

Scottish Renewables written evidence to the House of Commons Treasury Committee inquiry into Economic impact of coronavirus

About Scottish Renewables

Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs, social benefits and reduce the carbon emissions which cause climate change. Our members work across all renewable energy technologies, in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.

Executive Summary

Scottish Renewables welcomes the opportunity to provide written evidence to the House of Commons Treasury Committee inquiry into Economic impact of coronavirus.

Scottish Renewables' focuses on the question: What are the lessons that society can learn for the future e.g. reducing carbon emissions, increased home working, business resilience?

It is our position that the UK Government can deliver a green economic recovery which can reduce carbon emissions, and our submission focuses on the following:

- Why renewable energy must be at the centre of the UK's green economic recovery
- The opportunities Scotland's renewable energy industry offers for immediate stimulus of the UK economy
- How the UK Government can unlock the long-term opportunities of renewable energy for economy

Written Evidence

Why renewable energy must be at the centre of the UK's green economic recovery

1. Delivering a green recovery to the economic crisis created by COVID-19 provides opportunity to go further in decarbonising our society and to rethink investments that harm our climate and our health.

Renewable energy improves public health by reducing the reliance on gas boilers, petrol and diesel vehicles and fossil power stations, which are all enormously polluting on a level which directly harms humans. It also provides opportunities for inward investment and can tackle the climate emergency in one, often shovel-ready package.

Renewable energy is good for our economy, wellbeing and environment, and the UK Government must place our industry at the centre of a green economic recovery.

2. The UK Government must avoid using its economic powers to preference oil and gas, which would deliver a 'fossil fuel lock-in' within the energy system which has occurred during previous recessions. This would inhibit efforts to increase the deployment of renewable energy technologies and risk the achievement of our net-zero target. This will be particularly important due to the hosting of COP-26 in 2021, where the world's attention will be on the UK's energy policies.
3. Renewable energy, unlike other energy sources, is home-grown and is therefore less susceptible to economic shocks and market volatility. Putting renewable energy at the centre of a green economic recovery can help to future-proof our energy needs, ensuring our economy is more stable and resilient.

4. In Scotland we have acted very early to utilise the strength of our natural resources and to deploy renewable energy technologies, meaning that we already have a head-start on a green recovery. Renewable energy is generating the equivalent of 90% of Scotland's electricity consumption and is supporting our ambitious emissions reduction targets. This has given us the skills that the world will need to make a success of a green economic recovery.
5. Achieving a green economic recovery will require the government to ensure that our net-zero target continues to retain public support and is seen as essential to our long-term future. This is particularly important as the focus on climate issues may have understandably drifted due to the overwhelming response to the coronavirus pandemic. The UK Government now needs to reaffirm its climate change targets, which can provide the guiding principles of a green economic recovery.

Net-zero should also guide the regulatory framework and the UK Government should provide Ofgem with the regulatory powers it requires to enable investment in the low-carbon infrastructure which is needed to deliver a modern energy system.

The opportunities Scotland's renewable energy industry offers for immediate stimulus of the UK economy

6. Already, countries with more than £2.9 trillion in combined GDP have placed a green recovery at the heart of their post-pandemic response. They include France, Germany, Austria, Denmark, Finland, Italy, Latvia, Luxembourg, South Korea, the Netherlands, Portugal, Spain, and Sweden.

Scotland's renewable energy expertise is already being put to work in 72 countries and is employing staff on six of the planet's seven continents. More than half (57%) of the companies which took part in a Scottish Renewables survey on Scotland's green energy export impact say they are currently moving into new markets, with almost a third (29%) considering doing so.

The UK Government can provide support to continue internationalising Scotland's renewable energy industry, and use international trade powers to boost skills exports to nations seeking to undertake green recoveries.

7. Renewable technologies like heat pumps and solar thermal panels provided just 6.3% of Scotland's non-electrical heat demand in 2018, the latest figures available. Heat makes up 55% of Scotland's energy use and decarbonising heating is essential if we are to meet our net-zero target.

Whilst certain powers on heat are devolved to The Scottish Government, UK Government policy plays a vital role in providing funding and strategic direction. The majority of the 7,600 low-carbon heat projects in Scotland to date have been supported by the Renewable Heat Incentive (RHI). The scheme has funded installations in off-gas grid buildings, new builds and heat networks, as well as in biomethane production

Whilst the RHI has been extended to 2022, the UK Government needs to replace it with new policies to phase out high-carbon heating in existing off gas-grid buildings and fund low-carbon heat generation where this is feeding district heat networks, for example large-scale heat pumps and biomass. The UK Government should also ensure that fossil fuel heating systems bear the costs of their carbon pollution.

