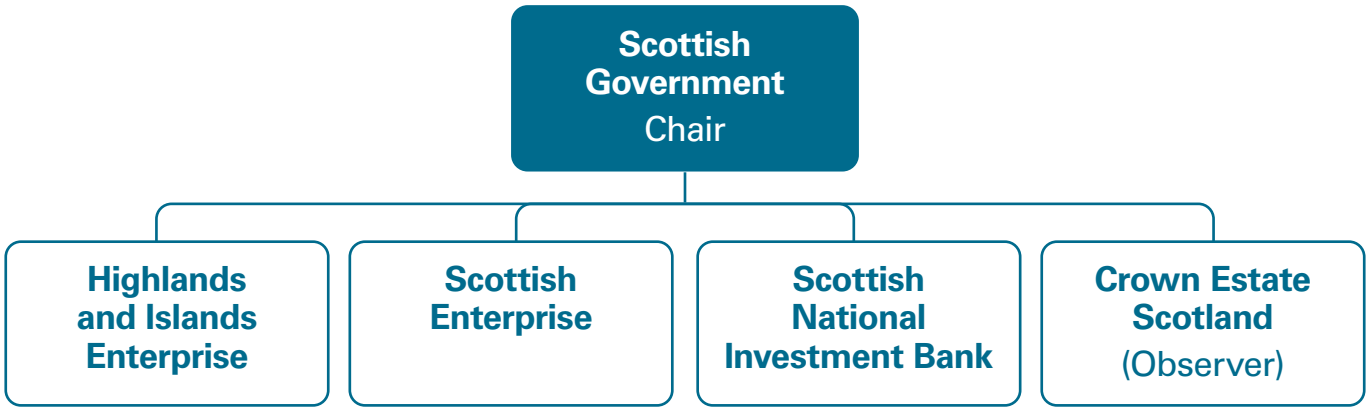
33. Taking these factors together, the OWIP's performance against the Scottish Government's principles for ensuring good use of public money is mixed. An overall assessment requires a judgement across a range of factors, many of which remain subject to change as the programme develops. Continued positive performance in attracting private sector investment will be an important factor in determining whether the programme ultimately delivers good value for money. An ongoing reliance on grant funding rather than commercial investments would increase the risk that value for money is lower than intended. The value for money of both of these will depend upon assurance that projects would not have happened anyway, or would not have happened at the same pace or scale.

2. Delivery arrangements

The Scottish Government set up a collaborative governance model but there are inefficiencies in how it is operating.

34. The Scottish Government set up a Delivery Board (Exhibit 5) to bring public sector partners together to identify and prioritise investment.

Exhibit 5.
OWIP Delivery Board governance structure



Source: Audit Scotland

35. Part of OWIP's innovative approach is that it is based on extensive market intelligence and engagement with the private sector about likely opportunities emerging over a relatively short period of time. This includes analysis on important strategic locations for investment and the nature of the goods and services that are likely to be required. This approach has been positively received by stakeholders and the Scottish Government has reported that it has attracted interest internationally.

36. The Scottish Government also introduced new ways of working. The aim was to use public money in the most efficient, effective and flexible way to respond to evolving market conditions and opportunities. It aims to take a collaborative approach to decision-making, which combines expertise, to target funding where it would have the greatest impact. It reflects 'whole system' thinking, recognising that investment decisions need to consider multiple factors at the same time. The governance framework aimed to provide the right balance between

the Scottish Government's oversight and delivery partners' operational independence. It includes responsibilities for the Delivery Board, the Scottish Government and the delivery partners:

- The Delivery Board:
  - assesses strategic alignment of proposed projects for the shortlist with the criteria set out in the prioritisation framework
  - agrees the shortlist of projects and the budget needed
  - updates the project shortlist based on supporting evidence provided by the board members' monthly updates including assessment of risks
  - monitors programme commitments and expenditure to ensure commitments made through the programme can be made within current and future programme budgetary constraints.
- The Scottish Government:
  - approves the overall Scottish Government funding commitment for the shortlisted projects, including ministerial approval.
- The delivery partners:
  - are responsible for delivering approved programme funds. The governance framework states that assurance reviews will be conducted in accordance with delivery partners' own assurance processes.

37. The investment was announced in October 2023 on the basis that it would run for five years until March 2029, beginning April 2024. However, the first Delivery Board meeting was held in August 2024 (Exhibit 2, page 15), which means the governance arrangements weren't in place at the start of the expected delivery period.

A breakdown in information sharing significantly weakened collaboration for a substantial period of programme delivery and created risks for achieving intended outcomes

38. In the early months of programme delivery, a number of projects were collectively assessed and prioritised by all members of the Delivery Board. The board agreed a shortlist and the funding commitment was then approved by senior Scottish Government officials and ultimately Scottish ministers. Members of the Delivery Board have told us that overall this process worked well.

