

ENTERPRISE AGENCIES JOINT SUBMISSION – NZET COMMITTEE LOCAL GOVERNMENT INQUIRY

Dear Convener,

Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE) and South of Scotland Enterprise (SoSE) welcome the opportunity to contribute to the Scottish Parliament's Net Zero, Energy and Transport Committee's inquiry on ***the role of local government and its partners in Scotland achieving its net zero targets***.

We recognise how important it is that Scotland's economic development agencies are fully aligned with our national and local government partners. In that spirit of collaboration, our written submission comes in the form of a joint contribution.

This submission will highlight how our respective agencies serve as enablers of joint working between local organisations to support Scotland's net zero ambitions. This contribution will also provide specific examples of regional activities involving SE, HIE and SoSE that illustrate our commitment to delivering low-carbon economic opportunities for all of Scotland's communities.

OVERVIEW

It's often said that the 2020s is 'the decisive decade' in terms of tackling climate change. If Scotland is to reach its 2030 target of a 75% overall reduction in carbon emissions, the range of delivery organisations in local government, the private and voluntary sectors, social enterprises and local communities must be strongly aligned.

In our submissions to the Scottish Government's consultation on its new 10-year economic strategy, each of our respective agencies highlighted the importance of taking a longer-term perspective to enable transformational change across Scotland. Collectively, we need to help create a thriving economy that delivers enhanced wellbeing, a fairer society and a more sustainable future.

To achieve this, it's vital that all our economic development organisations and partners are united behind the same strategic direction to deliver a net zero economy for all. All of us need to think systemically and align behind addressing Scotland's priorities. There must be a clear line of sight from national through to regional and local delivery priorities, focused on system-wide transformational change.

And Scotland's enterprise agencies have a vital role to play.

SE, HIE and SoSE work closely with regional partners to ensure strong alignment with national policy priorities. Each of our organisations have outlined below how we are doing this.

SCOTTISH ENTERPRISE

As our [Business Plan for FY21/22](#) makes clear, a key priority for SE is regional growth through building future place-based economic opportunities.

We value our role as part of both Regional Economic Partnerships and Community Planning Partnerships, where SE colleagues share data, knowledge and insights with partners from a national and international perspective, helping inform the development and delivery of regional strategies.

This commitment to working in partnership with local partners is perhaps best evidenced when it comes to net zero. In our [Net Zero Framework for Action](#), a main purpose is to prioritise our place-based investment on decarbonisation projects. We engage with local partners at strategic levels on

many priority decarbonisation development opportunities, ranging from the Clyde Mission in the west, to the Energy Transition Zone (ETZ) in the North East.

Our commitment to net zero is also evident in SE's National Programmes, which have been aligned to the Scottish Government's inward investment priorities. We have National Programmes on Zero Emissions Heavy Duty Vehicles (working with Transport Scotland), Decarbonising Heat and Hydrogen Economy, all of which have strong place-based dimensions.

Specific examples of our Scotland-wide activities include:

NORTH EAST SCOTLAND

Working with partners, SE has taken a lead role to review the North East Regional Economic Strategy (RES) to take account of government net zero targets. SE contributes to a number of projects within RES, including the ETZ, North East Adventure Tourism, Seafood Transformation Project, Global Underwater Hub and the North East Scotland Hydrogen Ambition. Many of these projects see SE collaborating with Opportunity North East (ONE) and both Aberdeen City and Aberdeenshire councils.

The ETZ is an exemplar of partnership working. Created in April 2021, the organisation ETZ Ltd aims to position the North East as a globally recognised centre for energy transition, with the ETZ at the heart of a sustainable, global integrated energy transition cluster focused on net-zero activity. SE plays an integral role in the ETZ, which includes:

- SE's Head of Low Carbon Transition, Andy McDonald is a member of the ETZ Ltd Board, which meets quarterly
- SE is represented on the ETZ Working Group, which meets every month
- We are also providing support on the ETZ Masterplan
- SE are delivery partners with ETZ in projects, for example on supply chain development

DUNDEE: MICHELIN SCOTLAND INNOVATION PARC (MSIP)

MSIP is an ambitious joint venture between Michelin, Dundee City Council and SE created to generate economic growth in Scotland and support a fair and just transition to a net zero economy. Tenants have access to an innovation campus, a skills academy, business support and competitive, green energy delivered from sustainable sources.

