A Just Transition for Shetland

Just Transition Commission

2024

Contents

Cover image: Resilient fishing boat and crew by Ian Reid

Images used in this report are supplied by Dave Donaldson Photography, North Yell Development Council, Shetland Fishermen's Association, NatureScot/PeatlandACTION and SSE

Introduction

This briefing is the second in the Commission's series of publications to be produced through the people- and place-based approach we have followed in 2024. Previously the Commission published advice on a sectoral basis aligned with the Scottish Government's just transition planning framework, since its initial phase has centred on the development of just transition plans for four critical economic sectors: energy, land use and agriculture, transport, and the built environment and construction.

The move to a place-based approach should deepen the Commission's understanding of how particular communities are experiencing the transition, and especially how different elements of these experiences are inter-related. In turn, we hope this will allow us to develop good advice on how just transition planning in Scotland can best be undertaken at regional and local scales by identifying the critical strategic challenges and opportunities such planning must grasp.

This briefing has been informed by research carried out under the instruction of the Commission by Voar, an energy consultancy in Lerwick, with advisory support from Future Economy Scotland, a think tank. The research collates and analyses evidence and key data to support a better understanding of the specific character of the changes underway in Shetland as it responds to the climate crisis, and considers different approaches for delivering community benefit and community wealth-building.

The supporting research (Annex A) includes key data points within Shetland's socio-economic profile, including its labour market, emissions and ~~in~~equalities, and also documents a number of significant initiatives as case studies for thinking through various just transition issues, such as the Garth Wind Farm, the Lerwick District Heating Scheme and the Viking Energy Wind Farm.

The transition to a low carbon economy brings with it new risks to regional cohesion. Equally there is the promise of profound social and economic renewal. The goal should be the development of policy and regulations that shape these changes towards national objectives, reducing emissions and building a fairer and more prosperous society, while supporting communities to address local needs in a manner determined by communities themselves.

With an abundance of natural resources, Shetland is a "hotspot" for just transition issues. But the challenges and opportunities that lie before the people of Shetland are not unique. Communities across Scotland will need to find answers to similar questions, now and in the years ahead.

Our conversations left us with a sense that Shetland has a number of distinctive assets that may help shape its transition for the better: the size of its close-knit community and extent of relevant expertise within it, the relative ease of bringing people together for meaningful social dialogue on important questions, and a common belief that with the right structures in place new forms of economic activity can help to make a better and fairer society.

We hope this report is of use to policymakers, communities and all stakeholders as we work towards a just transition for Shetland.

The five turbines of the community-owned Garth Wind Farm, North Yell

Professor Dave Reay
Co-Chair
Just Transition Commission

Satwat Rehman,
Co-Chair
Just Transition Commission

The challenge

Shetland's experience with the ebb and flow of different forms of economic activity is a singular one, particularly during the past half century. However close analysis of this experience provides significant learnings for whole country. The example of Shetland's management of oil and gas development shows the long-term social and economic benefits of innovating effective mechanisms whereby communities can exert a measure of local democratic control over energy infrastructure developments.

The current route for Shetland, as we move away from oil and gas through rapid expansion of clean energy, appears unlikely to sustain current levels of investment for meeting local needs, with a risk to the funding model for critical social infrastructure across a rural island community striving to support an ageing population, retain young people and attract new residents.

Changes within marine areas have led to growing competition for space among industries, both ancient and new, as well as ocean recovery measures. Achieving a fair settlement for those whose livelihoods depend upon the marine environment, as the way it is used and protected undergoes rapid and significant changes, will require careful and sustained dialogue to build trust, as well as planning that anticipates adverse impacts and puts in place meaningful measures to mitigate these.

Peatland restoration is another major issue. An estimated 77% of Shetland peatland is damaged (over 40,000 hectares), and a very significant emitter of carbon dioxide. The Viking wind farm will be the UK's largest onshore wind farm in terms of annual electricity output. It also sits on eroding peatland and a programme of extensive peatland reinstatement is underway. In the context of clear advice from the Committee on Climate Change on the need for rapid expansion of activity nationally to restore peatland, the question is what changes are now required to put in place a delivery model that achieves the required speed of restoration while maximising the potential social and economic benefits.

