

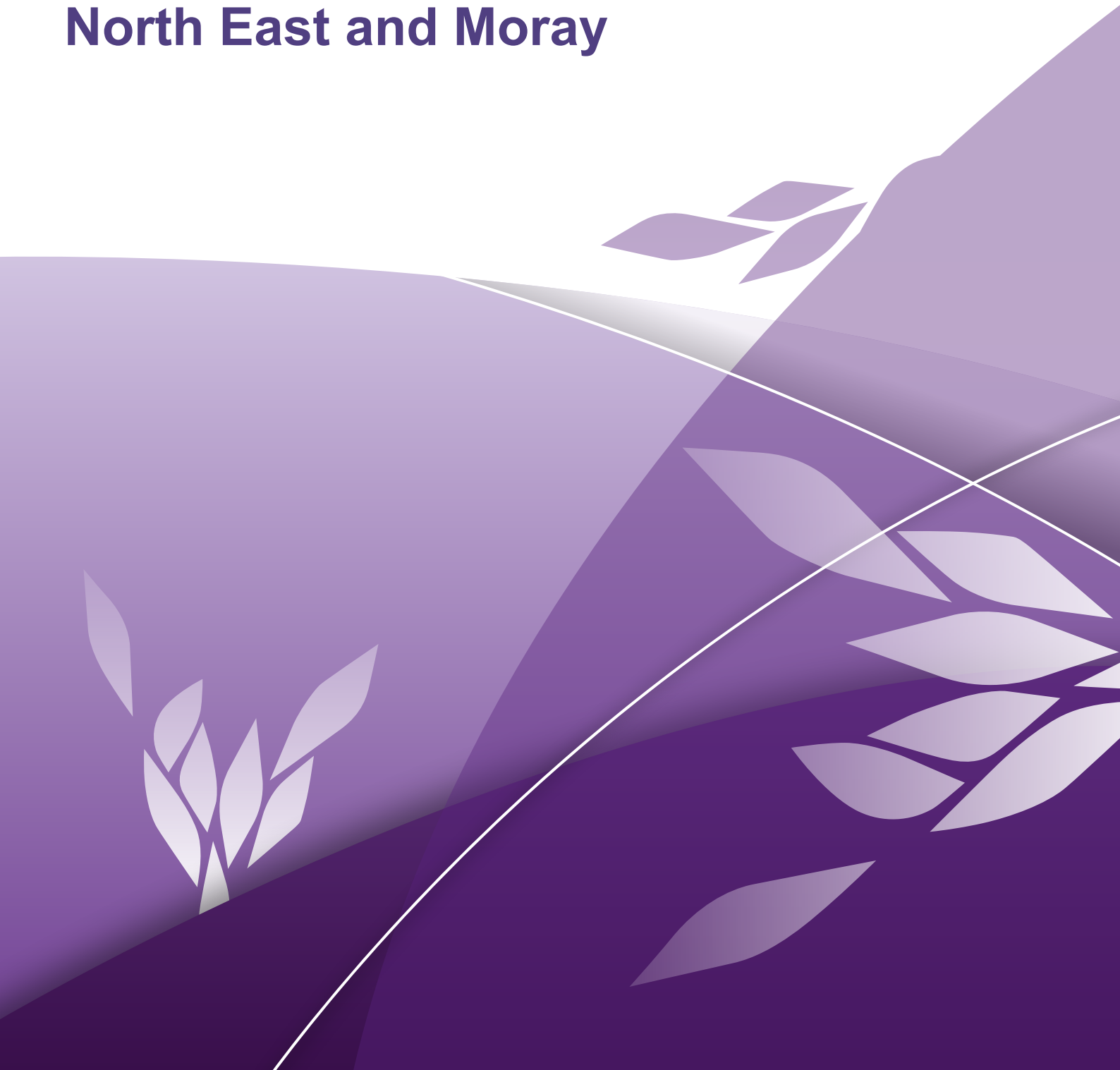


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Economy and Fair Work Committee

Inquiry into a just transition for the North East and Moray



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Economy and Fair Work Committee

To consider and report on matters falling within the responsibility of the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy with the exception of matters relating to energy; and on matters relating to just transition within the responsibility of the Cabinet Secretary for Net Zero and Just Transition.



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Membership Changes

There have been several membership changes since June 2023, when the approach to the inquiry was first discussed—

- On 29 June 2023, Murdo Fraser replaced Jamie Halcro Johnston, Ash Regan replaced Michelle Thomson, Kevin Stewart replaced Fiona Hyslop, and Brian Whittle replaced Graham Simpson.
- On 30 October 2023, Ash Regan resigned from the Committee.
- On 8 November 2023, Evelyn Tweed joined the Committee.

Conclusions and Recommendations

1. **The establishment of the Just Transition Fund for the North East and Moray is welcome. It is timely to consider how it is working, the extent to which the energy transition is being managed, whether it is achieving the hoped for impact and where further, and more holistic support is needed to support the region's transition.**
2. **The Committee acknowledges that a just transition in the North East and Moray, and throughout Scotland is not a single Scottish Government workstream. It recognises that it is not just an energy issue but a policy aim to be woven through almost all Government policy workstreams, to ensure coherence. It requires a holistic, place-based approach involving businesses and community groups across policy areas.**
3. **The delays in bringing forward Scottish Government strategies, such as the Energy Strategy and Just Transition Plan, regional just transition plans, and the Climate Change Update are frustrating. These delays have an economic impact on business, investor confidence and community action.**
4. **The Committee recognises that the Scottish Government's published discussion papers are helpful, but notes they do not invite discussion of what is needed by way of investment for a just transition to be achieved. There have been references to leveraging private capital but, as yet, no assessment of what is realistic or whether that will be sufficient. The Committee expects the forthcoming Green Industrial Strategy to be an opportunity for the Scottish Government to set further detail out regarding the level of investment required for a just transition to be achieved.**
5. **The Committee welcomes the Scottish Government's stated just transition commitments but agrees with the Just Transition Commission that clear plans and coherent cross-Government actions are now needed to realise and deliver on the high-level ambitions. The Scottish Government must urgently set out how just transition considerations are being embedded across policy areas and in spending decisions, and how this is being co-ordinated.**
6. **The Committee notes the role that public procurement must play in delivering a just transition for all sectors and communities and highlights its post-legislative scrutiny of the Procurement Scotland Act 2014 now underway. This work will include consideration of the barriers to business accessing public procurement in Scotland, how local supply chains can be supported and promoted and the challenge of using public procurement to deliver on competing policy priorities.**
7. **The Committee notes the Minister's comments on the reason behind the funding cut to the Just Transition Fund, and that the Scottish Government's commitment remains. The Committee considers that there must now be clarity about the future sustainability of the Just Transition Fund. The Committee asks the Scottish Government to provide further information on**

its proposed approach for the next eight years of the Fund, including how to ensure it will be inclusive of different types of beneficiaries, and how financial accountability will be assessed.

8. It is clear that there are concerns about the type of funding provided by the Just Transition Fund, including restrictions and constraints arising from the use of financial transactions, the limited funding available for these and questions over how accessible the Fund actually is, especially for not for profit and community organisations.
9. The Committee supports calls for the Scottish Government to look further at the possibility of multi-year funding to allow for longer-term planning and greater sustainability. The Committee also supports calls for a mix of sustained revenue and capital funding with sufficient revenue funding to support capacity building in communities. Targeted revenue funding could improve the effectiveness of the capital funding on offer.
10. The establishment of the Just Transition Fund in 2021 for the North East and Moray represented an acknowledgement of the areas' regional economic and employment reliance on fossil fuels and the support required to support the transition away to renewables.
11. Beyond hoping that the financial environment improves, and against a backdrop of a 75% budget decrease for the coming financial year, the Scottish Government is asked to set out how it intends the Just Transition Fund to be financed over the coming years and how the Scottish Government's stated ambition to accelerate the development of a transformed and decarbonised economy in the region will be realised, in light of financial constraints.
12. Given the importance of public sector organisations and community-based projects and initiatives, to achieving a just transition, the Committee is extremely concerned that they may no longer have access to funding through the Just Transition Fund. As financial transactions are now the only source of funding for the Just Transition Fund in the 2024/25 budget, it will be extremely difficult for these projects to access the Fund. The Committee is of the view that the Scottish Government must set out how it will address these concerns to ensure that these vital organisations, small businesses and community-based initiatives and projects will receive support.
13. The Committee believes there is a need for the Just Transition Fund to align with wider economic and wellbeing strategy. Such alignment would establish clear aims and criteria for funding and outcomes to be achieved, giving much needed clarity to businesses and community groups.
14. The Committee urges the Scottish Government to consider suggestions that the Fund be aligned with the Regional Economic Strategy, the Energy Strategy and Just Transition Plan, or the Green Industrial Strategy, when finalised, to ensure funding is allocated strategically and cohesively.