8. Economic analysis for Scottish Renewables has found that every gigawatt (GW) of renewable energy installed in Scotland creates 1,500 jobs and adds £133 million of GVA to

our economy. Across Scotland there are 'shovel-ready' projects which, if given the green light for development, can reap these benefits and offer significant opportunity to stimulate the economy.

Examples of 'shovel-ready' projects across Scotland include the following:

- Drax is planning a two-fold expansion of the 440 megawatt (MW) Cruachan pumped storage hydro power station near Oban which will include an investment of around £400 million and support 800 jobs.
- SSE Renewables has proposed a pumped storage scheme at Coire Glas near Loch Lochy which would expand the consented 600MW up to 1500MW with a proposed investment of up to £1.5 billion, 70% of which it is estimated could be spent directly in the Scottish Highlands.
- The Moray West offshore wind farm is currently seeking a Contract for Difference (CfD) from the UK Government which, if awarded, would see up to 85 turbines deployed in the Moray Firth and a potential investment of £90 million in the north-east of Scotland.
- SSE Renewables has secured a CfD for the first phase of the Seagreen offshore wind farm which will generate 454MW of power in the Firth of Forth, contributing over £1 billion to the Scottish economy.
- The Inch Cape offshore wind farm off the coast of Angus is awaiting a CfD award. When granted, this project will have a capacity of 700MW from 72 turbines, providing an investment of £558 million and creating around 858 jobs.

Unlocking the benefits of 'shovel-ready' projects will require the UK Government to ensure that these projects and others like them are given the go-ahead. The UK and Scottish Governments can work together to remove any barriers which stand in the way of deployment. It will also be important for the UK government to consider both UK and Scottish climate targets in any future national or regional infrastructure investment packages and review its plans accordingly.

9. Scottish Renewables had actively campaigned for the UK Government to bring forward Contract for Difference (CfD) Pot 1 auctions for onshore wind and solar, and we welcomed the UK Government's announcement to this effect in March. The UK Government must now ensure that there is a commitment to the provision of ringfencing for early-stage technologies within the CfD system for innovative revenue support mechanisms for our wave, tidal and floating wind sectors.

Scotland leads the world in wave and tidal energy development and despite a series of challenges facing the sector our members continue to break records, progress development and deliver economic and employment benefits to rural communities. The UK has 25% of Europe's tidal energy resource, but the absence of revenue support from the UK Government means that other countries including Canada and France are catching up. Getting the development pathway for these technologies right means being able to increase the benefits the sector delivers, help balance our energy system and export more of our knowledge abroad, as well as cutting the costs of these innovative energy solutions.

10. Scotland has a strong small-scale renewables sector. These solar, wind and hydro projects provide energy security to communities across Scotland, support energy resilience and allow communities to engage with and take control of their own energy systems. This success was built on the now-closed Feed-in Tariff (FiT), a scheme which provided revenue stability for the installation of small energy generation projects. Since its introduction in 2010 the equivalent of 360,000 solar panels have been installed every year across Scotland.

These constitute 22,500 standard household solar power systems and are worth £150 million.

The closure of the FiT has made it very difficult for communities and companies across Scotland to finance small-scheme renewable energy projects. This means less renewable energy production in Scotland, less energy resiliency for Scotland's communities and fewer jobs. The UK Government should provide support to secure a future for the small-scale renewable energy sector which will increase opportunities for economic stimulus.

11. Recognising the energy transition and the need to continue to grow our workforce, support should be provided by the UK Government to enable the reskilling of professionals working in fossil fuel industries. This will require the UK Government to work collaboratively with The Scottish Government on devolved responsibilities.

How the UK Government can unlock the long-term opportunities of renewable energy for economy

12. The renewable energy industry currently employs over 17,700 full-time equivalents (FTE) across Scotland. In 2017, with 10GW of renewable electricity generation deployed, the industry contributed £5.5 billion to the Scottish economy.

The Committee on Climate Change calculates that the UK will need to quadruple the amount of renewable electricity it deploys by 2050 in order to meet our net-zero climate change targets, with consequent growth of economic activity predicted.

It is important, now more than ever, to ensure that industries which offer significant low-carbon growth to our national economy are supported by the UK Government to realise their full potential and help strengthen our economy and future proof it against unexpected shocks.

13. The UK Government's forthcoming white paper on energy will need to focus on the recovery from coronavirus. This white paper should ensure that the long-term future of our economy and energy is low-carbon, and should maximise economic opportunities and job creation across all the renewable technologies that form our energy system.

As we transition away from fossil fuels, the growth of renewable energy provides the opportunity, if done correctly, to ensure every region and community across the UK benefits from a clean, sustainable and home-grown energy supply, with the economic, environmental and health benefits that brings.

June 2020