SSE Transmission network cable pulling machinery

Key messages

The transition to a net zero economy is underway, with all key sectors of the economy planning for, or undergoing, a degree of transformation. The Just Transition Commission is concerned for the impact of that transition on people: on workers, consumers and their communities. Its focus up to 2024 was largely to consider that transition on a sector by sector basis. Through 2024, the JTC has deliberately chosen to take a cross sectoral approach and listen keenly to the voices of local people in the place they live. In Grangemouth, Scotland, Dumfries and soon, in Aberdeen.

1. The evidence gleaned so far, particularly on Shetland, demonstrates the importance of empowering local people to make the most of the opportunities the transition offers for community wealth building, and ameliorate any negative impacts on lives or livelihoods.

Shetland's singular experience with both fossil fuels and renewables shows how, at its best, enduring value can be created for communities when local democratic structures have the power, legitimacy, knowledge and capacity to negotiate and partner effectively with industry. This helps to drive local meaningful wealth-building and ensure public consent for economic development to safeguard community cohesion via local oversight, monitoring and mitigation of negative impacts and the securing of appropriate compensation for disturbance and displacement as required. The nature of the transition, particularly its frequently highly concentrated local impacts, means structured dialogue is needed between different levels of government to ensure local authorities and communities have the ability to take key decisions and the capacity to effectively safeguard the retention of long term social and economic value. Unlike fossil fuels, renewable energy can be developed at both large and small scale.

2. The ability for communities to own smaller scale developments and have a share in the revenues from larger scale projects can super-charge the creation of community wealth.

Community ownership will make a significant contribution to the fair distribution of value in the local and public interest. With very large-scale renewable developments critical to achieving net zero, there is a danger that grid capacity is dominated by 'big renewables', leaving little space for local ambitions. Space must therefore be reserved on the grid for local and community renewables development. Furthermore, a mechanism for local communities, in the form of local councils or community-based associations, to purchase an appropriate share of a developer's large scale renewable development should become the norm. However, as the experience of Shetland tells us, even when there is a right, the inability for communities to access project finance thwarts ambition. It must therefore be an imperative to institutions such as the Scottish National Investment Bank, alongside GB Energy and others, to establish structures that communities can access project finance in the public interest.

3. Establishing a statutory right for communities to purchase an appropriate share of a renewables development will make a very significant impact on community wealth in remote places, as exemplified by the Northern and Western Islands.

Until governments north and south of the border can develop a mechanism to afford that right, the Scottish Government should develop, alongside industry, practical guidance that enables community ownership of revenues, supported by access to finance for local communities.

4. Reserve grid capacity for community energy.

As new connections between islands and other communities without current grid access continue to be developed to enable large renewable energy projects, connection rules set by Ofgem should be adapted to reserve a proportion of grid capacity so the development of community-led renewable generation is not constrained.

5. Community benefit, a voluntary industry norm, plays a role in building up local capacity to enable community wealth-building success.

Community benefit funding, whereby a renewables operator makes a direct financial contribution to local communities, annually and for the lifetime of a windfarm, is a feature of the renewables industry across Scotland. This is an important feature and must remain, regardless of whether communities have an ownership share in the asset. The principle that these funds belong to local people and therefore it is for local people to decide how those resources are allocated is fundamental, including by supporting measures to achieve a robust process of community wealth building for the long term if they so choose. Given the scale of those funds, there is a case for standards to be developed, and assurance mechanisms to be introduced to demonstrate the quality of the consultation and the legitimacy of the decisions being made. Enhanced disclosure of funds allocated and governance structures ensures scrutiny and accountability with a role for oversight by local and national authorities.

6. As part of the development of the Scottish Government's Just Transition Planning Framework for economic sectors and regions, consistent and equitable compensatory mechanisms need to be developed for those whose livelihoods are directly impinged upon by infrastructure development and other changes required for Net Zero.