MSIP focuses on sustainable mobility and decarbonisation and has already attracted many exciting tenants that recognise the campus' potential as a low-carbon hub, including London-headquartered hydrogen technology company, [Arcola Energy](#) (now known as Ballard Motive Solutions) and Austrian tech company, [SWARCO eVolt](#). MSIP is an excellent place-based project that turns a potentially devastating job loss for the Dundee area into something that will eventually create more low-carbon jobs.

FORTH VALLEY

SE has been working with the Scottish Government on the Grangemouth Future Industry Board, which seeks to enable the just transition of Grangemouth to a net zero position. SE is co-chairing the Board, which reports jointly to Cabinet Secretaries Kate Forbes and Michael Mathieson, as well as leading two of its working groups.

SE is also working closely with Falkirk Council, by leading the Innovation Theme of the Falkirk Growth deal, which will support the just transition through the development of technologies to assist

manufacturing industries including, for example, low carbon transport. This sits alongside the low-carbon support SE is providing to businesses in the region, such as INEOS and Forth Ports.

GLASGOW CITY REGION

SE is working with regional partners, including local authorities and the universities of Glasgow and Strathclyde, to accelerate the Clyde Mission, driving sustainable and inclusive growth for the city, region and Scotland. SE has committed £50k to a Clyde Mission data gathering project in 21/22 which will support the Jobs and Skills Mission. This includes initial ideas for reviewing green growth opportunities in the Clyde Corridor which also supports the Net Zero Mission.

We've also provided input to the strategy for the £25m Clyde Mission Heat Decarbonisation Fund and Clyde Mission Energy Masterplan.

Alongside this, SE is working with local partners across the Glasgow City region to promote the Green Investment Prospectus, which has many major infrastructure projects within the region. Other local activity involving SE includes participating on a steering group that's looking at the retro fit of housing stock to make it net zero consumers of power, and supporting efforts to develop a net zero pathway for tourism in the city region. We have supported work to inform a long term just transition skills plan.

And in partnership with VisitScotland and Zero Waste Scotland, we are delivering Hospitality Zero, an initiative that aims to support 40 businesses reduce food waste. This is a key part of the net zero journey for businesses in tourism.

AYRSHIRE

SE is working with the three Ayrshire local authorities, the University of the West of Scotland and the Ayrshire Clean Growth Workstream to develop a Regional Energy Masterplan for Ayrshire, creating an evidence-based pathway for the Ayrshire Region to achieve its clean growth ambitions. A sub-group of the Clean Growth Workstream has now been formed to take forward procurement of the development of the Energy Masterplan. The project is being jointly funded by SE.

SE is also providing input to the Ayrshire Officers' Group on Green Recovery and Climate Action, a public sector group focused on collaborating regionally around the themes of net zero, green recovery and climate adaptation.

HIGHLANDS AND ISLANDS ENTERPRISE

As demonstrated in [HIE's Operating Plan 2021](#) we are committed to a green and inclusive recovery that reflects the needs and opportunities of our region, communities and businesses. Collaboration with local and regional, as well as national and international partners, is key to successful delivery.

As a member of the Convention of the Highlands and Islands (COHI), HIE seeks to play a key collaborative and supporting role between Scottish Government and partners, including all local authorities operational in the region, to support sustainable economic growth.

HIE, local authorities and regional partners have recently created a Regional Economic Partnership (REP) for the Highlands and Islands. Integral to the REP is the identification of net zero opportunities for collaborative and coordinated action across the region. Collaborating on key constraints to renewables has long been a focus for HIE and the region's local authorities, particularly in the context of grid access and charging, where collective effort continues to respond to key Ofgem, National Grid

and UK Government consultations affecting the scale and pace of renewable deployment and island interconnection

Our place-based approach via eight area teams across the Highlands and Islands, combined with our engagement in community planning partnerships and growth deal development and delivery, is helping to align our collective understanding, respective roles and approaches towards net zero.