15. **The Committee is clear that properly resourcing Scotland's planning systems should be seen as part of the investment required to support the move away from fossil fuel reliance. It will be key to a just transition. The Committee welcomes the Scottish Government's commitment to publish its finalised Energy Strategy and Just Transition plan by the summer. In light of the evidence heard, the Scottish Government is asked to set out what action it will take to ensure our planning systems are fit for purpose and able to support what is envisaged in the Energy Strategy and Just Transition Plan.**
16. **The Committee welcomes the Scottish Government's willingness to engage with the Just Transition Lab's work and urges it to include, in its final Energy Strategy and Just Transition Plan and the forthcoming Green Industrial Strategy, an appropriate range of indicators including traditional measures but also social and community impact measures of just transition progress.**
17. **Appropriate indicators will support better scrutiny of Scottish Government policies and improved trust in the processes that lead to funding and budgetary considerations. The indicators should be drivers for coherent spending decisions across government and a means by which Parliament can hold the Government to account. Committees will shortly take a joint approach to scrutinising the Scottish Government's forthcoming proposals for refreshed National Outcomes. This will be an opportunity to further consider what is being measured nationally and alignment with Scottish Government strategy.**
18. **The Committee recognises concerns raised about community capacity and notes that many projects, vital to achieving a just transition, are presently reliant on volunteers. The differing levels of resource capacity across the region, and the inappropriate reliance on volunteer hours, can place some communities at a disadvantage.**
19. **The Committee draws the Scottish Government's attention to the suggestions for ways in which community capacity building and engagement could be developed, including outputs of community or other assemblies being treated as material evidence in planning processes, evidencing engagement activities in decision-making processes and showing where community input has been incorporated, providing a modest amount of revenue funding to support community projects and establishing a Government-sponsored internship scheme to match graduates with local community groups and businesses.**
20. **The Scottish Government is asked to set how it intends to support capacity building and engagement, improve community representation and build trust in the just transition agenda. The Committee asks the Scottish Government to respond specifically to the suggestions outlined above.**
21. **The Committee also recognises the need for communities to be supported to access more than just the participatory budgeting element of the Just**

Transition Fund, and asks the Scottish Government to explore how it can achieve this.

- 22. Given everything the Committee has said previously and heard throughout this inquiry, the cut of 24% in employability spend for the coming year is extremely concerning. Of equal concern are both the Scottish Government's decision to suspend the Flexible Workforce Development Fund which previously allowed SMEs to access up to £5,000 to upskill their staff through local providers and the drop in apprenticeships.**
- 23. It is clear to the Committee that we need more investment, not less, in our current and future workforce and, for example, to establish green energy training academies or their equivalent. Whilst recognising wider financial pressures, the Committee asks the Scottish Government to set out how it intends to support jobs and build skills for the energy transition.**

Introduction

Background

24. The Scottish Government has set ambitious targets to reduce emissions in Scotland to net zero by 2045, with interim reduction targets of 75% by 2030 and 90% by 2040 (against 1990 baseline levels). These targets were included in the [Climate Change \(Emissions Reduction Targets\) \(Scotland\) Act 2019](#), building on the [Climate Change \(Scotland\) Act 2009](#).
25. In 2020, in its [Sixth Carbon Budget](#), the Climate Change Committee (the CCC) set out a UK-wide 'balanced pathway to net zero'. This included projections of the necessary investment required over the next 30 years, across various sectors, to achieve net zero. The CCC noted that substantial increases in investment, particularly in surface transport, residential buildings, and electricity supply would be needed by the latter half of this decade.
26. At a UK level, the CCC estimated that investment each year would need to increase from around £10 billion in 2020 to around £50 billion by 2030 continuing at that level to 2050. It estimated Scotland's share of UK emissions at around 9%¹, putting the projected investment required in Scotland at around £5 billion per year by 2030.²
27. The scale of required investment means this will be the most significant economic transformation of modern times. Investing to manage this economic transformation, in a way that supports workers and communities most closely affected, is what is meant by "a just transition".
28. In December 2022, the Committee agreed to undertake a Just Transition inquiry in two parts. The first part looking at the Grangemouth area, the second at the North East and Moray. The Committee's [report on its inquiry into a Just Transition to Net Zero for the Grangemouth](#) area was published in June 2023. This report covers the second part of the work, with a focus on the North East and Moray.

Why the North East and Moray?

29. Industry is the second highest emitting sector in Scotland after transport. The North East and Moray is home to Scotland's oil and gas production, generating significant economic activity and energy supply. 75% of Scotland's energy consumption comes from oil and gas³ and in the North East and Moray the sector supports 65,000 jobs.⁴
30. In 2019, the oil and gas industries were responsible for gross value added (GVA) of £16 billion (around 9% of Scottish GDP).³ The transition to net zero will have significant consequences both for the North East and Moray region and for Scotland as a whole. There is also potential for significant economic opportunities, including job gains, and it is crucial that the right conditions are created in order to realise these opportunities.

31. In 2021, as part of the [Bute House agreement](#), the Scottish Government established a 10-year £500 million Just Transition Fund (“the Fund”) specifically for the North East and Moray. To date, no other regional-specific fund has been established by the Scottish Government, either for the Grangemouth area or any other. The Scottish Government said the aim of the Fund was to—

” identify key projects, through co-design with those impacted by the transition to Net Zero, to accelerate the development of a transformed and decarbonised economy in the North East and Moray. ⁵
32. In October 2022, the then Minister for Just Transition, Employment and Fair Work, [set out details of the projects selected for funding under the first phase of the Just Transition Fund](#). These investments totalled £51.6 million, although not all funding was allocated in full to each project that year. ⁶
33. The [Scottish Budget for 2022-23](#) (year 1) allocated £20 million of spend to the Fund. This increased to £50 million in the [2023-24 \(year 2\) budget](#). However, the allocation in the [2024/25 budget](#) (year 3) is just £12 million. This represents a 75% reduction on the previous year's allocation and raises questions about the Fund's future direction and the Scottish Government's stated ambition to accelerate the development of a transformed and decarbonised economy in the region.
34. As highlighted in our report on the Grangemouth area, just transition is not just about industry but also wider societal change. It is multidimensional, cutting across skills planning, consideration and investment in infrastructure, transport, housing and construction. Importantly, it is about, and must involve, communities to ensure the necessary transition happens in a “just” way.
35. A 2022 report by Robert Gordon University's Energy Transition Institute “[Making the Switch](#)” looked at the energy sector transition in the north-east of Scotland. The report outlined four possible scenarios for the region from, at one end, a global energy hub, to at the other, regional decline. Professor Paul de Leeuw explained that around one in five people who work in the area, work in or support the oil and gas industry and the offshore energy industry, observing “if the energy industry does not work, the region, at the moment, will not work.” He drew attention to the “real shift happening” and the report's assessment of best and worst case scenarios. He concluded—

” Currently, around 45,000 people, plus or minus a bit, work in the offshore energy industry. If we get it right, collectively, we add 20% more people to that figure; if we get it wrong, we lose 40% of those people by 2030. The difference between those outcomes is hugely clear cut. ⁷

36. **The establishment of the Just Transition Fund for the North East and Moray is welcome. It is timely to consider how it is working, the extent to which the energy transition is being managed, whether it is achieving the hoped-for impact and where further, and more holistic support is needed to support the region's transition.**
37. **The Committee acknowledges that a just transition in the North East and Moray, and throughout Scotland is not a single Scottish Government**

workstream. It recognises that it is not just an energy issue but a policy aim to be woven through almost all Government policy workstreams, to ensure coherence. It requires a holistic, place-based approach involving businesses and community groups across policy areas.