This could include, for example, fishers, crofters, and farmers whose access to natural resources is constrained. Such mechanisms should follow established principles around disturbance payments and compensation for income foregone, so as to ameliorate negative impacts and speed the transition by building consent for major developments through fair, transparent and consistent dealing. As a general principle, infrastructure developments should seek to ensure they do not threaten the sustainability of existing locally based economic activity, such as fisheries, agriculture, and tourism, developing positive relationships and actively working with local stakeholders, utilising highly-valued local knowledge.

7. Restore trust between key groups working in the marine environment.

As transition activities intensify the ‘spatial squeeze’ in the marine environment, trade-offs must be managed on the basis of a robust and credible evidence base, particularly as regards the environmental impact of relevant activities, as part of a concerted effort to rebuild trust among all stakeholders. The example of the governance and outputs of the Shetland Oil Terminal Environmental Advisory Group (SOTEAG) provides a compelling example of the kind of innovative approach that may be required.

8. Local climate strategies should overtly address just transition challenges.

These should assess potential impacts in terms of the just transition principles, and including plans to monitor and evaluate progress towards delivery of a just transition for the relevant locality.

North Yell Development Council community lunch club

A fisherman with a fresh catch

Insights and findings

Through a structured series of visits and roundtables, we engaged with a range of stakeholders in Shetland. The sections below summarise the key issues raised and discussed which, along with the independent research report, have shaped the key messages agreed above.

Community benefit and community wealth building

Lessons from Shetland's energy experience

- North Yell is addressing the Scotland-wide issue of housing very proactively via their community wealth fund, which has embarked upon a scheme to provide community housing and help counter depopulation. This demonstrates what is possible for such communities where they have community ownership and can direct significant funds at local priorities. In the context of the housing crisis there is a particularly strong case for measures to deliver a rapid strategic expansion of community wealth building initiatives so that local affordable housing and social infrastructure needs such as schools provision and childcare can be met.
- The current model will not sustain the investment levels which Shetland has become accustomed to since the 1970s. For example, care homes are subsidised directly by the Shetland Charitable Trust, including via the Rural Care Model[1]. The question was posed: "How sustainable is that for the long term?"
- Workshops towards Shetland's Climate Change Strategy have included a wide range of different industries as well as the community planning partnerships, seeding the process for fruitful social dialogue on key questions regarding Shetland's response to climate change and its economic model.
- While community benefit models are delivering positive impact for communities, the local experience with Sullom Voe and associated governance structures, as well as the success of locally owned operations such as the Garth Wind Farm on North Yell, has raised the level of expectation among some residents regarding the extent of value communities should retain through the exploitation of local resources. Quote: "We want to possess wealth and not just receive benefits."

[1] For a full current list of projects funded by Shetland Charitable Trust, see its website Who We Fund | Shetland Charitable Trust

- In achieving Net Zero targets, it will be necessary to review the balance between “big” and “small” energy, via a strategy that takes profit-sharing and community wealth-building as its strategic objective. “Big” energy (with robust community benefit mechanisms) will be required to deliver Net Zero, however there is significant scope for expansion of community and municipal ownership to support equitable outcomes, and a credible strategy is required to do this.
- The specific characteristics of new and emerging economic activities of strategic importance for Net Zero mean a more robust set of arrangements is required so that national objectives can be aligned with local needs. These must navigate the complex range of local challenges and local cultural, social and environmental conditions (particularly in island and rural settings) that carry the clear risk of unintended negative impacts where careful and accountable local management is absent.
- Local people feel an absence of powers related to new developments equivalent to those devolved via the Zetland County Council Act 1974 for oil, citing the fact that while the local authority is a statutory consultee on developments over 50MW, these are consented via the Scottish Government’s energy consents unit. Quote: “We lack the legislative stick to wave when negotiating with developers. Local authorities are left on their own.”
- There is a view that the positive potential of the Islands (Scotland) Act 2018 (and associated commitments to carry out islands impact assessments and “island-proofing” of national policies) has yet to be fully realised. Quote: “Island proofing has been more notable by its absence than by its usefulness.”
- Shetland’s climate strategy is an opportunity to make the just transition a core element of local strategic planning efforts, helping to ensure the climate strategy is meaningful and attractive to the local community.