39. The governance arrangements included development of an Information Sharing Agreement (ISA). However, a data breach of commercially sensitive information in December 2024 led to limitations around sharing commercially sensitive information. To manage this, the Delivery Board agreed new short-term arrangements. The new arrangements meant that individual delivery partners largely only discussed projects on a one-to-one basis with the Scottish Government through bi-lateral meetings. These arrangements were only intended to be temporary, but because of ongoing legal issues related to information sharing, they stayed in place for over 12 months. During this time, the Delivery Board no longer made collective, collaborative decisions about project investments.

40. There is no evidence to suggest that any projects were prevented from progressing because of these arrangements. However, Delivery Board members have told us that it significantly weakened collaboration, removing a core element of the approach designed to support the effective and efficient prioritisation of projects. It removed opportunity for members of the Delivery Board to contribute expertise, challenge proposals and identify added value, including wider discussion about opportunities for a commercial first approach, for example. The full impact of this may never be known because it is not possible to determine what opportunities may have been lost as a result.

41. We welcome action by the Delivery Board to agree a new information sharing agreement in July 2026. The challenges experienced in this programme offer lessons for future public sector collaborations, particularly where commercially sensitive information is involved.

The efficiency of governance arrangements could be improved

42. To deliver the programme outcomes and wider benefits, it is important that the Scottish Government and delivery partners work together in the most efficient way possible so that the resources used within public sector organisations are kept to a minimum. This requires streamlined and proportionate processes which make efficient use of existing systems and expertise. Without this, joint working can create duplication and increase administrative burden.

43. The Scottish Government has told us that fiscal pressures led to greater assurance and information requirements. There are different views on the extent to which information requirements have increased and how well aligned they are with existing processes and information systems within delivery partners. There is evidence of considerable administrative effort. Similar concerns were identified through the Scottish Government's own internal review of the Offshore Wind Programme as a whole, which heard concerns that the level of reporting within the OWIP was intensive and time consuming and not reflective of the sector higher-level reporting and scrutiny requirements.

44. Key areas of concern expressed by delivery partners in terms of administrative burden include:

- The use of the BCR as the primary quantified indicator requires delivery partners to apply a different methodology to their usual approach. The Scottish Government has indicated that there is ongoing dialogue about alternative approaches.
- The level and type of information required between initial project assessment and funds being transferred to the delivery partner can add to and duplicate delivery partners' own due diligence and assessment processes. It has led to some tensions between Scottish Government and delivery partners.
- The level and frequency of monitoring and reporting, once investment has been committed with a strong focus on managing multi-year funding issues. Delivery partners report that the timing and nature of updates create significant administrative burden.

45. The intended governance structure for the investment programme would have provided a forum to collectively determine the level of information needed through a process of discussion and constructive challenge. It could also have provided a forum for collective consideration of how the resourcing challenges associated with increased information requirements could be managed effectively. Since the Delivery Board was not operating collaboratively in the way that was originally intended, it has not been able to effectively fulfil this role.

Delivering the programme is placing a strain on resources

46. Delivery partners reported that managing their involvement in the programme has required a disproportionate amount of resource. In some cases, they told us this has reduced their capacity to manage their wider investment portfolios. Resource pressures were identified as a key risk in the programme's business case, which recognised that additional funding for delivery partners might be required to support delivery. However, no additional funding has been made available and delivery partners are delivering the programme within their existing resource funding for operational delivery. As a result, partners have absorbed the additional workload within existing resources. For HIE, this has been particularly significant, as the programme has doubled the size of its capital programme compared to what it would otherwise have been. Management of the programme now requires at least the equivalent of a full-time member of staff. A recent internal review also found that the Scottish Government's Offshore Wind Programme team faces resource pressures for the delivery of the whole Offshore Wind Programme.

47. Taken together, these issues highlight the need to balance robust oversight with efficient delivery in a complex partnership programme. The experience of the OWIP illustrates how increasing assurance and

information requirements can add to administrative burden and resource pressures, particularly where multiple organisations are involved.

The funding mechanism used to distribute funds has increased administrative burden, creates risks to delivery partner finances, programme outcomes and effectiveness

48. Delivery partners told us that the programme's funding arrangements have created uncertainty and additional management requirements. Organisations reported differing interpretations of how funding commitments would operate when project expenditure moved between financial years. This is important because the programme involves large, multi-year infrastructure projects delivered by organisations with separate governance and accountability arrangements.

49. The challenges reflect a wider tension between the requirements of a collaborative, multi-year investment programme and annual public sector budgeting arrangements. Funding is channelled through delivery partners and reviewed throughout the year through the Scottish Government's budget management processes, including the spring and autumn Budget Revisions. As project forecasts and delivery timescales change, funding profiles may need to be revised and approved again through these processes.

50. The programme therefore relies heavily on accurate forecasting and close coordination between the Scottish Government and delivery partners. Changes to project timescales are often experienced in major construction projects and can affect both individual funding allocations and decisions across the wider portfolio. Although no project has been refused funding because of delays, revised forecasts and funding profiles can create uncertainty and require plans and assumptions to be revisited. Delivery partners have also told us that it creates a financial risk for them because of the legal commitments they make to the investors.