HIE's most recent [FOCUS publication](#) majors on the innovative and exciting business and community projects being supported by HIE throughout the region, all contributing towards net zero ambitions.

Examples of local partnership working with local authorities and stakeholders are described below.

SHETLAND

HIE is a partner in [ORION](#) Clean Energy Project, which is led by Shetland Islands Council and includes strategic partners such as the Net Zero Technology Centre and the University of Strathclyde, and guided by a steering group comprising key industry partners such as BP, EnQuest, Equinor, SSE, Shell and TotalEnergies. The project aims to transform Shetland's current reliance on fossil fuels to affordable renewable energy. Funding secured from the SG's Energy Transition Fund is supporting key techno-economic studies.

ORKNEY

Orkney provides an excellent illustration of collaboration between industry, public sector (HIE, Orkney Islands Council, Scottish & UK Government), academia and access to EU funds, which has built up world-leading knowledge and expertise in marine energy, local energy systems, and hydrogen production and use, from small scale demonstration through to industrial scale energy hubs. HIE plays a key and supporting role to develop infrastructure and supply chain developments in Orkney, such as the European Marine Energy Centre ([EMEC](#)) – a global leader – and the Orkney Research and Innovation Campus ([ORIC](#)), which is a joint venture between Orkney Islands Council and HIE.

HIGHLAND

HIE is working closely with Highland Council and partners on a range of developments concerned with energy transition, climate change and adaptation. These include as members of the [Caithness and North Sutherland Regeneration Partnership](#) (CNSRP), the North of Scotland Hydrogen Working Group as part of the Opportunity Cromarty Firth consortia, and in [FW2040](#) – a masterplan and delivery programme for Fort William and Lochaber. In the latter Zero Waste Scotland, Highland Council and HIE worked in partnership to commission the "Blar Mor District Heating Feasibility study" for a range of existing public buildings and businesses, and also land for housing, replacement hospital and STEM Centre. The study undertook an assessment of cluster development, technology, techno-economic appraisal, and recommended next steps for consideration by stakeholders.

HIE, along with Highland Council, is also supporting a research consortium involving Edinburgh Napier University and Heriot-Watt University, Construction Scotland Innovation Centre (CSIC) and JAHAMA Highland Estates in assessing the feasibility of a range of construction methods to minimise disturbance to peat and mitigate the environmental impacts. The Scottish Environment Protection Agency (SEPA), NatureScot, ECOSystems Tech Ltd and the Scottish Government are also supporting the initiative.

HIE is also an active member and investing in the Highland Council-led Highland Adapts Initiative. The partnership is using an inclusive place based consultative approach to raising awareness across all sectors of Highland society, gathering and analysing the scientific and economic evidence, then

developing and prioritising climate adaptation responses, with a view to securing the investment to deliver priority adaptation projects.

MORAY

A Hydrogen Strategy for Moray is being developed jointly by HIE and Moray Council, and recent support from HIE enabled Moray Council to undertake a Buckie Harbour Master Plan refresh, supporting the Council in securing Buckie Harbour as the Operations and Maintenance Base for the Moray West Offshore Wind farm. HIE also joins Moray Council on Community Energy Moray and in building the case for a Moray Climate Action Hub.

OUTER HEBRIDES

HIE is a partner in the Outer Hebrides Net Zero Hub, led by Comhairle nan Eilean Siar (CnES). It is being developed in partnership with industry and will seek to produce green hydrogen from onshore and offshore wind, with a view to converting the Stornoway Town Centre Gas Network from propane to 100% hydrogen, as well as supplying many other local end users identified, such as BASF Pharma (Callanish), Scottish Salmon Company, Hebridean Seaweed, Arnish Fabrication Yard and freight ferries, as well as green hydrogen export to mainland Scotland and Europe.