SSE transmission cable pulling operator

Constraints on community projects

- Successful local authority and community initiatives to benefit from local resources and build long term social value demonstrate the critical importance of skilled and effective leadership and technical capacity.
- Local authorities face a significant challenge in acting effectively in their community's interests as an "intelligent customer" given the scale of development underway for Net Zero and severe asymmetries in terms of resource, capacity and expertise by comparison with industrial players.
- The experience of the development of Viking has highlighted the considerable challenge of building effective shared ownership models, with the level of risk community organisations are able/willing to bear and the capacity of communities to access finance being two key constraints that need to be addressed.
- The Scottish National Investment Bank (SNIB) has an important role to play in supporting community energy developments to meet financing needs (a key barrier among others such as land access, grid connection and capacity) and so accelerate project development. SNIB could also play a major role when communities are negotiating with major developers around shared ownership models. Based on the bank's remit it may wish to consider whether it could have helped when Viking was being developed, and how it could help in a similar situation today.

Maximising long-term legacy

- The significant expansion of renewable energy generation on and around Shetland, plus the potential for H2 production, mean that jobs and skills demands may change and expand rapidly in the next decade, with major current limitations on available workforce and suitable housing.
- In line with the Scottish Government's commitment to applying community wealth building principles through legislation, a strategic link could be developed between community benefit funds and the enhanced capacity required for community wealth building (e.g. energy project proposal development, law, bid development and implementation of community benefit-funded projects, as well as negotiations at local authority level with major developers.)

- Co-ordination and integration of different community benefit funds is required to minimise overlap, duplication and fragmentation. Priority areas for funding have already been identified by the community, so any new community benefit funds should align with those and not try to reinvent the wheel.
- An area requiring to be addressed is differential (higher) education costs compared to mainland, with the lack of equivalent per student investment flagged as an issue. Community benefits, both current and planned, have an overt education and skills element but this could be further strengthened in terms of substantive funding for scholarships, apprenticeships, teaching resources and staffing, e.g. measures to support at a systemic level rather than one-off education-related initiatives. School and learner engagement funds should be allocated to an education and training budget community benefit line which is then allocated to projects at the discretion of the trust. In the context of University of the Highlands and Islands campus closures, schools and the college will inevitably have limited capacity to apply for funds, so a really simple process is needed on this, or provision of a set block grant on a multiyear basis.
- Shetland's experience shows support for childcare, early learning, education and the arts should be a fundamental feature of the emerging model and its governance arrangements, rather than an after-thought. This has proven critical in countering the threat of depopulation.
- As just transition planning progresses, consideration could be given to a revised structure for setting appropriate levels of community benefit. For example, a 'ramping' approach could help set appropriate levels of community benefit, based on the non-linear environmental impacts of very big developments.

Infrastructure

- As in the Western Isles, Shetland residents are highly conscious of the paradox in terms of how productive the area is in energy generation, while local energy consumer costs remain very high. With existing grid and transmission arrangements, there are significant challenges to harnessing local generation for cheaper local consumption. Quote: “The general population does not see the benefits.”
- Lerwick’s district heat network reduces fuel poverty for those connected by providing heavily discounted domestic heating. Legislation mandating recycling could pose a challenge to the current network which runs on the incineration of local refuse material. Quote: “It would mean we would need to start importing rubbish.”
- Given controversies around the local impacts of critical infrastructure such as offshore turbines and subsea cables on fisheries and the associated risk to community cohesion, a robust framework for participation and engagement of stakeholders is required to address issues such as the visual and economic impact of offshore wind and cabling back to Shetland. SOTEAG provides a model of effective stakeholder engagement, robust governance and community participation.
- Historically ecologists on Shetland have played a critical role in supporting efforts to manage infrastructure development for local benefit and minimise negative impacts on coastline, nature and habitats, e.g. in relation to Sullom Voe and associated governance arrangements.
- The investment in VHF radios in North Yell to give resilience in the face of communications outages due to severe weather conditions affecting connectivity is a strong example of a local adaptation and resilience measure that could apply in other areas, as well as demonstrating the capacity of local communities to identify and address their specific long-term needs.
- During the implementation process for SNAP3, the potential impacts of a break in service of hard wire telephone services, as well as climate change impacts on telecommunications provision, should be assessed alongside considering the wider applicability of VHF radios alongside other options for increasing climate resilience in the most at-risk communities and areas.