51. There is no evidence that these arrangements have had a material impact on the overall progress of the investment programme so far. Some delivery partners reported that this uncertainty reduces confidence in longer-term funding and makes it harder to engage with stakeholders. In a sector where investor confidence is already lower (Part 3) there is a risk that this will reduce confidence further.

52. The Delivery Board governance framework (paragraph 35) sets out that it draws on relevant guidance in the Scottish Public Finance Manual. However, to help manage this uncertainty we would expect to see a clearly documented agreement at the outset, setting out how funding commitments and delayed expenditure would be managed in practice. We would also expect the Scottish Government to keep the

funding arrangements under review, particularly in the context of the innovative approach to programme delivery and established practices in delivery partners.

Gaps in Delivery Board-level programme monitoring and risk management limit oversight and opportunities to improve delivery

53. The strategic outline business case set out a number of risks to project delivery and indicated that a risk register should be developed to manage these. However, while risks are managed at both individual project level and across the wider Offshore Wind Programme, there is no OWIP Delivery Board-level risk register. This limits the ability of partners to come together to identify, assess and manage risks and opportunities collectively, drawing on their combined expertise. A coordinated, Delivery Board-level approach would be a more efficient and strategic way of managing risks and opportunities across the programme, as it enables early identification, shared understanding and coordinated responses. Without this, risks and opportunities may be addressed in a fragmented way or identified too late, increasing the likelihood of delays or inefficient use of resources and reducing value for money.

54. Effective programme-level monitoring and evaluation would support efficient use of resources by enabling the Delivery Board to track progress, identify issues early and adjust delivery if needed. However, Delivery Board programme-level monitoring and evaluation arrangements are underdeveloped, with a lack, from the outset, of clear value for money benchmarks (Part 1) or milestones for delivery of the overall programme. This was on the basis that the OWIP is enabling the wider economic impacts from offshore wind and details would depend on the projects selected.

55. While value for money is considered during project prioritisation, there is no consistent, documented follow-up. More recent changes have introduced additional value for money monitoring for some projects, indicating that the approach is continuing to evolve. Overall, board members have reported a lack of shared understanding of progress and impact, limiting oversight and informed decision-making. The Scottish Government is currently taking action to address these issues, including revisions to the information packs provided to Delivery Board members.

There is evidence the Scottish Government and delivery partners are responding to some of the challenges raised in this report

56. As referenced throughout this report, in February 2026, the Scottish Government carried out an internal gateway review of the Offshore Wind Programme as a whole, which includes OWIP. Delivery partners were involved in this process. The review provides a formal assessment of

progress to date. It recognised the achievements that have been made and attributes this to the strength and dynamism of the programme leadership. It recognises the development of strong interpersonal relationships and respect with all parties. However, overall, the review rates the Offshore Wind Programme as 'amber', indicating that delivery is feasible but there are significant issues requiring management attention.

57. The internal review identifies a range of risks, including a declining sense of shared ownership, fragmented information, weaknesses in risk management, and governance arrangements that have not kept pace with the programme's development. It also highlights the need for stronger strategic oversight, including clearer milestones, improved information sharing, and regular updates to the business case. It sets out recommendations across governance, decision-making, resourcing and risk management. These include updating the strategic outline business case to reflect current market conditions, undertaking a benefits realisation exercise, and strengthening collaborative decision-making. An action plan has been developed and implementation is under way.

58. The Scottish Government and delivery partners see the review as a useful exercise to support learning and improvement, and similar reflection is taking place within partner organisations. However, some delivery partners highlighted limited opportunities for collective learning, such as structured lessons-learned activity, and emphasised the importance of greater openness and shared reflection given the complexity of the programme.

59. Overall, this work shows that the Scottish Government and delivery partners have begun to respond to emerging challenges. If implemented effectively, the actions should strengthen governance and decision-making and improve the programme's ability to adapt to changing conditions and maximise its impact. It is important that this is taken forward collectively through the Delivery Board.

3. Progress towards outcomes

Significant investments have been made but progress is not on track and there are risks to achieving outcomes.