Terms of reference

38. The Committee decided to focus this part of its work on how to support, incentivise, and de-risk a just transition for the North East and Moray in a way that benefits people, communities, and businesses by looking at—
- how the Just Transition Fund is working and whether it is achieving its aims;
 - what support is needed to maximise the benefits of the transition for the community;
 - the outlook for jobs and skills; and
 - how innovation can be supported to maintain Scotland's place as a leader in the energy sector.

Evidence received

39. The Committee's call for views ran for 12 weeks until 26 September 2023. [There were 39 responses](#): 28 from organisations, and 11 from individuals. The Committee thanks all who responded.
40. The Committee heard oral evidence, formal and informal, over six weeks. Witnesses included local authorities, trade unions, the third sector, community groups, representatives from academia, groups representing small businesses, larger businesses working within the transition, and the Scottish Government. Full details of evidence sessions can be found at Annexe A. The Committee thanks all who contributed.
41. The first evidence session was held in the Aberdeen Town House. Whilst there, we also met representatives of the Port of Aberdeen, visited the new Aberdeen South Harbour, and held a workshop with representatives of community groups from across the region. The Committee thanks Aberdeen City Council, the Aberdeen Arts Centre, and the Port of Aberdeen for hosting the Committee and all who took the time to engage with us in Aberdeen.

Scottish Government policy and planning

42. Our [report on a Just Transition for the Grangemouth area](#), outlined the array of strategies, policies, and intended plans to support the economic transformation

required and to ensure it happens in a “just” way. Region-specific policies for the North East and Moray are outlined in Annexe B of this report.

43. Central will be the Scottish Government's Energy Strategy and Just Transition Plan [published in draft in January 2023](#). The draft set out how the Scottish Government intends to prepare for the energy transition “delivering maximum benefit for Scotland” and developing “a wellbeing economy and...a just transition for our workers, businesses, communities and regions.” It includes the Scottish Government's ambitions for onshore and offshore wind energy capacity, with ScotWind expected to deliver a one-off £750 million in revenues and potentially “billions more in annual rental revenues”. The Scottish Government has said its final strategy and plan will be published “by the summer” of 2024. ⁸
44. The Scottish Government has committed to publishing specific sectoral Just Transition plans for the buildings and construction, transport, agriculture and land use sectors, and a specific place-based plan for Grangemouth. The Scottish Government has published discussion papers to feed into the sectoral plans. It is expected that the three sectoral plans will be published “before the summer”. ⁹ Alongside these, September's [2023/24 Programme for Government](#) promised a Green Industrial Strategy setting out how the Scottish Government intends to support businesses and investors to benefit from the opportunities of the energy transition.

45. **The delays in bringing forward Scottish Government strategies, such as the Energy Strategy and Just Transition Plan, regional just transition plans, and the Climate Change Update are frustrating. These delays have an economic impact on business, investor confidence and community action.**
46. **The Committee recognises that the Scottish Government's published discussion papers are helpful, but notes they do not invite discussion of what is needed by way of investment for a just transition to be achieved. There have been references to leveraging private capital but, as yet, no assessment of what is realistic or whether that will be sufficient. The Committee expects the forthcoming Green Industrial Strategy to be an opportunity for the Scottish Government to set further detail out regarding the level of investment required for a just transition to be achieved.**

Just Transition Commission

47. The Just Transition Commission (the Commission) is the independent body that advises the Scottish Government on delivering a just transition. In [February](#), [April](#) and then [May](#) last year, the Just Transition Commission provided advice to the Scottish Government on its draft Energy Strategy and Just Transition Plan and on the series of Just Transition plans in development. The Commission recognised the draft Energy Strategy as “a major milestone in the Scottish Government's internationally recognised Just Transition Planning Framework” and acknowledged the “complex challenge of turning aspiration into a detailed strategy”. ¹⁰
48. The Commission identified high-level issues to be taken account of when developing just transition plans including inequalities, equity, fair work, engagement,

accessibility, scale/quantification, road maps, finance and investment, and mainstreaming. The Commission stated—

” It cannot be assumed that a sector's role in addressing the climate challenge, and the actions required, are already understood and accepted by those whose livelihoods are likely to be impacted. This will be important in order to support meaningful engagement regarding the delivery of Scotland's climate ambitions for this and other sectors in a fair way. ¹¹

49. The Commission drew attention to housing as fundamental to a transition to net zero and said wider engagement and discussion on that issue was needed. The Commission also recommended that heat decarbonisation be included in the Just Transition Plan for Buildings and Construction, as separating the issues between the Energy Strategy and Just Transition Plan and the forthcoming Buildings and Construction Just Transition plan could risk effective strategic planning.
50. In its [annual report](#) published in December, the Commission's overarching key message was that the Scottish Government's current path would not produce a Just Transition. It called for a whole of Government approach to delivery and said public procurement would be “key to unlocking a Just Transition” with the potential for significant gains through aligning public monies with Just Transition principles. The report noted that despite progress in policy development and planning at a national level, tangible benefits in everyday lives were yet to be felt. This was due to rising levels of fuel poverty and the cost of living, lack of progress on the energy skills passport and the sudden announcement of plans to close the oil refinery at Grangemouth. The report stated—

” Having embedded the concept as a high level goal, just transition should from here on be used to describe a detailed and specific set of policies, actions and investments that further tangible progress along a well-defined pathway. Use of just transition as a “fix-all” term without specific policies and actions to actually realise it must be avoided from now on. ¹²

51. **The Committee welcomes the Scottish Government's stated just transition commitments but agrees with the Just Transition Commission that clear plans and coherent cross-Government actions are now needed to realise and deliver on the high-level ambitions. The Scottish Government must urgently set out how just transition considerations are being embedded across policy areas and in spending decisions, and how this is being co-ordinated.**
52. **The Committee notes the role that public procurement must play in delivering a just transition for all sectors and communities and highlights its post-legislative scrutiny of the Procurement Scotland Act 2014 now underway. This work will include consideration of the barriers to business accessing public procurement in Scotland, how local supply chains can be supported and promoted and the challenge of using public procurement to deliver on competing policy priorities.**

Operation and Impact of the Just Transition Fund

General

53. The Just Transition Fund was established by the Scottish Government in 2021 with a pledge of £500 million over 10 years, specifically in the North East and Moray. It is a key vehicle for driving public investment towards delivering a just transition for the region. The Committee notes that this investment is essential to deliver a just transition for the region and that it should form part of a broader package of holistic support. 23 year one projects were identified alongside £1 million for participatory budgeting (a recurring sum committed for each year over the lifetime of this parliament). Year 1 funding was £20 million, year 2 £50 million, but funding drops to £12 million in the coming year.
54. In Year 1, the Just Transition Fund's £20 million allocation was made up of £10 million capital grants and £10 million Financial Transactions. Of the £20 million available to be distributed in 2022-23, the £10 million capital grant allocation was spent. £0.5 million Financial Transactions were allocated to Social Investment Scotland's Social Enterprise Just Transition Fund and £9.5 million Financial Transactions were unallocated.¹³ The Committee remains unclear on how the unallocated Financial Transactions have since been allocated and requests this information from the Scottish Government. During 2023-24, the Fund did not open for bids.
55. The Scottish Government said its focus had been on delivering the £50 million multi-year programme of projects announced in 2022-23 but “businesses, social sector organisations and communities have still been able to bid for grant funding this year through the Supply Chain Pathway and Energy Transition Challenge Fund, Social Enterprise Just Transition Fund, and Participatory Budgeting Fund respectively.”¹⁴
56. The Minister acknowledged the cuts to the Just Transition Fund saying he would like to be in position to put more resource in but the reduction was a consequence of the UK Government having reduced financial transactions and capital funding, a real terms cut of 10 per cent. The Minister said—
- ” I want to make it clear to the committee ... that this is all due to the financial challenges that we face. We will have ground to make up, and we have the commitment in place for the £500 million over 10 years, so let us all hope that the financial environment improves sooner rather than later so that we can fund all the vital projects that we need for the just transition.⁹

57. **The Committee notes the Minister's comments on the reason behind the funding cut and that the Scottish Government's commitment remains. The Committee considers that there must now be clarity about the future sustainability of the Just Transition Fund. The Committee asks the Scottish Government to provide further information on its proposed approach for the next eight years of the Fund, including how to ensure it will be inclusive of different types of beneficiaries, and how financial accountability will be assessed.**