Marine

The spatial squeeze and local economic impact

- There is deep pride in Shetland's fishing heritage and its historic role in sustaining the life of the community, as well as a sense of environmental policy as a threat to local livelihoods. Quote: "Fishermen don't have property rights, there is limitless scope for displacement."
- Noting there have been various initiatives over the last 20 years designed to facilitate co-existence and joint working between renewable energy developers and the fishing industry (e.g. FLOWW), more could be done to ensure high-quality, consistent communication between the fishing industry, energy developers and conservation organisations.
- Consultation procedures badged as co-creation risk further eroding trust in a process that is able to take account of local perspectives.
- In managing the trade-off between sustainable fishing and renewables development, consideration should be given to the extent to which relevant businesses are locally or foreign-owned as this will determine the relative impact of this trade-off on retention of value within the local economy. If offshore wind projects owned by companies and states outwith Shetland displaces the local fishing fleet, there is potentially a risk the economic value of marine areas is effectively transferred away from the local community.
- Fishers are concerned that a perceived assumption that the energy transition will require an open-ended expansion of renewable supply rather than measures to reduce demand, which would better support their side of the trade-off between renewables and fishing and reduce tensions within the marine sector. This reflects wider societal concerns that are yet to be adequately addressed.
- Further work is required if the principle of coexistence is to achieve credibility with fishers, who are looking for clarity on the impact of offshore energy on their business activities from a practical and logistical perspective, including restrictions on operations and the need for insurance for those needing to sail near installations.
- Coexistence in a marine environment suffering from the impacts of climate change and species movement and loss is also a major concern for fishers, conservation groups and other sea users. Much improved communication around marine spatial planning is required to enable dialogue that could break current deadlocks.

- As the main employer in Shetland, seafood (particularly fishers and the local supply chain) represents a crucial sector to consider in terms of the jobs and skills transition. There are identifiable opportunities to enhance skills and jobs provision in anticipation of a boom in offshore wind (e.g. marine surveying, impact assessments, legal work, etc). A recent assessment by CXC for onshore wind could be followed up by offshore and an assessment of what this means for Shetland.
- Fishers report a current lack of an adequate and effective regulatory framework, exemplified through the “paper MPAs”, risks producing a “wild west” contest for marine resources as the “spatial squeeze” between different uses for the marine environment intensifies, including aquaculture, renewables and ocean recovery measures, as well as other uses such as port infrastructure and tourism.
- The agreement and effective communication of clear, credible and well-defined regulations for restrictions around renewable energy infrastructure and conservation measures for fishers needs to be a priority.
- Fishers are worried large-scale hydrogen production will cause large volumes of brine to be returned to the sea with a negative impact on fish stocks inshore.
- Lessons need to be learned and applied from examples for offshore wind development from Denmark, Netherlands, and Faroe in terms of health and safety regulations, measures to compensate income forgone and provide appropriate safeguards for those whose livelihoods will be impacted.
- Cabling is a major issue for the shellfish industry, so robust governance and stakeholder engagement around this and equitable and consistent mitigation of impacts, such as a single point connection to shore and income foregone measures.
- Cullivoe, North Yell, is a major landing port, including for farmed salmon, however the current transport infrastructure is a limiting factor on rapid and reliable transportation. This poses a risk to sustainable local economic activity.
- In decarbonising their activities, smaller, family-owned fishing businesses face particular challenges in transitioning to sustainable fuels as early adopters. Fuels need to be proven and affordable to minimise the risk for small businesses.
- Fishers shared a strong view that government is “not defending the fishing industry” and that the impact of renewables development is not being adequately assessed.