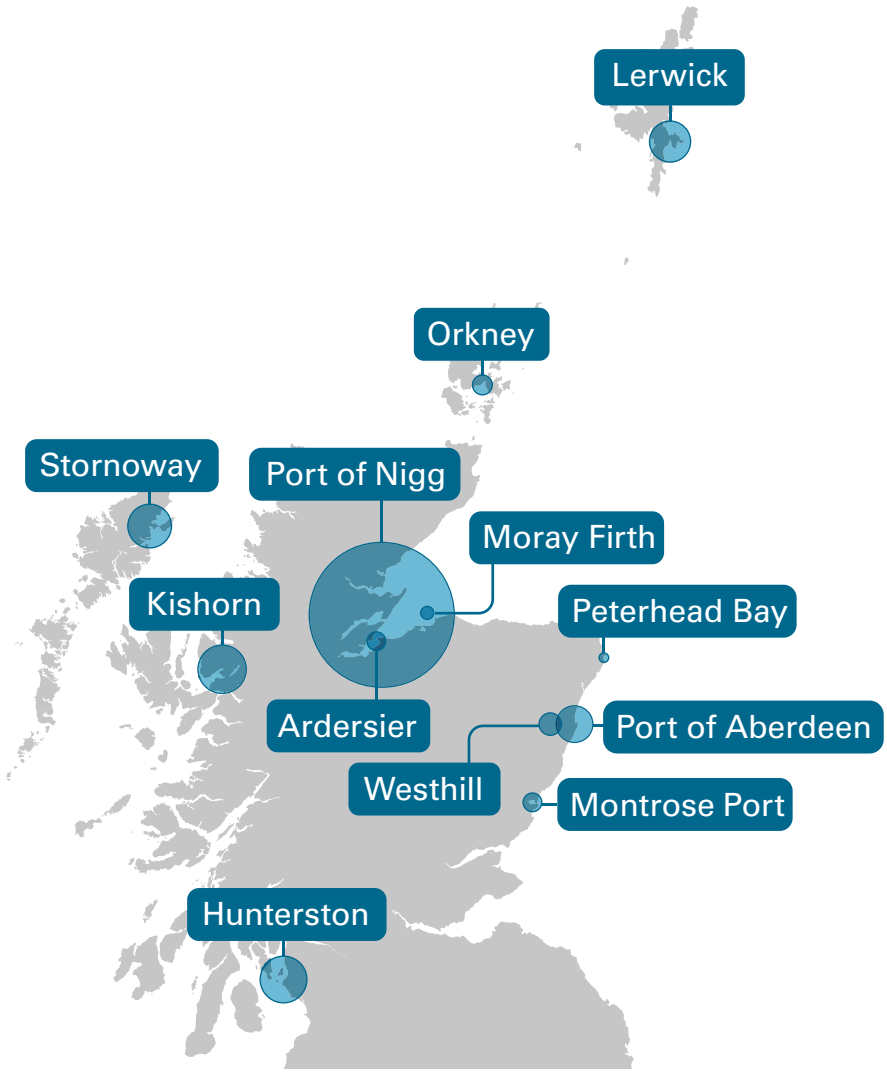
60. As of July 2026, £141 million of OWIP investment has been contractually committed across 17 projects. Exhibit 6 shows the location and scale of investment.

Exhibit 6.

Location and scale of investment (public and private)

The map below shows the location of contractually committed OWIP projects across Scotland and the combined public and private sector investment in the projects. A larger circle indicates more total investment.

Location	Total funding (£m)
Port of Nigg	384.3
Kishorn	42.7
Hunterston	40.0
Stornoway	35.0
Lerwick	30.9
Port of Aberdeen	24.6
Westhill	9.2
Orkney	7.2
Montrose Port	6.4
Ardersier	4.9
Moray Firth	3.1
Peterhead Bay	1.7



Source: Audit Scotland

The OWIP has made progress in making investments in port infrastructure and some areas of the supply chain

61. There have been several high-value investments in port infrastructure and manufacturing facilities, which the sector has welcomed. These are intended to enable increased domestic supply chain capacity, create high-skilled jobs and wider economic benefits (Case study 1 and Case study 2 (page 28)).

Case study 1.
Sumitomo Electric Industries Scottish subsea cable factory and the Port of Nigg Inner East Quay Development



The Offshore Wind Investment Programme has committed £28.5 million worth of public sector investment into two projects designed to enhance Scotland's offshore wind sector in the Cromarty Firth. This includes an £18.5 million grant for a subsea cable manufacturing facility alongside a £10 million grant for the Port of Nigg's quayside. These developments aim to establish the Cromarty Firth as an integrated hub for offshore wind and wider supply chain activity.

With HIE as the lead delivery partner, OWIP has invested £18.5 million in a subsea cable manufacturing facility in the Cromarty Firth, with a further £4.6 million direct funding from HIE. This attracted a further £326.5 million from Sumitomo Electric Industries and gives the project a private to public sector investment ratio of 14:1. Again with HIE as the lead, OWIP has invested £10 million for port infrastructure improvements at the Port of Nigg. This has attracted £24.2 million of private sector investment. Combined, this gives an overall private to public sector spending ratio of almost 11:1 for the two projects.

The Sumitomo factory will produce new high-power subsea electricity HVDC (High Voltage Direct Current) transmission cables, which are critical to supporting offshore wind expansion and further grid upgrades. Alongside addressing wider global supply chain shortages, the manufacturing facility is estimated to create up to 330 jobs.

