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01 March 2023

Dear Ms McAllan,

Revised Energy Strategy and Just Transition Plan

We look forward to meeting with you and the First Minister next month. The purpose of this letter is to share some strategic considerations, in advance of our meeting, emerging from the scrutiny the Commission has undertaken on policy development towards a revised Energy Strategy and Just Transition Plan (ESJTP).

The Commission met with officials on February 28 to discuss progress and will be glad to read the revised ESJTP in draft ahead of publication once available. We also agreed a set of short-term follow-up actions to facilitate further collaboration and exchange with officials, including a further meeting to be held specifically on community energy and community benefit elements of the plan. As always, the Commission stands ready to support the further development of policy to achieve a just transition for this critical sector through the provision of scrutiny and advice, including by responding to any specific requests for advice the Scottish Government may make, both ahead of the plan's publication and beyond.

Having reviewed the high-level overview of the work in hand that was shared with us, we recognise some progress since the initial draft, including some enhanced public investment towards developing domestic supply chains as well as various efforts to respond to elements of our initial advice, such as the equalities baselining work. The Commission's detailed advice on the draft

Energy Strategy and Just Transition Plan from April 2023 remains wholly relevant. As the plan is now in the process of being finalised ahead of review by Cabinet, we are writing to underline that previous advice and to highlight some critical elements of the strategy which the Commission believes, if developed further, could start to deliver fairness for workers and communities, and thereby support a timely and effective transition.

1. Skills and workforce –the strategy needs to set out a credible path to deliver the workforce the sector requires, reflecting the scale of the workforce required and ensuring orderly pathways for those losing, or at risk of losing their jobs, a plan to establish structured intervention for new jobs in the green industries. This must include the provision of meaningful support to offshore workers through the transition and clear policy signals (e.g. on licensing, taxation, etc) that will define skills requirements over the next 5-10 years.

2. Investment – the plan should set out the investment package in terms of the quantum of public (including the Scottish National Investment Bank) and private investment (including pension funds) to be deployed, and show that the quality of this investment will be tied concretely to just transition principles. There is a major opportunity for Scotland to be at the cutting edge by including just transition elements such as conditionalities on fair work and local content as part of the package for attracting and deploying private capital, including through climate/infrastructure bond issuance as proposed by the First Minister’s Investor Panel.

3. Consumers – in the context of the ongoing cost crisis, the strategy must show tangible positive impacts for consumers, and ensure a truly equitable sharing of costs and benefits between consumers and private investors, deploying conditionality strategically to deliver just transition gains and a strategy for improving market structure for consumers.

4. Ownership and equity – the plan should establish strategic clarity on options and considerations related to plans for expanded public ownership within the sector and, in the absence of plans for a public energy company, set out how equitable sharing of benefits in terms of jobs, fair work, supply chain and local content, reduced energy bills for consumers, etc will be achieved via the preferred ownership model/mix, noting the key lessons learned from ScotWind and how international best practice will be applied in terms of tools such as public equity stakes and profit-sharing mechanisms.

5. Whole-systems approach – finally, a powerful and compelling “whole-systems” approach to the critical path analysis and route-mapping work within the plan would map dependencies with demand sectors, including those subject to upcoming just transition plans, to establish the strategic links between energy and other sectors, and how these are tied to critical constraints around skills, investment, devolved and reserved competencies. This will also help to ensure critical needs that straddle different sectors don’t fall between any unintended gaps between sectoral strategies. For example, the supply chain and skills opportunities within the Built Environment and Construction plan will overlap with crucial energy sector needs around construction/civil engineering and enabling infrastructure. Equally, trade-offs related to land use (bioenergy and renewable generation vs. ecosystem connectivity, peatlands, habitat connectivity and soil health) will need to be accounted for strategically. The ESJTP’s credibility and utility will depend on how comprehensively it details contingency planning around strategic risks.

We are at a critical juncture in delivering “proof of concept” for the innovative approach to just transition policymaking that Scotland has pioneered over recent years. As this will be the first sectoral just transition plan to be finalised, achieving clarity and credibility through tangible policy steps and measurable outcomes through this strategy, and ensuring these are well communicated, will of course be critical to building confidence that just transition principles are being applied.

Looking forward, any additional clarity you can provide regarding the likely timescale for the development of further sectoral just transition plans, the approach to regional planning and development of the next Climate Change Plan would be of great help in the further development of our work plan.

We welcome your recent appointment as Cabinet Secretary for Wellbeing Economy, Fair Work and Energy, recognising that this now brings together within a single Cabinet portfolio the core policy areas for the planning and delivery of a just transition. The bulk of the Commission's work to date has been geared towards scrutiny and advice on the development of Scottish Government led just transition plans for key economic sectors as part of the application of the Just Transition Planning Framework. The Commission's remit also tasks us with engaging and collaborating with other relevant programmes of work such as the Council of Economic Advisors and the development of the National Strategy for Economic Transformation.

In line with the whole-of-government approach to just transition, we are therefore keen to develop our understanding of how a just transition approach is being built into work related to economic policy, including the National Strategy for Economic Transformation, the New Deal for Business, the refresh of the National Performance Framework, actions arising from the recommendations of the First Minister's Investor Panel, as well as the development of any guidance to enterprises congruent with just transition planning. The Commission would be keen to support constructively to ensure these and other relevant programmes of work are aligned with the delivery of just transition outcomes.

Sincerely,



Professor Dave Reay, Co-Chair Just Transition  
Commission



Satwat Rehman, Co-Chair Just Transition  
Commission