The role of the Scottish National Investment Bank

58. In April of year 2 (2023-24) it was announced that the Fund's entire Financial Transaction allocation of £25 million had been allocated to the Scottish National Investment Bank with “up to an additional £25 million grant funding to be spent as part of the ongoing delivery of the £50 million grant funding committed to in 2022-23”.¹³ This means SNIB is now a key player in allocating and managing the Fund.
59. SNIB's written submission to this inquiry, largely drawn from a published paper [Transition Finance](#), focussed on the energy sector and its supply chain. SNIB highlighted the prospect of decreasing oil and gas production leading to lower supply chain revenues in the short term. At the same time as supply chain companies pivot their activities towards renewables, the market is becoming more competitive. As a result, SNIB states that “profits may be reduced, which in turn will impact supply chain companies' ability to reinvest in the future”. SNIB argues that this necessitates targeted transition finance, in which the Bank “has a clear role”.¹⁵
60. It is vital that local supply chain businesses, including SMEs, are supported to enable them to benefit from current and emerging opportunities, given the risk of decreasing revenues from falling oil and gas production. Aberdeen and Grampian Chamber of Commerce and SNIB emphasised that for now, supply chain firms' order books rely on oil and gas projects. Renewables contracts, for example from ScotWind, are some time off. Mark Monroe (SNIB) emphasised that investment today, in local supply chain firms and people, was required. He explained that local businesses and jobs can be protected—
- ” as long as we recognise that we are investing in them today and that they will be oil and gas, but during the current decade, it will shift to coming from renewables.”¹⁶
61. From the capital allocated to the Bank last year from the Just Transition Fund, SNIB has committed £20 million to Aurora Energy Services, previously in the oil and gas sector, and now providing supply chain services across renewables technologies with a focus on offshore wind. This investment will “provide a pipeline of reskilled workers and apprentices”.¹⁷ SNIB has also committed £18 million to Trojan Energy, an Aberdeen-based manufacturer of unique pavement chargers to support it in new commercial opportunities, including a partnership with Barnet Council to install 1,300 on-street charge points.¹⁸
62. SNIB anticipated that these investments from the Fund would create new employment and support transition opportunities for workers in the oil and gas sector. SNIB hoped to announce further investments from the Fund shortly. Over and above this, it pointed to the “big pipeline of investments” that already existed, separate from the Fund, and investments it had already made in Aberdeen and Aberdeenshire, not just in the energy supply chain but in other sectors including Orbex, a space company in Moray and Elasmogan Ltd an Aberdeen cancer therapeutics company.⁷

Funding and accessibility

63. SNIB's Fund allocation is in the form of financial transactions, funding allocated to the Scottish Government by HM Treasury that can only be used to make loans to or equity investments in private entities. Unlike grant funding, financial transaction funding must be repaid. In the Scottish Government's 2024/25 budget, financial transactions are the only form of Just Transition funding.
64. Moray Council told the Committee that financial transactions limit public sector involvement as loans are not as attractive as capital grants.¹⁹ SNIB confirmed to the Committee that, as it is capitalised through Financial Transactions, it is unable to provide finance directly to local authorities. However, it stated that, in relation to the additional capital provided from the Just Transition Fund, it had engaged with the Aberdeen City, Aberdeenshire and Moray councils to discuss its investment role and opportunities for collaboration. SNIB indicated it would continue to reflect on opportunities to work with local authorities.^{20 16}
65. ETZ Ltd. stated that whilst financial transactions have a place, they do not always work “in trying to encourage more innovation and research and development among small to medium-sized companies, for which grant funding is important”.⁷ FSB Scotland also stressed the need for a mix of funding, including more grant funding for small businesses, particularly given the recent increase in the cost of borrowing. It felt funding existed for large projects but there was little support for small businesses. FSB called for 20% of the Just Transition Fund to be targeted at smaller businesses.¹⁶
66. NESCAN said that financial transactions are “to a large extent inaccessible to community groups” and described SNIB funding as “for the big boys and girls” pointing out that smaller community-led groups are competing with larger organisations who have more knowledge and capacity to compile a bid.¹⁹
67. Aberdeen City Council said that given the scale of investments made through SNIB, it “is not really something that is likely to allow access for community groups and/or the third sector in general.”¹⁹
68. SNIB said that with the exception of Aberdeen South Harbour, all its investments were in SMEs. It said it had made “18 investments in a portfolio of 29, worth £180 million”. It noted that seed capital was not currently within its commercial mandate and was the responsibility of Scottish Enterprise. SNIB undertakes investments between £1 million and £50 million and, in the case of smaller businesses looking for more modest funding, said “SMEs can always approach us and we work with and signpost them to other investors, so the funding might not come through just transition funding”.¹⁶
69. Some witnesses, including the Just Transition Lab, raised concerns that, given SNIB's commercial approach, funding decisions favour commercial projects rather than those that are community-based or not for profit.²¹ It may be the Scottish Government's intention that the Fund is aimed at commercial and not community projects but without any stated strategic direction for the Fund, the intention is not clear. Clarity is needed from the Scottish Government on this.

70. The Committee was keen to understand how less profitable projects would be able to access financial support given SNIB's focus. Fergus Mutch (Aberdeen and Grampian Chamber of Commerce) suggested that there was potential for the Fund to drive scalability and viability, commenting—
- ” You have seen that with some of the year-1 projects that benefited from the just transition fund. For example the work on hydrogen that the Net Zero Technology Centre in Aberdeen is doing. ¹⁶
71. Mr Mutch also gave the example of the Campaign for North East Rail. As a voluntary campaign group and not a corporation, the Chamber of Commerce had become a “fiscal sponsor” for the project. Mr Mutch suggested that some sort of mechanism could usefully be built in to the Just Transition Fund—
- ” to make it more accessible for the likes of start-ups, third sector organisations, and campaign groups whose aims and projects that could do with support might – let us be frank – be as valuable in the longer term to delivering a just transition as established businesses’ projects. ¹⁶
72. Aberdeen City Council, Professor Paul de Leeuw and ACVO called for the Just Transition Fund to include more revenue funding. ACVO explained—
- ” it is all very well having the money to buy equipment, but if you cannot pay someone to use it or get staff to run a place, you fail before you have started. Also, if there is no revenue funding, there is no long-term ability to maintain a project. The third sector is quite clear that we need fairer funding, longer-term funding, more flexible funding and more funding that is easy to apply for, report on and evaluate the outcomes. ¹⁹
73. There were also concerns about, typically, annual funding settlements for recipients of the Fund. Multi-year funding would allow for longer-term planning and more considered investments. Witnesses said annual funding leads to inefficient use of resources. For example, ETZ Ltd said that projects do not often start until later in a financial year. The expectation of only being funded to the end of a single financial year is often unhelpful. ⁷
74. SNIB told the Committee that annual funding settlements were problematic for it too, commenting—
- ” Investments do not work just from April to March; they can go over the period, so there is a tension between completing investments and drawing down in the move into a different financial year. ¹⁶

75. **It is clear that there are concerns about the type of funding provided by the Just Transition Fund, including restrictions and constraints arising from the use of financial transactions, the limited funding available for these and questions over how accessible the Fund actually is, especially for not for profit and community organisations.**

76. **The Committee supports calls for the Scottish Government to look further at the possibility of multi-year funding to allow for longer-term planning and**

greater sustainability. The Committee also supports calls for a mix of sustained revenue and capital funding with sufficient revenue funding to support capacity building in communities. Targeted revenue funding could improve the effectiveness of the capital funding on offer.