The Port of Nigg's Eastern Inner Dock Quay will deliver a deep water quayside which will enhance the berthing options and flexibility at the port, and provide a dedicated load-out facility for the Sumitomo factory cables. The energy sector developments and activities at the port are creating an Energy Industry Hub, with the aim of generating further inward investment and building on Scotland's offshore wind sector capabilities.

By co-locating high-value cable manufacturing with upgraded port infrastructure at Nigg, the investments are intended to work together and act as a catalyst for further inward investment and cluster development in Scotland's offshore wind sector.

Source: Audit Scotland

Case study 2.
Ardersier Energy Transition Facility – Phase 2



The Offshore Wind Investment Programme has committed £4 million worth of public sector investment into the Phase 2 development of the Ardersier Energy Transition Facility. Since the initial OWIP commitment, the UK Government stated its view that it could not support the use of offshore wind turbines from a Chinese turbine supplier in UK offshore wind projects. This highlights the complexities and challenges that OWIP and private sector investors face within a very changeable market.

Phase 1 of the Ardersier Energy Transition Facility focused on providing space to store and prepare components for fixed and floating offshore wind components. It was co-funded with £50 million from SNIB, £50 million from the UK Government's National Wealth Fund and £300 million private investment from Quantum Capital Group.

Phase 2 development is supported by £4 million of OWIP investment with just over £1.5 million of private sector investment to date. It builds on Phase 1 to develop a further 200 acres of land and 700 metres of new quay, requiring total investment of around £150-£200 million. It provides the space that will be needed to get offshore wind components ready to be moved and installed, including floating foundations, towers, turbines, and blades. The aim of the additional land and quay capacity is to attract wider supply chain activity to the region, including manufacturing and dry-storage facilities.

This investment has also highlighted delivery risks, including uncertainty in attracting customers for further development and inward investment. This illustrates how wider geopolitical and national security considerations can affect investment decisions.

Source: Audit Scotland

The type of projects receiving investment and the locations are aligned with the expectations set out by the Scottish Government

62. The Scottish Government published an Offshore Wind Focus document in September 2024, about 12 months after the investment programme was announced. The Scottish Government consider this a synthesis of the information set out in the strategic outline business case which identifies priority offshore wind investment opportunities. Drawing on industry reports, market intelligence and public sector expertise, the assessment identified opportunities across port infrastructure and the wider offshore wind supply chain.

63. Our analysis of the evidence we have seen suggests that investment has been broadly aligned with the categories of opportunities identified in the Offshore Wind Focus assessment (Exhibit 7 and Exhibit 8 (page 30)). Funding has supported projects across the port clusters and supply-chain activities identified.

Exhibit 7.

OWIP projects by region

The Scottish Government's 2024 Offshore Wind Focus splits Scotland into five regions. The following table outlines the number of contractually committed OWIP projects and the total spending on these projects in each region.

Region	Number of projects	OWIP project funding (£m)	Other public sector funding (£m)	Private sector funding (£m)	Total funding (£m)
Cromarty / Moray	4	**34.3**	5.1	353.0	**392.4**
Forth & Tay	2	**4.6**	0.2	1.6	**6.4**
North East Cluster	3	**16.6**	2.2	14.8	**33.6**
West of Scotland	7	**79.6**	20.0	27.4	**126.9**
Shetland	1	**6.0**	8.7	16.2	**30.9**

Note: Figures may not sum due to rounding.

Source: Audit Scotland

Exhibit 8.

OWIP projects by project type

The Scottish Government's 2024 Offshore Wind Focus identifies several categories that offshore wind activity falls into. The following table outlines the number of contractually committed OWIP projects and the total spending on these projects by activity.

Project type	Number of OWIP projects	OWIP project funding (£m)	Other public sector funding (£m)	Private sector funding (£m)	Total funding (£m)
Floating foundation manufacturing	0	**0.0**	0.0	0.0	**0.0**
Blades / turbine components	0	**0.0**	0.0	0.0	**0.0**
Steel fabrication	1	**10.6**	0.0	14.0	**24.6**
Floating wind, moorings and anchors	2	**6.7**	0.0	5.5	**12.2**
Offshore services and O&M	0	**0.0**	0.0	0.0	**0.0**
Development services	0	**0.0**	0.0	0.0	**0.0**
Vessels and cables	2	**38.5**	25.1	326.5	**390.1**
Port infrastructure	8	**79.9**	11.1	63.3	**154.3**
Planning and design	4	**5.4**	0.0	3.6	**9.0**

Note: Based on the 17 OWIP projects that have been contractually committed as of 31 July 2026. O&M is understood to refer to operations and maintenance.

Source: Audit Scotland

64. Although there have been investments across all geographical areas, supply chain focused investment has been concentrated in a limited number of opportunity areas. These are steel fabrication (£10.6 million), floating wind moorings and anchors (£6.7 million), vessels and cables (£38.5 million), port infrastructure (£79.9 million), and planning and design (£5.4 million). This could be due to a number of factors – including market developments and changing business environment, progress with supporting infrastructure and timing of the offshore wind developments. However, if the initial priorities remain, there is a risk that the OWIP will miss strategically important supply chain elements, unless investments start to focus on other opportunity areas.

