

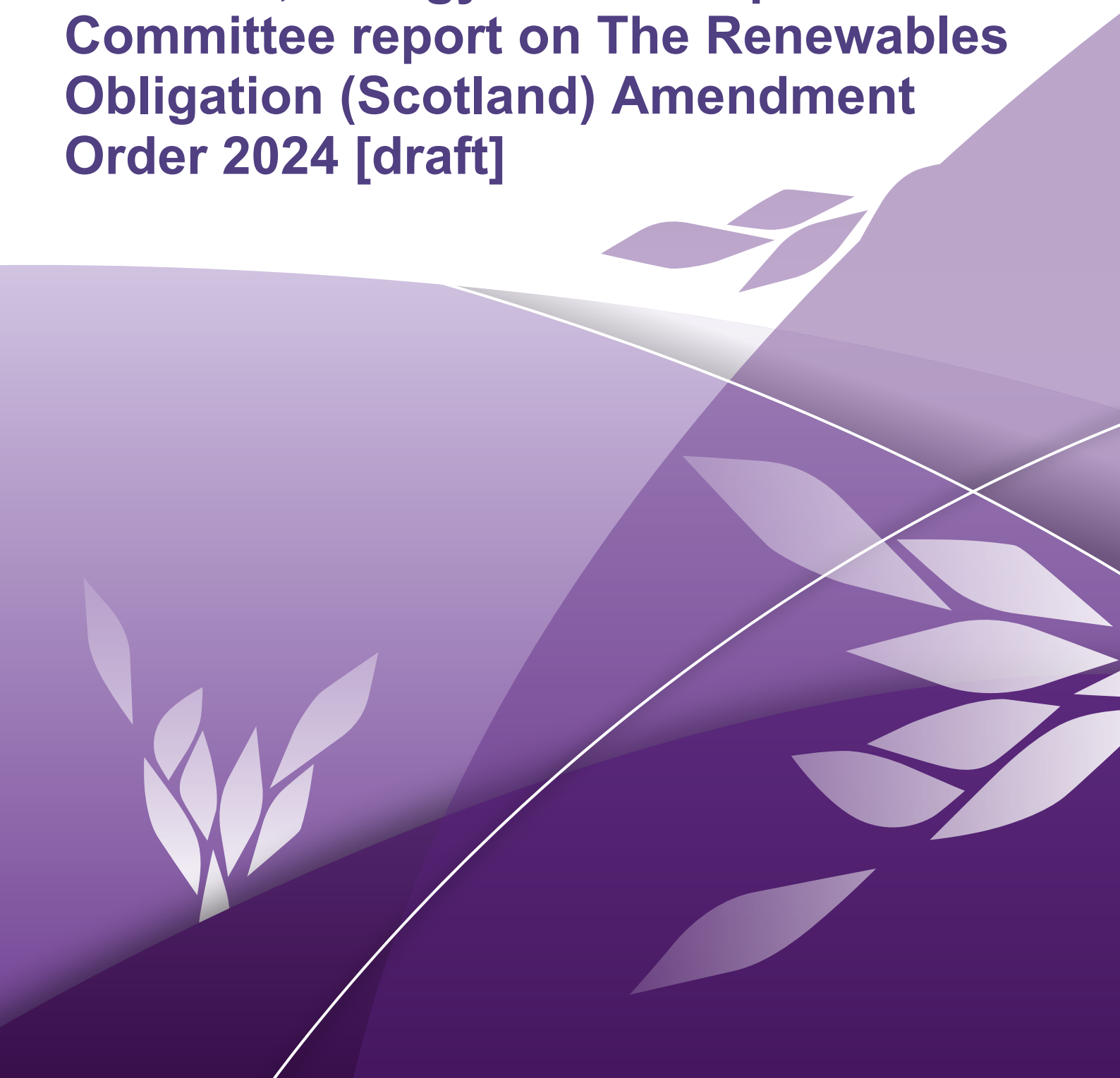


The Scottish Parliament
Pàrlamaid na h-Alba

Published 5 March 2024
SP Paper 537
3rd Report, 2024 (Session 6)

Net Zero, Energy and Transport Committee

Net Zero, Energy and Transport Committee report on The Renewables Obligation (Scotland) Amendment Order 2024 [draft]



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Net Zero, Energy and Transport Committee

To consider and report on matters falling within the responsibility of the Cabinet Secretary for Net Zero and Just Transition, with the exception of matters relating to just transition; on matters relating to land reform, natural resources and peatland, Scottish Land Commission; Crown Estate Scotland, and Royal Botanic Garden within the responsibility of the Cabinet Secretary for Rural Affairs, Land Reform and Islands; and on matters relating to energy within the responsibility of the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy.