Fishermen with their lobster cages, Shetland

Lobster cages, Shetland

Evidence base, and monitoring and evaluation

- The current evidence-base is contested, underfunded and not making best use of local expertise. Effective M&E needs to be agreed across stakeholders and appropriate capacity put in place for high quality monitoring, analysis and reporting of known and emerging impacts, such as the effect of cables on crab migration patterns.
- There is a need for independent, credible data on the environmental impact of new and emerging activities, as well as the cumulative effect of current activities, within the marine environment, particularly offshore wind, with the independent Sullom Voe Terminal Environmental Advisory Group (SOTEAG) a robust exemplar of an effective governance, funding, partnership and delivery model for achieving this at no additional cost to the local community. An equivalent initiative may now be required to provide a trusted evidence-base for marine policy, regulation and monitoring.
- The new energy equivalent of SOTEAG would need to help ensure that best evidence is provided and that a research base beyond the minimum provided for Environmental Impact Assessments is available. This could link with skills and jobs needs in terms of surveying and research. Credibility and independence will be critical.

Governance

- There is a strong perception among fishers that there is a critical lack of meaningful engagement and participation around consenting processes and the evidence base, exacerbated by a lack of trust.
- Whereas the Zetland County Council Act 1974 kept oil exploitation within a clearly delimited area, renewables development is relatively widely dispersed.
- The historical example of relatively successful arrangements around Sullom Voe to manage local impacts points to the value of a higher level of ambition regarding local participation and control, for example, renewables development plans could include specific spatial limitations for siting of infrastructure, and a credible, evidenced account of local impacts to support appropriate compensation when required.

PeatlandACTION demonstration event at Lochend, Shetland

Peatland

- Financing is a core challenge as the primary benefits (minimising emissions from degraded peatland, improving carbon sequestration potential, biodiversity, water regulation, resilience etc.) are public goods. An innovative and pro-active approach is required to make the step change in financing that is needed to meet restoration targets.
- Public funding through the Peatland ACTION code is currently insufficient and suffering from delivery challenges.
- Any financing model needs to deliver for smaller businesses and common grazings as well as large private and public land owners.
- Where blockers to timely and effective restoration work have been clearly identified and evidenced (such as extraction for fuel, horticulture, agricultural and forestry land use, deer and grouse management for sport), clear policy measures, including via the new agricultural support scheme, are required to establish a consistent process for removing those blockers and providing appropriate compensation to impacted groups.
- Common grazing and crofting committees have a crucial role to play in peatland restoration but property rights need to be clarified on carbon rights, etc. Identifying improved incentives that compensate income foregone to active graziers for appropriate management during the restoration process and post restoration should be prioritised.
- Opportunities for an enhanced programme of participation and engagement that can support community understanding and consent for restoration works should be investigated.
- Seasonal restoration constraints such as those around ground-nesting birds and soil protection remain a common issue that risk a negative impact on timely delivery of peatland restoration – particularly given the longer-term emissions reduction benefits, and wider biodiversity benefits, including for ground-nesting birds). Seasonal restrictions, delays between planning, costing and approvals, and project flexibility issues can have a major impact for on-the-ground activities meaning contractors often opt for other, less restrictive work. Peatland restoration delivery models need to consider support for workers (including accommodation requirements) and contractors, as well as availability of machinery year-round, to develop more robust business models for restoration contractors, including multi-year capacity.
- Investment in peatland restoration has a strong potential ‘multiplier effect’ in terms of emissions and employment if it can support high quality local jobs. However it is a capital intensive sector meaning new entrant opportunities are limited.

- Specific targets and M&E are required in terms training, apprenticeships, etc., to ensure the peatland restoration workforce of the future is truly inclusive and workforce planning in this area needs to strategically address under-representation of women and people with protected characteristics.
- Peat reinstatement is not peatland restoration and should not be conflated. Restoration is the public good that in restoring wetland habitats provides the wider suite of ecosystem services including soil and peat integrity, flooding and water management, biodiversity, extensive land management.
- A detailed review of the Viking project's peatland dimension should establish key learning points to apply to future developments and how to maximise the positive contribution of developers to peatland restoration.
- Peatland reinstatement work around the Viking onshore wind development included some encouraging work on upskilling, with availability of contractors with the right skills a key limiting factor across the country. A challenge remains that the lack of reliable work and a systematic (multi-year) funding model that gives a clear pathway through training into work and helps address seasonal constraints. Onshore wind developments on or around peatland should include substantial programme of capacity building (training) to support developers in achieving positive long-term legacies.
- Removing seasonal barriers and accepting short term trade-offs over species versus longer term biodiversity and climate benefits could help more full time business models around restoration to evolve.
- The absence of multi-year funding limits strategic restoration planning and capacity development. Conditionalities on developers around peatland restoration should be strengthened to deliver maximum peatland restoration supported by robust independent M&E.
- Peatland restoration is risked where active land management (e.g. sheep grazing) may be displaced meaning agricultural support rules around 'active farming' would deem the land manager ineligible for support on that land, despite delivering public goods. Private markets such as the Peatland Code remain differentiated from public sector grants through Peatland Action and the longer term implications of verifiable emissions reductions in the private market (and associated risks of failure) may disincentive land managers from engaging. De-risking peatland restoration through more imaginative uses of public and private sources of finance may be required. There is no shared risk in private markets – as the land manager has all of the burdens for decades, whilst associated carbon credits can be traded freely. The risk is that without regulation, peatland restoration will not happen because it is expensive, difficult to do and has very little financial return for the land owner.