The overall pace of investment is slower than expected

65. Overall investment has been slower than anticipated. Three years after the investment was announced, only 28 per cent of the available funding (if the full £500 million is invested) has so far been committed. Although the strategic outline business case did not set formal annual investment targets, it indicated that the majority of funding would be committed in the early years of the programme. There was an expectation that investment decisions on many projects would occur within 12 to 24 months. The pace of investment has therefore been slower than the Scottish Government considered likely when the programme was designed.

66. Part of the rationale for the investment was the importance of acting quickly, as timing was considered critical. This is because if offshore wind developments begin construction before Scotland's supply chain has the necessary facilities, infrastructure and capabilities in place, contracts and associated jobs may be secured by suppliers in other countries.

67. Timing was also important because ScotWind developers hold option agreements with Crown Estate Scotland that provide the rights to progress offshore wind developments on specified areas of seabed, for a fixed option period. Key investment, procurement and construction decisions are expected to be taken within this period. Delays in developing Scottish supply chain capability could therefore reduce opportunities to capture economic benefits from these projects.

68. There is also evidence to suggest that where projects are approved these are not moving at the pace initially expected. Significant differences between forecast and actual expenditure show that the programme as a whole is not being delivered to expected timelines. The forecast spend is what the programme expects to spend based on delivery timescales for the projects that have been approved. The actual spend is the amount of money that has been provided to projects because they have reached specific stages of development. For the first financial year of the programme's operation the forecast amount and the actual expenditure was broadly aligned, however there was a significant difference for the second year (Exhibit 9, page 32).

Exhibit 9.

A comparison of forecast and actual spending on OWIP projects over the last two years

Spending	2024/25 (£m)	2025/26 (£m)
Forecast spending	40.6	131.4
Actual spend	34.6	38.6
Difference	**6.0**	**92.8**

Note: The information is based on figures taken from the 2024/25 and 2025/26 AOT process.

Source: Audit Scotland

69. Monthly update reports set out risks that the investment in, and delivery of, individual approved projects will be delayed for a range of reasons. These reasons are not directly controlled by OWIP, but some elements are issues which fall within the remit of the Scottish Government and councils, including planning issues. This highlights the importance of different areas of government working together. There are also some project specific delay risks, which are primarily managed by the private sector investors.

70. The slower than expected investment pace also reflects reduced private sector confidence and willingness to risk investing in Scotland's supply chain because of wider factors. The Delivery Board members and sector stakeholders have expressed concern that the private sector's confidence in investing in the supply chain has reduced. This is because there is increased uncertainty about how many offshore wind developers will proceed to development, when construction will begin and the timing of returns on investment.

71. This uncertainty is in part a result of the uncertainty that ScotWind developers face as a result of the broader regulatory and policy environment, with evidence that these are consequently impacting on investor decision-making:

- **Transmission:** Under the current charging system, many Scottish offshore wind projects incur significantly higher transmission network use of system (TNUoS) charges than projects located closer to demand centres in England and Wales. Developers and industry bodies have argued that these charges can increase operating costs, reduce project competitiveness and discourage investment in Scotland's offshore wind farms. Transmission charging arrangements are regulated by Ofgem.

- **Electricity grid connectivity:** Offshore wind projects require a formal connection to the electricity grid before they can generate and export power, but developers often face long waiting times to secure connection agreements due to a backlog of projects in the connection queue. The process can be complex and uncertain, with projects competing for limited connection opportunities and facing changing connection dates as network planning evolves. These delays can increase development risk and affect project viability. Grid connections are managed by the GB electricity system operator and network companies within the UK-wide electricity market and regulatory framework.
- **Contracts for Difference (CfD):** are a key UK Government mechanism for supporting offshore wind development, but uncertainty around future CfD allocation rounds and prices can present challenges for developers. Offshore wind projects depend on securing a CfD to provide long-term revenue certainty and attract investment, yet competition for contracts can be intense and there is no guarantee that a project will be successful in any given auction round. Developers have also highlighted concerns that rising supply chain, financing and construction costs may not always be reflected in auction parameters, potentially affecting project viability.

72. These risks are significant. Twenty ScotWind option agreements were signed in 2022 but two will not now be going ahead. One has been terminated by the option holder and another is in the process of being terminated. While these sites could be taken forward by other developers in future, these decisions illustrate how, until firm investment commitments are made by offshore wind farm developers, the scale of the market opportunities for the supply chain remain uncertain. The Scottish Government is engaging with the UK Government on these issues.