Strategic direction and alignment

77. The Committee heard concerns about a lack clarity around the aims and strategic direction of the Fund and apparent lack of any links to an over-riding strategy such as NSET or the draft Energy Strategy and Just Transition Fund. The Just Transition Partnership said it was concerning that there was no regional just transition plan to guide the Fund's deployment.²²

78. A clear strategic direction for the Fund would maximise its effectiveness. Aberdeen City Council, Prosper and Aberdeen and Grampian Chamber of Commerce all called for the fund to be aligned with the Regional Economic Strategy. Aberdeen City Council said—

” The aims and objectives of the fund must be clear, and processes and guidance for applications published in good time. Caution is urged when developing objectives for the programme, there is a risk of the programme losing focus, and alignment with the Regional Economic Strategy would give a very clear focus to the programme, in line with already agreed objectives for the area.¹⁹

79. The local authorities called for greater involvement in allocations from the Fund, to tie in with local plans, noting—

” We have a number of on-going local and regional initiatives; we could provide some input that would be helpful for Scottish Government colleagues, in relation to what is already happening locally and regionally. That would help to ensure that there is complementarity rather than duplication within those ideas.¹⁹

Impact and support for innovation

80. The evidence from the Committee's work on a Just Transition for the Grangemouth area and now on the North East and Moray and the Just Transition Fund has shown that there are opportunities from new technologies, particularly floating offshore wind and hydrogen. These technologies could enable Scotland “to be a global pioneer” given synergies with existing oil and gas industry.

81. In the North East and Moray, the Green Freeport at Cromarty Firth was identified by Scottish Renewables as an “ideal location for hydrogen”.⁷ SSE Group has made a £2 billion investment in carbon capture at the Peterhead plant with potential for hydrogen there.⁷ First Bus highlighted its hydrogen fleet in Aberdeen and the

importance of council-secured grants for developing it.²³

82. The Just Transition Fund for the North East and Moray is being used to support innovative ideas. From the [list of projects receiving support](#), some are developing new technologies, but it is not clear what outcomes the Scottish Government expects from the Fund investments. The sums involved to date are not huge but there appears to be little strategic focus to target the Fund towards technologies that the region would be well-placed to benefit from.
83. In other countries, the longer-term direction of travel appears to be hydrogen and energy companies are starting to invest there.. BP, for example, has launched its H2-Fifty project in Rotterdam, which will deliver capacity of 250 MW of green hydrogen power. That project has received [grant funding from the Dutch government](#).
84. To encourage investment, an appropriate regulatory regime must be in place. This is the responsibility of the UK Government. In February 2024, the Committee heard from the Minister of State for Energy Security and Net Zero on the future of the Petroineos site at Grangemouth. The Minister stated that he “cannot see a route to net zero without hydrogen, and we are seeking to support that” and that “we are moving as fast as we can”.²⁴
85. The Committee pressed the Minister on timelines for setting out the UK's regulatory regime for the production, transportation and use of hydrogen to enable the Grangemouth cluster to consider opportunities for diversifying. The Minister stated that he had spoken with Petroineos, INEOS and PetroChina on multiple occasions recently on such matters. In relation to the production of sustainable aviation fuel and the potential opportunities for Grangemouth and elsewhere, there would be a SAF mandate from 2025 to require at least 10 per cent of jet fuel to come from SAF by 2030. The revenue certainty mechanism was expected to be in place 2026, the detail of which was to be consulted on shortly. The Committee has asked that it be kept up to date with developments in this area.
86. The Committee stresses the importance of a clear regulatory regime to encourage investment, and [has written to the Minister](#) seeking clarification on when the UK Government anticipates the required framework being in place. The Committee awaits a response.
87. Professor Paul de Leeuw discussed hydrogen as an opportunity for Scotland, as existing infrastructure could be leveraged to develop hydrogen fuel production. However, he noted that hydrogen at scale is not going to happen until the 2030s, given the need to develop a market for it. As such, it will be some time before hydrogen becomes a viable economic replacement for the current energy sector in Scotland.⁷ However, the Committee notes that whilst carbon intensive fuel production is facing the same long-term economic headwinds globally, refineries elsewhere in Europe are receiving targeted investment to transition towards producing low carbon fuels.
88. For Grangemouth, particularly now, in light of the sudden announcement of plans to cease refinery operations as soon as 2025 and turn the site into a fuels import terminal with the loss of 400 jobs, there is no equivalent detailed plan or investment strategy. The Committee is aware that talks are ongoing and has [requested that the](#)

Scottish Government keep it updated on discussions.²⁵

89. **The establishment of the Just Transition Fund in 2021 for the North East and Moray represented an acknowledgement of the areas' regional economic and employment reliance on fossil fuels and the support required to support the transition away to renewables.**
90. **Beyond hoping that the financial environment improves, and against a backdrop of a 75% budget decrease for the coming financial year, the Scottish Government is asked to set out how it intends the Just Transition Fund to be financed over the coming years and how the Scottish Government's stated ambition to accelerate the development of a transformed and decarbonised economy in the region will be realised, in light of financial constraints.**
91. **Given the importance of public sector organisations and community-based projects and initiatives, to achieving a just transition, the Committee is extremely concerned that they may no longer have access to funding through the Just Transition Fund. As financial transactions are now the only source of funding for the Just Transition Fund in the 2024/25 budget, it will be extremely difficult for these projects to access the Fund. The Committee is of the view that the Scottish Government must set out how it will address these concerns to ensure that these vital organisations, small businesses and community-based initiatives and projects will receive support.**
92. **The Committee believes there is a need for the Just Transition Fund to align with wider economic and wellbeing strategy. Such alignment would establish clear aims and criteria for funding and outcomes to be achieved, giving much needed clarity to businesses and community groups.**
93. **The Committee urges the Scottish Government to consider suggestions that the Fund be aligned with the Regional Economic Strategy, the Energy Strategy and Just Transition Plan, or the Green Industrial Strategy, when finalised, to ensure funding is allocated strategically and cohesively.**

Barriers to investment in the energy transition

94. Scotland is competing in a global market for supply chain, people and investment. Economically and socially, energy transition will be key to the North East and Moray. For its communities and workers to benefit from the transition to net zero and realise the opportunities, a large-scale renewables industry is essential together with a clearer path to how it will be achieved. Professor de Leeuw (Robert Gordon University) said—

” I do not think that we have a route map clear enough to get us to the winning outcome. We have a very good road map to get us not to the winning outcome; it is called “stop investing”. We are not investing enough in the oil and gas industry or in the renewables industry to get to the outcome that we want.⁷

95. Professor de Leeuw emphasised that investment drives activity and activity drives people but investment was not being made quickly enough—
- ” we are ramping oil and gas down faster than predicted, for whatever reason. However, we are also not investing in the wind sector fast enough and, therefore, we do not see enough projects or activity in that area. ⁷
96. SNIB referred to “a wall of capital” not available because of a lack of investor certainty and challenges around the planning system. Mark Munroe said SNIB was engaged with UK and global investors who recognise the investment opportunities presented by energy transition in Scotland, but the time taken to obtain planning permission was a barrier. He explained—
- ” One of our portfolio companies talked about the fact that, in other countries, the process can take three years, while in Scotland and the UK, it takes seven to 10 years. ¹⁶
97. Mr Munro added that uncertainty around grid connections and the pricing mechanism for offshore wind is preventing the release of investment capital from developers.
98. The importance of Scottish and UK Government policy, in a competitive global economy, providing clarity and creating the right environment to investment was highlighted. The competition includes China where there is more solar power installed than the rest of the world combined, and more wind power than the next seven nations combined and the US where the Inflation Reduction Act, worth around £300 billion was brought in to support initiatives and subsidise activity.
99. Fergus Mutch (Aberdeen and Grampian Chamber of Commerce) said he was aware of a number of firms that had earmarked funds for investment in North Sea developments but, due to windfall taxes and the energy profits levy, the decision had been taken to invest elsewhere. He pointed to the significant capital investment needed in east coast ports to support ScotWind and the importance of Government policy to support that. He referred to an energy transition survey that found profitability and return on investment were the top barriers to diversification in the energy sector but political and regulatory barriers were key blockers too. ¹⁶
100. The Committee heard concerns about the planning process. It is seen as one of the biggest barriers to attracting investment and progressing projects. SSE suggested the average offshore wind farm could take around 12 years to deliver and that major network infrastructure projects could take even longer. Scottish Renewables said that the Scottish Government's ambition to accelerate planning and consenting was welcome and that NPF4 had been “a remarkable and major step forward” in removing some barriers. Both Scottish Renewables and SSE welcomed the [Scottish Onshore Wind Sector Deal](#) with the commitment to halve the average determination time to 12 months where there is no public inquiry and two years with. ⁷
101. But commitments to shorten planning and consent timeframes require systems to be properly resourced to handle the scale and complexity of renewable energy applications. The Committee was told the numbers of local authority planning department staff had fallen by 20% between 2011 and 2020 and there was now an

urgent need to train, recruit and retain more staff.²⁶

102. Scottish Renewables and SSE both called for planning and consenting bodies to be properly resourced to speed up processes. SSE noted that the rise in planning application fees had not been ring-fenced and was having no impact on service levels. Both called for ring-fenced funding for local authority planning departments.^{26 27}
103. SSE also suggested the creation of a “centralised floating resource of planners with expertise in energy projects and areas such as ornithology, marine biology and peatland”. This resource could then be deployed to alleviate bottlenecks around the country.²⁸
104. More generally, witnesses, including the Just Transition Lab, observed that in relation to supporting investment and innovation in the energy sector, the Scottish Government's delay in publishing the finalised Energy Strategy and Just Transition plan had not instilled confidence in either the oil and gas sector or the renewables sector.⁷
105. The Minister advised that the final Energy Strategy and Just Transition Plan would be published by the summer, and that a framework would be put in place for how regional just transition plans will be taken forward. The three draft sectoral plans will also be finalised and published before the summer and drafts for others would be consulted on.⁹