The Outer Hebrides have also been chosen to represent the Highlands and Islands in a new EU funded, HIE-led project, which aims to support the transition to low carbon energy. “Responsible Research and Innovation Policy Experimentations for Energy Transition” – known as “RiPEET” - is creating a Transition Lab of stakeholders from across the area including GreenspaceLive, Tighean Innse Gall, UHI – Lews Castle College, Comhairle nan Eilean Siar, Horshader Development Trust, Barra and Vatersay Community Ltd, Community Land Outer Hebrides, the Galson Estate Trust and SSEN. This project has received funding from the European Union’s Horizon 2020 research and innovation programme under H2020

ARGYLL

HIE supports Argyll and Bute Council with the Argyll and Bute Renewable Alliance (ABRA), which brings together key public and private sector partners - including, the Scottish Government, Marine Scotland, Scottish Power Renewables, Scottish and Southern Energy, The Crown Estate Scotland, natureScot, and Skills Development Scotland - to ensure a greater awareness of all the issues relating to renewable development across Argyll and Bute.

HIE is also delivering a UKCRF funded project, sponsored by Argyll and Bute Council, that will quantify the carbon sequestration potential of the areas extensive natural resources and provide a vision and methodology for carbon sequestration investment to both underpin the local economy and support green recovery. The project will be delivered in three phases – scoping and background research, economic opportunity, and business model & development. The aim is to enable landowners to meet market demand for carbon sequestration while also generating long-term social and environmental benefits for local communities.

SOUTH OF SCOTLAND ENTERPRISE

The net zero transition has been at the core of what SOSE does from the very start, with the 2019 South of Scotland Enterprise Act setting out, among other statutory duties, that SOSE must support inclusive and sustainable growth, and changes required to deliver a transition to Net Zero. SOSE is required, among other duties, to promote efficiency, improve transport services and the sustainable use of resources and to maintain, enhance and encourage natural capital and the environmental

quality of the South of Scotland. Importantly, SOSE has been empowered to work with businesses and communities in the pursuit of these objectives.

Within SOSE's [Operating Plan 2021/22](#), a commitment is made to delivery of a recovery from COVID-19 that is to be led by green growth and the promotion of fairness and wellbeing. SOSE also commits to facilitate the South of Scotland's response to the opportunities provided by COP26 and preparation for the COP served as a springboard for net zero action, with the appointment of **Dr Martin Valenti** as SOSE's Director of Net Zero in 2021.

SOSE is focused on the themes emerging from the [Regional Economic Strategy](#) for the South of Scotland, which seeks to deliver a **fairer, greener and flourishing South of Scotland**, and direction from the SOSE Board to ensure that we remain flexible and collaborative in our approach to deliver the best outcomes for the South of Scotland. SOSE will utilise the new **Convention of the South of Scotland** and the [Regional Economic Partnership](#) to pursue a Team South Scotland approach to addressing the climate emergency and to engagement with Scottish Government and national partners, as well as supporting Scottish Government policy formation. Specific actions are set out in the [Regional Economic Strategy \(RES\) Delivery Plan](#), which sets out how a 10-year vision for the communities, businesses and people of the South will be achieved.

A NET ZERO ROUTE MAP FOR SOUTH OF SCOTLAND

The South of Scotland, comprised of Dumfries and Galloway Council and the Scottish Borders Council areas has some 11,158 km² or 14.3% of Scotland's land mass, but just fewer than 128,000 or 5.2% of Scotland's households. With a significant concentration of commercial and non-commercial woodlands and peatland across the region, and with a significant agriculture sector, the South of Scotland provides a valuable natural capital contribution to Scotland's overall climate targets.

BEIS data indicates that the **South of Scotland makes a greater than population share of Scotland's renewable energy generation**, with some 17% of Scotland's onshore wind output, 20% of plant biomass, 8% of solar generation and 8% of Scotland's hydropower and an effectively decarbonised electricity sector. The South has **potential to exploit that renewables strength and to be in the vanguard of decarbonising our homes and non-domestic buildings, businesses and transport systems**. The South contains all of Scotland's overland road and rail routes to England and hosts our main ferry routes to the island of Ireland, with some 2.2 billion vehicle miles of traffic in our region in 2019 (pre-pandemic) within a Scottish total of 30 billion vehicle miles.