Management of the ScotWind leasing round: How the Scottish Government is using offshore wind funding

Auditor General
September 2026

73. It is also in part because of the uncertainty about whether ScotWind developers will meet their supply chain commitments. As highlighted earlier, ScotWind developers have committed to spending around £1.5 billion per offshore wind farm within the Scottish supply chain. These commitments are set out in the supply chain development statements (SCDSs) submitted as part of the ScotWind leasing process. However, the commitments only become relevant if developers proceed to the full development of their projects. For those that do fully develop, the contractual remedies in place, if they fail to meet their SCDSs, are limited.

The impact from investments is not yet clear

74. As set out in Part 1, the strategic outline business case identified two specific intended outcomes for OWIP: delivering the enabling infrastructure required to catalyse the sector, and supporting inward and domestic investment opportunities to increase Scotland's supply chain capability. The strategic outline business case also anticipated wider

economic benefits, including the creation of thousands of high-skilled jobs. However, it did not set out specific indicators, targets or milestones against which these outcomes could be measured. A benefits realisation exercise is now under way, which should provide a clearer understanding of the programme's expected impacts and how they can be assessed.

75. We have already reported that OWIP has supported investment in enabling infrastructure and that funded projects have attracted significant private sector investment. However, the delivery of infrastructure and associated investment do not, in themselves, demonstrate that the programme has achieved its intended outcomes of catalysing the offshore wind sector and increasing supply chain capability.

76. At this stage in programme delivery, there is limited evidence available to assess the extent to which these outcomes are being achieved. Stakeholders told us that OWIP investments send a positive signal of public sector commitment to the sector and help support future investment decisions.

77. However, a key sector organisation highlighted that wider market conditions have weakened the investment environment in recent years, reducing investor confidence and slowing investment decisions across the offshore wind supply chain. While the long-term opportunity remains substantial, current conditions make it difficult to determine the extent to which OWIP has influenced wider investment behaviour.

78. The organisation also noted that clearer communication and greater transparency about OWIP could help strengthen confidence within the sector. This includes providing greater clarity on how investment decisions are made and how the programme is progressing. In a challenging investment environment, limited visibility may make it more difficult for businesses to plan and align investment decisions. As a result, there remains uncertainty about the extent to which OWIP will generate the wider supply chain investment and capacity growth required to achieve its intended outcomes.

A lack of clarity about OWIP's duration and future funding creates risks for programme delivery

79. There is a lack of clarity about what will happen beyond the initial five-year funding period for the programme. The Scottish Government has said that work is under way to review the strategic outline business case and this will include clarity about what will happen beyond the current OWIP delivery period.

80. In Part 2 we highlighted delivery partner concerns about uncertainties and risks for existing OWIP projects because of the funding mechanisms in place, and there are also risks for potential future projects that have not been approved yet. If the programme is not extended and ends in March 2029, there is a risk that the high-level aims of OWIP will not be

achieved if investment progress continues at the current slow pace, and potential high impact projects are not ready for investment before the end of the five-year delivery period. We have not seen evidence of a clear plan for what will happen to manage the approach to the end of the five-year investment period. A close, specific end date creates several risks:

- projects that are immediately ready to proceed may be prioritised ahead of those with the greatest potential, if there is impetus to ensure the majority of the money is invested (there is no evidence that this has occurred so far)
- a risk that projects that have potentially high impact don't receive an investment because they miss the deadline
- a risk that there is hesitancy among potential private sector investors to begin discussions on potential high impact projects if a hard end date is perceived to be in place in a relatively short period of time, given the complexity that can be involved in bringing projects to an investment ready status.

Stronger arrangements are needed to effectively deliver OWIP's intended outcomes and longer-term impacts

81. As highlighted throughout this report, the Scottish Government and its delivery partners have sought to establish and deliver the programme at pace while responding to evolving opportunities and challenges. Given the scale of public investment and the long-term economic ambitions for the programme, addressing the issues raised in this report will support its effectiveness and achievement of intended outcomes.

82. The experience of the Offshore Wind Investment Programme also offers important lessons for the design and effective delivery of future large-scale public investments and other programmes developing new collaborative approaches.

Renewable energy

The Scottish Government's Offshore Wind Investment Programme

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17 November 2026

Dear Convenor,

During the Committee's evidence session on 5 November, I undertook to provide further information in response to the question from the Deputy Convener, Dawn Black MSP:

"Will you elaborate on the level of contracts to Scottish supply chain companies since 2022? Do you have that information? What evidence have you had from the ScotWind leaseholders on that supply chain? What percentage of supply chain contracts going to Scottish companies would be considered to be a success?"

The information requested is set out below.

The Scottish Government does not hold comprehensive data on the number or value of individual contracts awarded by ScotWind developers to Scottish companies. The principal source of information available is information reported by developers to Crown Estate Scotland through the Supply Chain Development Statement (SCDS) process.

Through the latest SCDS update exercise developers reported total expenditure of £528 million, including £218 million with Scottish suppliers, covering the period from the launch of ScotWind to April 2026. This demonstrates that ScotWind is already generating economic activity and supply chain opportunities during the development phase, ahead of project construction.