106. **The Committee is clear that properly resourcing Scotland's planning systems should be seen as part of the investment required to support the move away from fossil fuel reliance. It will be key to a just transition. The Committee welcomes the Scottish Government's commitment to publish its finalised Energy Strategy and Just Transition plan by the summer. In light of the evidence heard, the Scottish Government is asked to set out what action it will take to ensure our planning systems are fit for purpose and able to support what is envisaged in the Energy Strategy and Just Transition Plan.**

Measuring and defining just transition

107. In our [Grangemouth report](#), published last June, we asked the Scottish Government to establish a clear and concise definition of what was meant by “just transition” and the part communities will play in the transition away from fossil fuels. [In response](#), the then Cabinet Secretary for Transport, Net Zero and Just Transition advised its definition and vision had been set out in a series of discussion papers.²⁹
108. An aim throughout our just transition work has been to assess the extent of understanding around what is meant by just transition and how it will be measured. There seemed to be a divide between those who see just transition as being about energy transition (perhaps understandable given the importance of the oil and gas sector in the region's economy) and those who see it as far broader. We received a

range of responses from witnesses to questions on definition and measurement and heard there tended to be a bias towards quantitative physical and environmental factors such as emissions or jobs. These factors were relatively easy to measure and data was routinely collected but additional, more difficult measures, are required to assess other elements such as social impact.

109. ACVO stressed the importance of using more nuanced measures to gauge progress, asking—

” We can have X number of jobs or X projects, but how do you measure the wider social impact of providing a bus service to an isolated community? Therefore, rather than counting the number of journeys, the measure should be about what that service does for a community. ¹⁹

110. In its written evidence, Moray Trades Union Council highlighted that Moray has the highest reported gender pay gap in Scotland. It also sees among the highest rates of fuel poverty, ‘despite both an abundance of on and offshore wind, and land for carbon sequestration’. Moray TUC suggests that ‘Major reductions in fuel poverty and the gender pay gap in Moray must be set as key indicators for whether a Just Transition is being achieved. ³⁰

111. Researchers from the University of Aberdeen's Just Transition Lab, a multidisciplinary group of researchers from economics, engineering, geosciences, law, and social sciences discussed their [recent research](#). This included development of indicators that could be used to help measure a just transition for Aberdeen and Aberdeenshire. Dr Daria Shapovalova (University of Aberdeen) said although the concept of just transition was well established in policy-making and academia, there was a lack of data to support taking a place-based approach to measurement. As such, there was a need to build provision for community and public participation in decision-making. The research had found—

” communities and stakeholders in Aberdeen and Aberdeenshire to be very enthusiastic, and they want to engage. Often, however, they do not feel as if there is a connection between the very high-level principles that have been identified for just transition and the issues that are important to them. ²¹

112. Professor Tavis Potts referred to the number of community assemblies, civil society assemblies and climate assemblies in the region, noting there had been half a dozen in the previous 12 months, with more planned. Professor Potts said the engagement was welcome but there was a risk of them becoming simply talking shops because it was unclear how the output was being taken account of. He explained—

” we lack a means of taking the outputs from those community assemblies into policy. There is no formal link between what happens in a community climate assembly and what happens in local government, be it in Aberdeen City Council, Aberdeenshire Council, Moray Council or the council in any area that we focus on. ²¹

113. The Just Transition Lab's research found a lack of, or declining trust in, the participation process. One suggestion to address this was for outputs of community or other assemblies to be treated as material evidence in the planning process. The

research also highlighted a reliance on volunteers and a resulting capacity issue for community groups to build infrastructure, buy out land and “go through the many hoops, loops and hurdles that they are faced with”. Professor Potts said he would support a Government-sponsored internship scheme to match graduates wishing to develop expertise with community groups and local businesses. He observed that at present, the resource came out of the universities then leaves the region.²¹

114. Dr Shapovalova and Professor Potts said there had been two decades of definitions of just transition but what was needed now was “clarity in the planning process, in directions to local authorities, in investment and in the building of civil society and democratic processes” and an urgent need to speed those processes up.²¹
115. To ensure and speed up progress, the Just Transition Lab's research proposed a series of indicators that seek to measure just transition in Aberdeen and Aberdeenshire under 4 themes of (1) employment earnings and skills, (2) housing poverty and wellbeing, (3) community empowerment, revitalization and net zero, and (4) democratic participation.
116. The Committee drew the current lack of measurements to the Minister's attention together with the Just Transition Lab's work. The Minister advised that the Cabinet Secretary had recently met with the Just Transition Lab to discuss its work and that the Scottish Government was “keen to take on board its recommendations as part of our thinking going forward this year”.⁹

117. **The Committee welcomes the Scottish Government's willingness to engage with the Just Transition Lab's work and urges it to include, in its final Energy Strategy and Just Transition Plan and the forthcoming Green Industrial Strategy, an appropriate range of indicators including traditional measures but also social and community impact measures of just transition progress.**
118. **Appropriate indicators will support better scrutiny of Scottish Government policies and improved trust in the processes that lead to funding and budgetary considerations. The indicators should be drivers for coherent spending decisions across government and a means by which Parliament can hold the Government to account. Committees will shortly take a joint approach to scrutinising the Scottish Government's forthcoming proposals for refreshed National Outcomes. This will be an opportunity to further consider what is being measured nationally and alignment with Scottish Government strategy.**

Community buy-in and participative budgeting

119. Attendees at the Committee's workshop in Aberdeen talked of a perception that just transition planning was focused solely on the energy sector and not the community. Aberdeen City Council said confusion around what was meant by a just transition had resulted in funding programmes where the intent was not clear.¹⁹

120. Small business is key to local communities achieving a just transition, but Mike Duncan (FSB Scotland), talking about the concept of just transition, said—
- ” A lot of the thinking just now in businesses that I speak to is that it is something that is happening in Aberdeen—that it is about oil and gas, and it does not necessarily affect businesses throughout Moray and the north-east. It might be something that will happen to them in, say, 10 years’ time. They might think, “Once it’s sorted out in Aberdeen, it’ll affect us.” I do not think that there is an understanding of what “just” means. ¹⁹
121. Many community representatives felt that the views of big business and other vested interests held significantly more sway than those of local communities. NESCAN cited the consultations on the National Planning Framework (NPF4) as an example of this—
- ” in the first iteration, it seemed as though a lot of what the third sector and community had proposed was going through. Then the corporate interests came in and what they proposed was what went forward, which was very different. Where do communities have actual power in that? ¹⁹
122. The Torry People’s Assembly was also highlighted. There was seen to be a disconnect between the outputs of People’s Assembly and the outcome of the planning process for the energy transition zone. In its “[Declaration of Torry](#)”, the Assembly stated that the community had not been listened to, and expressed anger that consultations had not resulted in meaningful changes to plans.
123. The Scottish Government said it had placed engagement and co-design “at the core of our planning and policy to ensure that the people who will be impacted by the transition have their say.” ⁹ One way in which it had sought to engage the community was participatory budgeting. The Scottish Government describes this as “a democratic process in which citizens decide directly how to spend part of a public budget”. ³¹ It has made £1 million available annually for this.
124. Organisations had been invited to apply for capital spend projects that contributed to a net zero future. The public was then asked to vote for their preferred projects. This had been generally supported but some concerns were raised about fairness and the ability of areas with less capacity or expertise to propose projects. Moray TUC highlighted that projects in more affluent areas with a more active community were far more likely to be awarded funding—
- ” Awarding grants based on public vote rather than objective criteria of need and merit does not necessarily achieve fair outcomes. For example, in round 1 of the Moray Just Transition Participatory Budgeting fund, around 50% of funds went to organisations based in Moray’s most affluent ward (Forres). ¹⁹
125. It is clear that community capacity building is needed to support a just transition. ACVO told the Committee that some communities in the North East and Moray were very active, benefiting from members with a range of skills, but these tended to be in wealthier areas. AVCO pointed out—