Farming, crofting and common grazing

- The new Agriculture and Rural Communities (Scotland) Act 2024 has provisions (Tier 4) for enhanced training and skills development that could help serve to increase skills around reduced grazing pressures, deer management and peatland restoration on farms and crofts, provided the economics around this are feasible. The Farm Advisory Service has an important role in terms of advice and reflecting changing support system and how this plays out for Shetland.
- Ultimately investment must be shaped through the new rural support scheme in a way that supports the livelihoods of crofters and farmers while reducing grazing pressure on peatlands. Wales already has such provisions (i.e. receiving basic payment even if you remove your sheep) and this is especially important for many areas in Shetland.
- The proposed 'all of Scotland LiDAR' campaign should include Shetland and so inform current practice and monitoring of change. This will be especially useful for Shetland given very low tree cover and issues around peatlands, but this will need to be backed up by good advice and a financial support regime geared to deliver change.
- Farmers propose a helpful way to build consent for changes to agricultural practices would be to benchmark how these efforts compare to changes made by other industries and sectors

Built environment

- Local people report the Shetland climate requires different specifications for energy efficiency and retrofit as high wind and rain puts a strain on even homes built to Passivhaus standard. "Shetland doors" may not meet the standards, but accredited doors can leak wind/water.
- A lack of accredited suppliers for retrofit is a major challenge in Shetland as a limiting factor on access to grants, a common theme in the Western Isles also.
- Residents and local institutions are frustrated with the application of the Scottish Index of Multiple Deprivation in determining access to funding, since it can misrepresent the social profile of areas with low and highly dispersed populations where there may be major disparities in wealth.
- There are higher construction costs for social housing and these include additional costs from transport and materials.

Transport

- There are significant concerns that ferry services are becoming no longer fit for purpose, with residents reporting increased frequency in technical faults on Shetland ferry routes.
- Local ferry emissions are a significant component of the council's emissions profile. Prospective work on the feasibility of tunnels to connect islands is part of efforts to address this. A copy of the report on this issue by Unst Tunnel Action Group and Yell Tunnel Action Group, "Subsea tunnels: Are we crazy?" can be reviewed via Annex C.

Andrew Nisbet, Secretary and Treasurer, North Yell Development Council

Visit overview - day one

In advance of the Commission's visit to Shetland, Lerwick-based energy consultancy Voar was instructed to collate and analyse evidence relating to critical aspects of the climate transition as they pertain to Shetland, including identifying key socio-economic data, and considering the relative merits of community benefit and community wealth building models, past and present, both in Shetland and in other comparative jurisdictions. The research is published by the Commission in standalone format and as Annex A to this report. The Commission met with the research team from Voar at the beginning of the visit to review their interim findings.

North Yell Development Council

The Commission visited the North Yell Development Council to discuss the benefits that have accrued to the local community from Garth Wind Farm and issues relating to the operation of a windfarm in a remote island location, the Carbon Neutral Islands project and the case for tunnels to the mainland. Participants included

- Alice Mathewson, Development Manager
- Andrew Nisbet, Secretary/Treasurer.