Developers continue to update their SCDS commitments and expenditure data, providing an increasingly detailed picture of supply chain activity as projects mature. In addition, developers are taking practical steps to increase Scottish supply chain participation. For example, Thistle Wind Partners has established a programme with DEME Offshore, supported by Scotland's enterprise agencies, to help Scottish companies become qualified suppliers for project contracts and wider offshore wind opportunities in the UK and internationally.

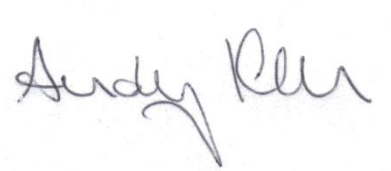
SCDS only reflect ScotWind supply chain commitments, and there are examples where Scottish companies are securing major contracts on other offshore wind developments. For example, while not a ScotWind project, Aberdeen-based Seaway7 was selected in October 2026 as preferred supplier for foundations and inter-array cables on the 1.4GW Berwick Bank B. The contract is expected to support around 400 jobs in Scotland and demonstrates the ability of Scottish-based companies to secure major offshore wind supply chain opportunities.

The Committee also asked what percentage of contracts awarded to Scottish companies would be considered a success. Neither Crown Estate Scotland nor the Scottish Government established a minimum Scottish content requirement or target percentage as part of the ScotWind leasing process.

Instead, our objective is to maximise the economic benefit to Scotland from offshore wind deployment by creating the conditions for Scottish businesses to compete successfully for work across the project lifecycle. Success will be demonstrated through increasing Scottish expenditure, growth in supply chain capability and capacity, investment in infrastructure such as ports and harbours, and the creation of high-quality jobs across Scotland's offshore wind sector.

The Scottish Government continues to work closely with developers, Crown Estate Scotland, enterprise agencies and industry to strengthen Scotland's offshore wind supply chain and maximise the economic opportunities arising from ScotWind and the wider offshore wind pipeline.

Yours sincerely,



Andy Kerr
Director-General Net Zero
Scottish Government

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13 November 2026

Dear members of the Public Audit Committee

SWL committee hearing 5 November 2026 – Follow-up letter to convenor of Public Audit Committee

Thank you for the recent opportunity to provide you with evidence regarding Audit Scotland's report, entitled: 'Management of the ScotWind leasing round: 'How the Scottish Government is using offshore wind funding'.

I promised to write to you, clarifying two points. Firstly, with regards to the advice we sought on the Innovation and Targeted Oil & Gas (INTOG) Leasing round. The question asked of us on 5 November concerned from where we obtained advice on this leasing round and if this was the same source as we obtained advice on the ScotWind Rapid Review. I can confirm that the advice for INTOG came from:

- Ernst & Young (EY) for market analysis, cashflow modelling and award mechanism.
- The Carbon Trust and Xodus worked together to design the award processes (separate for each of Innovation (IN) and Targeted Oil & Gas (TOG)
- Arup provided delivery support for the INTOG process
- Natural Power Consultants Limited undertook a study to provide an analysis of the scale and nature of the opportunity associated with O&G electrification (TOG)

Each of these contracts was procured in accordance with Crown Estate Scotland's standard procurement processes. In summary, the advice sought was from different providers, to address a short-term market opportunity, which was distinct and different to the long-term market opportunity provided by ScotWind.

The second issue which I promised to clarify surrounds the £250,000 payment required to be made by ScotWind developers who fail their Supply Chain Development Statement (SCDS) commitments. I was asked by the Committee whether I believed that this sum was too low, in the context of the scale of the developments. I explained that this sum was not designed to be punitive, but rather it was one in a suite of contractual remedies that could be applied to developers who failed to meet their supply chain commitments. Mr Brown MSP questioned the point of the payment if it was not intended to be punitive, and I undertook to provide further explanation in writing.

This matter was given substantial consideration at the time of designing the leasing round and was the subject of legal advice on the nature and purpose of contractual remedies. It is a principle of Scots law that the purpose of financial remedies for breach of contract

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should be restorative rather than punitive – their purpose should be to compensate the innocent party rather than punish the defaulting party. Any clause which is clearly designed to punish, may be at risk of challenge and could be unenforceable.

Accordingly, the advice received by Crown Estate Scotland was to carefully balance proportionate financial remedies and alternative contractual sanctions, which together allow developers the flexibility to develop their approaches with time, whilst providing Crown Estate Scotland with adequate assurance as to the delivery of their commitments.

By adopting this approach, it was felt that the combination of financial remedy, loss of non-refundable option fee, sunk costs, and an inability to enter into lease, provided the most robust contractual position.

The Auditor General's recommendation that these contractual remedies should be strengthened in future leasing rounds is, however, accepted by Crown Estate Scotland and I confirm that we will continue to develop our approach to supply chain commitments for future leasing rounds.

Yours sincerely



Ronan O'Hara
Chief Executive
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