We recognise that, for Scotland to achieve net zero by 2045, **the South of Scotland will likely need to hit net zero well before 2045** to ensure the region has time to make any required '**climate positive**' contribution by 2045. To help our region transition to net zero we will work with our partners, within and out with the region, to develop a **Net Zero Route Map** that can lead us to net zero and beyond and to make the most of the opportunities along the way. Our two partner local authorities will have a key role in this work and engagement with both has been a high priority for SOSE's new Net Zero Directorate and SOSE is in discussion regarding collaboration in policy development, submissions to Scottish and UK Government consultations, place-based collaboration and delivery of carbon literacy across the region, with all SOSE staff to complete carbon literacy training in 2021/22.

Our aim is to publish a first iteration of the South of Scotland's Just Transition to Net Zero Route Map as soon as is practical, ideally in 2022/23 supported by a **Net Zero Commission** drawing upon the expertise of decision makers within national and regional partners from public, private, academic and third sectors. SOSE envisages the Route Map would draw upon and complement the work of

both local authorities in developing their Climate Change Route Maps (CCRM)s and climate reporting. Development of a region-wide Net Zero Route Map will ensure opportunities for collaboration and synergies are identified and this will facilitate support to SOSE and partners in developing Just Transition Plans for sectors, such as energy, transport, construction, agriculture, tourism, food and drink manufacturing. In parallel, we are exploring the potential for a **regional carbon footprinting tool** to support businesses in measurement of their emissions and for monitoring data. The first sectoral just transition plan will be for the energy sector.

As one example, SOSE recognises that one of the most significant, collective challenges we face in delivering net zero is regarding the need to retrofit buildings and invest in net zero infrastructure for the **residential sector**; this subject is also at the heart of our concerns around addressing fuel poverty in the South of Scotland – something of critical importance to local authority and RSL partners and of fundamental importance in the context of the Scottish Government’s Heat in Buildings Strategy. SOSE is therefore working with CENSIS, Construction Scotland Innovation Centre and third and private sector partners to develop, in the South, the first **Net Zero Technology in Buildings Innovation Centre** to help inform and drive action.

Innovation in respect of Natural Capital is of great relevance in the region. SOSE is also working with CENSIS on examining carbon sequestration opportunities and this work on **Carbon Sequestration in Agriculture** is included within the CIVTECH Demo Day.

ENERGY TRANSITION PLAN FOR THE SOUTH OF SCOTLAND

In recognition of the importance of the energy sector as a driver and an enabler of decarbonisation of the regional economy, one of SOSE’s earliest initiatives was to establish the region’s **Energy Transition Group (ETG)**, which was charged with developing a better understanding of the challenges and opportunities facing south of Scotland with regard to future energy supply, demand and transmission across a rural geography. The ETG, which brought together a diverse range of partners and expertise, published [Powering Change - calling the South of Scotland to action](#), in March 2021. A particular focus of that report was looking at future energy requirements, in looking at decarbonising heat and transport, and recommendations on geographic pilot projects (in Dumfries, Stranraer and Peebles) to model future demand and grid capacity.

The report highlighted constraints on transmission and distribution networks in the context of growing demand for power for decarbonisation and that this will necessitate grid upgrades to prevent barriers to reaching net zero; a particular focus was on the scale of vehicle charging network required and potential for heat pump deployment to decarbonise heating and their consequential demand for renewable electricity. The ETG, which included both councils and our local colleges, also examined demand for green jobs and development of supply chains to support the transition, and communities’ role in championing the opportunities and in decision making, to help them benefit from affordable renewable power supplies.