” that does not reflect the “just” part of the just transition; those communities can already do that sort of thing. The question is how we get the resources for and build the capacity in communities that do not have such skills or people—and definitely do not have the power or the resources to do that. ¹⁹

126. NESCAN and others stressed the importance of community capacity and communities being able to clearly link engagement to outcomes, with the results of engagement activities evidenced in decisions, showing where community input had been incorporated, or not, and reasons why. They also expressed concern about the lack of trust in the just transition agenda and that community voices were not always acknowledged in decision-making. ¹⁹

127. A risk to community buy-in is being created by frustrations about the type of monies available and the limitations on the sorts of projects that can be brought to the table to be voted on. The Just Transition Fund is a capital fund. This Committee has already voiced its support for calls for some resource funding to sit alongside the Fund. In some cases this would enable projects to get off the ground.

128. The Minister told the Committee that participatory budgeting had been a success and that 10,000 people had voted in the first year and 19,000 in the second, but he acknowledged the challenges and trade-offs. On the type of funding available through the Fund, the Minister said the focus was on capital and “being transformational”. He added that any resource funding commitment, given the difficult current financial budget settlement which had impacted funding, would not be affordable. However, the Minister added that the Just Transition Fund was not the only fund that supported just transition saying—

” These are lists, which run over many pages, of the projects that are being funded through the north-east and Moray just transition fund alone. There are many other funds that are not covered...I assure the Committee that, amongst those projects...there are some community projects... ⁹

129. The Minister did agree however that capacity building was vital, saying—

” we have to find ways of ensuring that local government and central Government, which have a lot of influence over that, can work closer together to ensure that all voices are heard and that we find ways, if we can—resources are so tight just now—of building capacity so that it is not just the loudest voices that are listened to. ⁹

130. **The Committee recognises concerns raised about community capacity and notes that many projects, vital to achieving a just transition, are presently reliant on volunteers. The differing levels of resource capacity across the region, and the inappropriate reliance on volunteer hours, can place some communities at a disadvantage.**

131. **The Committee draws the Scottish Government’s attention to the suggestions for ways in which community capacity building and engagement could be developed, including outputs of community or other assemblies being treated as material evidence in planning processes,**

evidencing engagement activities in decision-making processes and showing where community input has been incorporated, providing a modest amount of revenue funding to support community projects and establishing a Government-sponsored internship scheme to match graduates with local community groups and businesses.

132. **The Scottish Government is asked to set how it intends to support capacity building and engagement, improve community representation and build trust in the just transition agenda. The Committee asks the Scottish Government to respond specifically to the suggestions outlined above.**
133. **The Committee also recognises the need for communities to be supported to access more than just the participatory budgeting element of the Just Transition Fund, and asks the Scottish Government to explore how it can achieve this.**

Jobs and skills

134. Around one in five people who work in the North East and Moray area, work in or support the oil and gas industry and the offshore energy industry and around 45,000 people in total work in the offshore energy industry.⁷ The shift away from fossil fuels is happening and creating opportunities for new jobs and upskilling but there is a corresponding risk of job losses without support to develop Scotland's skills base to match the opportunities.
135. Discussions to establish an energy skills passport started in 2021 but the Committee was concerned that progress had stalled. Unite the Union pointed out that the passport was supposed to have been in place by the third quarter of 2023, saying—
- ” As it stands, the skills passport was meant to allow transferability between oil and gas and wind, primarily, but there is no agreement on or alignment in respect of the survival of the actual competencies that are required.⁷
136. The Minister said progress was being made but aligning standards and training between the renewables and the oil and gas sectors had been a significant task. He said the working group had been given a deadline of the end of March to bring forward its final version of the skills passport. Professor de Leeuw said that although the skills passport was important—
- ” let us not get hung up on that, because the passport is not for everybody. If you are a human resources professional, a finance professional or a procurement professional, you can move easily between the sectors without the passport. It is mainly for the people on the operational side.⁷
137. On the operational side, we know there are skills shortages. UHI Moray highlighted work to map skills shortages in the region highlighting shortages in “STEM and engineering related occupations” and “skilled workers in renewable technologies

and land-based occupations”.³²

138. Scottish Renewables reported labour shortages across industry and difficulties in accessing skills with shortages in “welders and those skilled in construction practices”.³³ The Construction Industry Training Board (CITB) pointed to demand for construction managers and supervisors; and generally, construction professional/technical staff and skilled trade groups.³⁴ Gordon McGuinness (Skills Development Scotland) acknowledged shortages, at a basic level, in fabrication and welding and continuing “right through into consenters, environmental analysts and so on”.⁷
139. SSE emphasised the urgent need for skills mapping, explaining—

” it will allow us to identify exactly where the roles are needed and what skills are needed within those roles. We need green energy training academies that have a very concerted and direct focus...to make it easier for people to transition from high-carbon to low-carbon industries. We also need funding for universities and colleges, and we should be looking at what courses are being offered to students at the moment, whether they are fit for purpose for when they graduate in two, three or four years’ time and whether they are actually offering what the industry is looking at or needing.”⁷
140. ‘[Making the Switch](#)’ considered the future shape of the offshore energy workforce in the North East and identified 40,000 workers in oil and gas in the North East, 90% of whom have skills that would be easily transferable to a low-carbon industry.³⁵ Professor de Leeuw, who directed that research, commented in his capacity as chair of the National Energy Skills Accelerator (NESA). NESA was set up two years ago to respond to the issue of how, at scale, support could be provided to the existing workforce. It had received money from the Just Transition Fund and was already helping 600 people go through the programmes. Professor de Leeuw acknowledged the significant drive to upskill but noted—

” people need clarity on what work they should upskill for. That is about having a clear picture on demand and about what it is that you need to do. There is a real issue on timing, because some of the wind sector is not ready yet to take in lots of people at scale. At what point do you get people ready and right skilled for the wind sector and for where you need them in four or five years’ time? There is no point skilling them now if you need them in years to come.”⁷
141. He said supply and demand is now being matched in a far smarter way than before. The Committee welcomes the establishment of NESA and notes the reluctance of businesses to fund re-skilling without seeing a clear advantage to doing so.
142. The Committee heard that prior to the pandemic there had been around 30,000 apprentices but the number had now dropped to 25,500. Skills Development Scotland said it would struggle to deliver unless apprenticeship numbers were increased significantly. It said there was capacity in the skills development pipeline “if we get the financial resources to apply it” and said there was a need for a national effort, to recruit and retain the young people needed to staff future industries and meet net zero targets.⁷