The Commission next went to the Cullivoe Hall to join the weekly free two-course lunch with members of the local community. Having heard about challenges with the local ferry service, the Commission gained first hand experience of a lengthy wait at Ulst ferry terminal.

The Commission visit to North Yell Development Council

Commission Co-Chair Satwat Rehman and Alice Mathewson, Development Manager, North Yell Development Council

The Commission visit to North Yell Development Council community lunch club

Viking Wind Farm

The Commission met with representatives from SSE Renewables and Shetland Community Benefit Fund to hear about the construction of the wind farm, the community benefit fund and its management. Commissioners were then taken on a tour of a section of the site to view the work they are doing on peatland reinstatement.

Attendees included

- Haydn Jamieson, site manager.
- Lindsay Dougan, senior community investment manager.
- representatives from the Shetland Community Benefit Fund.

The Commission discussing community benefit at Viking wind farm

Visit overview - day two

Marine roundtable

The Commission held a roundtable discussion at Mareel, Lerwick, bringing together representatives from the marine sector in Shetland to begin to draw some insights for the emerging area of marine just transition. Participants considered prominent themes around fishing, aquaculture, offshore energy, connectivity, supply chains, resilience and biodiversity.

Attendees included representatives from Shetland Islands Council and Shetland Fishermen's Association.

Shetland roundtable

The Commission convened a roundtable with a cross-section of stakeholders to discuss island views of just transition and the key opportunities and challenges. Participants considered the cross-cutting issues affecting communities across the island.

Attendees included representatives from Shetland Islands Council, Highlands and Islands Enterprise, Shetland Amenity Trust, Shetland Charitable Trust, Shetland Community Benefit Fund, NHS, NatureScot, RSPB, Visit Scotland, Moving Up, Voar, Hjaltland Housing, Equinor, SSEN, NFU Scotland, North Fish and SRUC.

The Commission roundtable event at the Mareel, Shetland Arts Centre

Further engagement

Prior to the Commission's visit to Shetland, the Commission held an online evidence session on peatland restoration. The Commission held this session to build understanding on what is working, what isn't and what changes we need to see, paying particular attention to the human implications of peatland restoration. They were joined by:

- Sarah Proctor; Scottish Wildlife Trust
- Andrew Moxey; Pareto Consulting
- Peter Hutchinson, NatureScot
- Barry Dunne; NatureScot

Follow up digital roundtable

The Commission's visit to Shetland occurred at the same time as the All Energy conference in Glasgow. To ensure that the Commission engaged with as many stakeholders across Shetland as possible, it held a follow-up online session to discuss the key themes which emerged during their visit and give those who were unable to attend, an opportunity to feed in, including representatives from the following: Enquest, Ness Engineering, Shetland Aerogenerators, Aquila Waste, Ocean Kinetics, Malakoff Ltd, North Fish, Pure Energy Centre, Nodri, Robertson and Son, DFDS, ESB, CCC Consultancy.

The Commission roundtable event at the Mareel, Shetland Arts Centre

Farmland on Shetland Isles

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Aquila Waste
CCC Consultancy
Community Benefit Fund
DFDS
Enquest
Equinor
ESB
Future Economy Scotland
Highlands and Islands Enterprise
Hjaltland Housing
Independent consultant
John Muir Trust
Malakoff limited
Moving Up
NatureScot
Ness Engineering
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Nodri
North Fish
North Yell Development Council
Ocean Kinetics
Pareto Consultancy
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Robertson and Son
RSPB
Scottish Government Officials
Sottish Wildlife Trust
Shetland Aerogenerators
Shetland Amenity Trust
Shetland Arts Centre
Shetland Charitable Trust
Shetland Climate Change Steering Group
Shetland Community Benefit Fund
Shetland Islands Council
SSE
SSEN
Visit Scotland
VOAR

The Commission would like to thank the Secretariat for facilitating the programme of engagement and written outputs.

Annexes

Annex A - "Shetland, Community Benefit, and the Energy Transition", a report by Voar, produced for the Just Transition Commission
Annex B - Commission pre-briefing pack
Annex C - "Subsea Tunnels Are We Crazy?" a report by Unst Tunnel Action Group and Yell Tunnel Action Group

Just Transition Commission