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Introduction

1. [The Renewables Obligation \(Scotland\) Amendment Order 2024 \[draft\]](#) was laid in the Scottish Parliament on 18 January 2024. The draft instrument was referred to the Net Zero, Energy and Transport Committee for consideration and is subject to the affirmative procedure, meaning it must be approved by the Scottish Parliament before it comes into force.
2. It is for the Net Zero, Energy and Transport Committee to recommend to the Scottish Parliament whether the draft Regulations should be approved. On 25 January 2024, the Minister for Energy, Just Transition and Fair Work lodged motion [S6M-11992](#), proposing that the Committee recommends the draft Regulations be approved.
3. This instrument relates to the Renewables Obligations Scotland (ROS) scheme. The scheme was designed in 2002 to place annual obligations on electricity suppliers to encourage renewables energy generation. Under this scheme, electricity suppliers are required to provide renewables obligation certificates to the scheme administrator, the Office of Gas and Electricity Markets (OfGem), demonstrating the amount of renewables electricity sold to their customers during each year. Suppliers can meet their obligations by presenting these certificates, making a payment to OfGem to account for any discrepancies in meeting their annual obligations, or a mixture of both. Although the ROS is a Scottish-only initiative, the Scottish Ministers have generally sought to align its obligation levels with equivalent schemes from across the UK.
4. The [Policy Note](#) accompanying the instrument says its purpose is to amend the current ROS scheme to revise the 2024/25 obligation level. It says the instrument will change Scotland's exemptions rate for energy intensive industries from 85% to 100%. The Policy Note says the obligation level must be published by 1 October each year, and must also be in place 6 months before the applicable obligation year starts on 1 April.

Consideration by the Delegated Powers and Law Reform (DPLR) Committee

5. At its meeting on 30 January 2024, the DPLR Committee considered the instrument and determined that it did not need to draw the attention of the Parliament to the instrument on any grounds within its remit.

[Read the Official Report - 30 January 2024.](#)

Consideration by the Net Zero, Energy and Transport Committee

6. At its meeting on 27 February 2024, the Committee took evidence on the draft Regulations from—
 - Gillian Martin MSP, Minister for Energy, Just Transition and Fair Work, Scottish Government;
 - Karen Dickson, Energy Markets Policy Officer, Scottish Government; and
 - Aedan MacRae, Energy Markets Policy Officer, Scottish Government.
7. The evidence taken at the meeting can be read in the Official Report, which is available at the following web page—

[Read the Official Report - 27 February 2024.](#)
8. In her opening remarks, the Minister said the main reason for changing the 2024/25 obligation level in Scotland was to align with UK legislation that introduces a new 100% exemption for energy intensives industries.¹
9. The Committee queried the Scottish Government's approach to stakeholder engagement in relation to the instrument and wider issues around the ROS. The Minister said the Scottish Government was working jointly with the UK Government to align equivalent schemes. This included undertaking joint consultation. She added that the more important aspect was for the Scottish Government to provide stakeholders with policy certainty.²
10. The Committee asked how the instrument would impact the price of electricity produced from affected energy intensive industries in Scotland. The Minister said the 100% exemptions will reduce electricity costs for certain energy intensive industries by between £5 per Megawatt hour and £7 per megawatt hour.³ The Committee queried the number of Scottish suppliers that would be affected by the proposed changes. The Minister answered 43. The Committee probed how this instrument would impact on the total proportion of Scottish electricity consumption. The Minister undertook to provide this information to the Committee in follow-up correspondence.⁴
11. The Committee questioned if the instrument would help to incentivise industry. The Minister said the instrument was about protecting jobs. She added that industry faces financial challenges at present and the aim of increasing exemptions is to alleviate some of these pressures.⁵ The Committee probed what further action the Scottish Government was taking to support decarbonisation of industry. The Minister said a number of initiatives were already in place to support industries to decarbonise. She added that the Scottish Government was currently working on a green industrial strategy which would set out further mechanisms to incentivise this transition.⁶
12. The Committee asked if the introduction of exemptions increased costs to

customers. The Minister said this exemption would add a small amount to domestic electricity bills, estimating that this would be 80p or £1.10 for the average household. However, she said without a more generous exemptions rate sectors could struggle to maintain staffing. She added that this instrument would help to alleviate some of the overhead costs industry was currently facing which in turn could help to prevent job losses.⁷

13. The Committee asked if a more targeted approach to price increases could have reduced burden on householders. The Minister said she did not want to see prices increased. However, she said this was a relatively small increase in costs. She added that there were other levers that would more effectively reduce household bills, such as reforms to the wider electricity market.⁸
14. Following questions to the Minister and officials, the Committee then moved to formally dispose of the instrument. The Minister moved the motion in her name. The motion was agreed by the Committee without division.

Conclusion

15. The Net Zero, Energy and Transport Committee recommends that the Renewables Obligation (Scotland) Amendment Order 2024 [draft] be approved.

- 1 Net Zero, Energy and Transport Committee. [Official Report, 27 February 2024](#) , cols 2-3.
- 2 Net Zero, Energy and Transport Committee. [Official Report, 27 February 2024](#) , col 3.
- 3 Net Zero, Energy and Transport Committee. [Official Report, 27 February 2024](#) , cols 3-4.
- 4 Net Zero, Energy and Transport Committee. [Official Report, 27 February 2024](#) , col 4.
- 5 Net Zero, Energy and Transport Committee. [Official Report, 27 February 2024](#) , cols 4-5.
- 6 Net Zero, Energy and Transport Committee. [Official Report, 27 February 2024](#) , col 5.
- 7 Net Zero, Energy and Transport Committee. [Official Report, 27 February 2024](#) , cols 5-6.
- 8 Net Zero, Energy and Transport Committee. [Official Report, 27 February 2024](#) , cols 6-7.