143. Skills Development Scotland also pointed to the “16-week transition boot-camp model” funded by the Department for Education for those who were unemployed and looking to move into a sector. Training is free to access and does not affect benefits. Gordon McGuinness (SDS) said they had been initial scepticism but the model was now more targeted at specific areas of need and had been used to good effect. However he said there was nothing similar in Scotland. Mr McGuinness said another gap was in career development loans, saying—
- ” You either get people who have been made redundant, as John Boland referenced earlier, and are using their redundancy payment or people using their credit cards on courses as a way to try to get back into employment. You want to avoid that. To go back to the just transition, you want to give people the right support.⁷
144. Scottish Renewables described how some workers in the energy sector were being forced to fund re-skilling out of their own pockets due to limited public funding for those currently employed.⁷
145. Last June, James Withers published his [Report of Independent Review of the Skills Delivery Landscape](#) looking at the skills functions and remits of Scotland's national public bodies. The report made 15 recommendations to support the Scottish Government's National Strategy for Economic Transformation.
146. Correspondence ([letters of 20](#) and [21 December](#)) with the Education, Children and Young People Committee from the Minister for Higher and Further Education provided an update on the Scottish Government's response. The Minister said he would be leading on national skills planning. He said this work would recognise the need to be clear about national strategic skills requirements to strengthen regional skills planning. His intention was also to streamline the funding landscape, review community learning and development and enhance the careers offer.^{36 37}
147. The Minister said he was committed to bringing learner support and apprenticeship provision into one place and would consider how apprenticeships could better reflect economic and learner needs alongside developing a clearer, more coherent focus for our national careers services. However, he advised—
- ” the Scottish Government continues to face unprecedented budget pressures. Regrettably, as a result, this means that there is no provision for FWDF in the Scottish Government budget for 2024/25.³⁸
148. Since the start of the current session of the Parliament, this Committee has highlighted the need for investment in skills development. In our [pre-budget letter of November 2021](#), we noted that there was a significant challenge to ensure that Scotland's workforce and businesses could make a just transition to net zero. We said leadership from the Scottish Government was essential to drive forward the mapping of current skills, against those needed in the renewables sector.
149. We called for a clear commitment in the 2022-23 budget to ensure Scotland's work-ready young people had access to the right training and support.³⁹ In [November 2022](#), the Committee called on the Government to identify and prioritise policies and funding to incentivise workplace learning for the engineering and manufacturing sectors in particular. We also asked the Scottish Government to revisit the decision

to cut employability spend. In advance of the 2024-25 budget, we emphasised again that skills development was a key area of expenditure that should be maintained and we asked how this year's Scottish Government budget would support the development of the required skills pipeline for a just transition.⁴⁰

- 150. Given everything the Committee has said previously and heard throughout this inquiry, the cut of 24% in employability spend for the coming year is extremely concerning. Of equal concern are both the Scottish Government's decision to suspend the Flexible Workforce Development Fund which previously allowed SMEs to access up to £5,000 to upskill their staff through local providers and the drop in apprenticeships.**
- 151. It is clear to the Committee that we need more investment, not less, in our current and future workforce and, for example, to establish green energy training academies or their equivalent. Whilst recognising wider financial pressures, the Committee asks the Scottish Government to set out how it intends to support jobs and build skills for the energy transition.**

Annexe A - Extract of minutes

20th meeting, 2023, Wednesday 21 June

Work programme (In Private): The Committee received a work programme update. It considered its approach to part two of the just transition inquiry and agreed the key themes to explore, the questions for a call for views and to further consider its approach at a future meeting. The committee agreed to invite the enterprise agencies to give evidence to inform its pre-budget consideration and to invite James Withers to give evidence on his report on the skills delivery landscape. The Committee considered a letter from the Minister for Zero Carbon Building, Active Travel and Tenants' Rights about the Building (Scotland) Amendment Regulations 2023, referred to the Local Government, Housing and Planning Committee and agreed to seek an update from that Committee on its plans for consideration.

21st meeting, 2023, Wednesday 28 June

Work programme (In Private): The Committee continued consideration of its approach to part two of the just transition inquiry and agreed to hold a formal Committee meeting in Aberdeen as part of this work. The Committee also considered a letter of 27 June from the Convener of the Local Government, Housing and Planning Committee about its consideration of the Building (Scotland) Amendment Regulations 2023. The Committee agreed, if possible, that a member would attend the meeting of the Local Government, Housing and Planning Committee on 12 September and report back.

22nd meeting, 2023, Wednesday 13 September

Just Transition for the North East and Moray (In Private): Maggie Chapman declared an interest as a board member of NESCAN. The Committee agreed its approach to the inquiry. It noted the arrangements for the external meeting in Aberdeen on 6 November and agreed to take forward arrangements for an informal engagement event and visit in Aberdeen.

24th meeting, 2023, Wednesday 27 September

Just Transition for the North East and Moray (In Private): The Committee continued consideration of its approach to the inquiry and agreed to invite additional witnesses.

27th meeting, 2023, Monday 6 November

Just Transition for the North East and Moray: The Committee took evidence from—

- Stuart Bews, Programme Manager, Aberdeen City Council;
- Jim Grant, Head of Economic Growth and Development, Moray Council;
- Alasdair Ross, Policy and Consultations Officer, Aberdeen Council of Voluntary Organisations & Aberdeenshire Voluntary Action;
- Alison Stuart, Hub Manager, North East Scotland Climate Action Network.

Just Transition for the North East and Moray: The Committee considered the evidence heard earlier in the meeting.

28th meeting, 2023, Wednesday 15 November

Just Transition for the North East and Moray: The Committee took evidence from—

- John Boland, Regional Officer, UNITE;
- Emma Harrick, Head of Energy Transition and Supply Chain, Scottish Renewables;
- Mia McCarthy, Head of Sustainability, SSE Group;
- Maggie McGinlay, Chief Executive, ETZ Ltd.

and then from—

- Professor Paul de Leeuw, Director, Robert Gordon University Energy Transition Institute.
- Gordon McGuinness, Director of Industry & Enterprise Networks, Skills Development Scotland;
- Suzanne Sosna, Director of Economic Opportunities and Climate, Scottish Enterprise.

Just Transition for the North East and Moray (In Private): The Committee considered the evidence heard earlier in the meeting.

29th meeting, 2023, Wednesday 22 November

Just Transition for the North East and Moray: The Committee took evidence from—

- Mike Duncan, North East Scotland Development Manager, Federation of Small Businesses Scotland;
- Jordan Jack, General Secretary, Campaign for North East Rail; and then from—
- Fergus Mutch, Policy Advisor, Aberdeen and Grampian Chamber of Commerce;
- Mark Munro, Chief Investment Officer, Scottish National Investment Bank;
- Ronan O'Hara, Chief Executive, Crown Estate Scotland.

Just Transition for the North East and Moray (In Private): The Committee considered the evidence heard earlier under agenda item 6 and agreed to seek written evidence from First Bus Scotland. The announcement that Grangemouth oil refinery is to close was noted. The Committee agreed to invite the Scottish and UK Governments and Petroineos to give evidence at a future meeting.

30th meeting, 2023, Wednesday 29 November

Just Transition for the Grangemouth area: The Committee took evidence from—

- Doctor John Bone, Senior Lecturer in social sciences and Coordinator at the Just Transition Lab;

- Professor Tavis Potts, Dean for Environmental Sustainability and Coordinator at the Just Transition Lab; and
- Doctor Daria Shapovalova, Senior Lecturer in energy law and Coordinator at the Just Transition Lab, University of Aberdeen.

Just Transition for the North East and Moray (In Private): The Committee considered the evidence heard earlier under agenda item 2.

1st meeting, 2024, Wednesday 10 January

Just Transition for the North East and Moray: The Committee took evidence from—

- Richard Lochhead, Minister for Small Business, Innovation, Tourism and Trade; and
- Catriona Laing, Deputy Director for Climate Change, Scottish Government.

Just Transition for the North East and Moray (In Private): The Committee considered the main themes arising from evidence received during the inquiry and agreed to consider a draft report, in private, at a future meeting.

6th meeting, 2024, Wednesday 22 February

Just Transition for the North East and Moray (In Private): The Committee considered a draft report. Various changes were agreed to, and the Committee agreed to consider a revised draft, in private, at a future meeting.

9th meeting, 2024, Wednesday 13 March

Just Transition for the North East and Moray (In Private): The Committee considered a revised draft report. Various changes were agreed to, and the report was agreed for publication.

Annexe B - Relevant region-specific policies

Policy	Purpose
Moray Growth Deal and Aberdeen City Region Deal	These regional growth deals are agreements between the Scottish, UK and Local Governments, designed to bring about long-term strategic approaches to improving regional economies. There are currently six Regional Growth Deals in place in Scotland.
Draft Regional Economic Strategy	This is a strategic framework for economic growth in the North East of Scotland agreed between Aberdeenshire Council, Aberdeen City Council, and Opportunity North East.
Just Transition Fund	The Just Transition Fund is a £500 million ten-year commitment that will support projects in the North East and Moray which contribute towards the region's transition to net zero.

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