Given its regional scale and the advent of a refreshed Scottish Government Energy Strategy and a just transition plan for Energy this year, as recommended by the Just Transition Commission, SOSE has chosen to refresh the remit and membership of the ETG to develop an Energy Just Transition plan for South of Scotland as the first sector in the South to have a just transition plan. This will be initiated in Q4 2021/22 and will aim to report within 2022/23. The Energy Transition Plan for the South of Scotland will widen out the ETG’s work undertaken in developing ‘Powering Change’ to a deeper dive in dynamic subjects such as heat decarbonisation, transport decarbonisation, the

hydrogen economy, networks investment, local energy systems, electricity generation and skills. These deep dives will be tackled through establishment of thematic sub-groups.

ETG sub-groups will identify any learning that will support the development of subsequent just transition plans for other sectors of the economy, for example in fulfilling the transition for transport systems, this will support other sectors to decarbonise, such as tourism.

BORDERLANDS ENERGY MASTERPLAN WITHIN THE BORDERLANDS INCLUSIVE GROWTH DEAL

SOSE is represented on the delivery Board of the **Borderlands Energy Masterplan (BEM)** alongside the five constituent local authority partners and the UK and Scottish governments. The Board will ultimately determine where the £29.9 million in capital funding for BEM, within the wider Borderlands Inclusive Growth Deal, will be allocated. The £1.1 million investment made in the BEM itself will be supplemented by more detailed local area plans focused on investment opportunities and it is likely to deliver at least one capital project in each of the five local authorities. The BEM and local area plans are anticipated to produce a comprehensive picture and create a framework for future investment from both the public and private sectors as we move towards net zero. Beyond the BEM itself, the Inclusive Growth Deal includes £8 million of Scottish and UK funding for a Dairy Innovation Centre in Dumfries and Galloway, with proposals to develop forestry sector innovation and a Natural Capital Innovation Zone across the five areas. Funding was also allocated for energy investment at Chapelcross.

CHAPELCROSS OPPORTUNITY

SOSE is working with local partners to realise the benefit of this strategically positioned site and its infrastructure connectivity to focus on creating a **Green Energy Centre** in Annandale in the east of Dumfries and Galloway. The wider potential of this area is being developed within the SOSE consultation response on the Scottish Government's Hydrogen Action Plan and, in particular, with a view to secure regional Hydrogen Hubs for the South of Scotland. The wider cluster and focus here, with projects including a **Rural Energy Hub** with Scotland's Rural College (SRUC) and a Renewable Energy Centre with APD Amber based on a Norwegian model, is showcasing the South of Scotland.

OTHER PLACE BASED INITIATIVES

There is potential to align wider area-based energy investments and net zero investment with the Borderlands Place Programme, e.g., in Scottish Borders Council areas to collaborate in delivering outcomes for localities prioritised in the BPP, i.e., Hawick, Eyemouth, Galashiels and Jedburgh). However, in addition to this place-based focus, it is likely that targeted interventions may be required, working with other partners, to deliver solutions for communities outwith the BPP itself, given the large number of rural communities we are actively engaged with.

In addition to those geographic pilot projects suggested in the Powering Change report, several additional communities have directly engaged with SOSE on their needs, e.g., Newcastleton in the Scottish Borders. Increasingly, we expect to need to work with Scottish Power Energy Systems, both Councils and national agencies such as Transport Scotland to examine local opportunities and to aid removal of barriers to net zero at a local level.

CONCLUSION

In summary, our agencies are committed to working with our regional partners – local authorities in particular – to deliver Scotland's net zero priorities, which include:

- Helping businesses commit to taking sustained action that has a positive impact on the environment and economy
- Delivering strategic programmes targeting fast-growing net zero opportunities
- Delivering the recommendations of the Just Transition Commission, starting with a focus on the energy transition

We know the enterprise agencies can be a strong catalyst for change, but that will only be possible through regular, meaningful engagement with local organisations.

Thank you for the opportunity to contribute to this inquiry and we hope this information is helpful in informing the work of the Committee. As ever, SE, HIE and SoSE would be happy to discuss any of the points raised in this submission with the Committee, if that would be helpful.

Kind regards,

Scottish Enterprise
Highlands and Islands Enterprise
South of Scotland Enterprise