

<ul style="list-style-type: none"> • <i>a copy of all background notes and/or briefing/s provided to the Cabinet Secretary for Finance and the Constitution with regard to the progress meeting with Jim McColl of Clyde Blowers Capital held on 2nd March 2017.</i> • <i>In addition, and again under Freedom of Information legislation, I request a copy of any minute and note taken during or subsequent to this meeting.</i> 	
<p>Email Transport Scotland to Ministers – 22 February 2017</p> <hr/> <p>[]</p> <p>I attach a 9 page submission in relation to Ferguson Marine Engineering Limited - Shipbuilding Contract - Two 100 Metres Dual Fuel Ferries.</p> <p>[]</p> <p>The submission will be helpful background to the planned meeting between Mr Jim McColl, Clyde Blowers Capital, the owners of FMEL, and the Cabinet Secretary for Economy, Jobs and Fair Work and the Cabinet Secretary for Finance and the Constitution on Thursday 2 March 2017.</p> <p>[]</p>	
<p>Email Transport Scotland to Ministers – 1 March 2017</p> <hr/> <p>[]</p> <p>I now attach the briefing pack for Thursday’s meeting with Jim McColl.</p> <p>Attendees</p> <p>Keith Brown Derek Mackay Humza Yousaf Jim McColl John Nicholls - Director - Aviation, Maritime, Freight & Canals Ian McCall, Head of III: Financial Services and SME</p> <p>Mr McColl has suggested the following agenda:-</p> <ol style="list-style-type: none"> 1. Contract 801/802 2. Update on Port Glasgow Facility 3. Future operating model for Scottish Ferry market [We are not clear <p>[]</p>	

what Mr McColl will raise under this topic] Scottish Ministers position is clearly stated in the Ferries Plan 2012-2024. In addition, a policy review into future tendering for Scottish Government ferry contracts has been launched.

4. AOB

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3. Other matters

Mr McColl has very recently (last week) taken a personal interest in the HySeas hydrogen ferry project which is now being led by FMEL. It is therefore possible that he may take the opportunity to mention this. An update is attached (Annex D) which was also copied to both Cabinet Secretaries as part of a submission by Richard Hadfield dated 27 February 2017.

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Background to meeting

The meeting has been set up at Jim McColl's request. We understand this follows up a conversation he had with Keith Brown in the margins of a meeting of the Council of Economic Advisers in January

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CV career history of Jim McColl inserted which is publically available.

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Extract from briefing paper

HYDROGEN FERRY – UPDATE ON THE “HYSEAS” PROJECT

Background

1. Transport Scotland and Scottish Enterprise have been supporting the successive phases of the “HySeas” hydrogen ferry project which has the ambition of developing the world’s first sea-going ro-ro vehicle ferry powered by hydrogen produced using locally generated renewable electricity.
2. The HySeas consortium includes Caledonian Maritime Assets Ltd (CMAL), Ferguson Marine Engineering Ltd (FMEL), St Andrews University, Ballard Power Systems Europe A/S (BPSE) of Denmark and Kongsberg Maritime AS (KM) of Norway. Following discussions we understand that Orkney Islands Council have accepted an invitation to join the consortium as the potential future operator of the vessel. This offers a potentially good fit given Orkney has currently underutilised renewable electricity generating capacity and is already working on projects developing the production, storage and transport of hydrogen.

3. Two phases of the HySeas project, led by CMAL, have been completed:

- “HySeas I” established the general technical viability of the project.
- “HySeas II” looked in much greater detail at what would be required to build and operate a hydrogen ferry, including fuel generation and supply, and produced some high-level capital and operating cost estimates.

Current position

4. HySeas II concluded that: *“there is no technical impediment to proceeding with the construction and operation of a renewables-derived hydrogen-powered zero-emissions vehicle and passenger vessel”* but recommended that a half-scale factory-floor “string test” of hydrogen drivetrain is undertaken prior to the decision to construct a full-size vessel.

5. The “HySeas III” project has therefore been initiated, with FMEL in the lead, to secure funding for and undertake the recommended string test and to support the subsequent build of a first zero emission vessel, to be operated as part of an energy systems demonstration project. A number of funding applications have been made to EU and UK sources – so far without success. A further application for EU Horizon 2020 funding was submitted on 24 January 2017. Transport Scotland and OIC have provided supporting letters which have been welcomed by FMEL.

Scottish Government interest

6. Scottish Government has a number of potential interests in this project:

- Tackling maritime carbon emissions is challenging. CMAL and FMEL have made some progress with recent vessel designs, including the world’s first battery-hybrid ro-ro ferry and, currently under construction, the UK’s first innovative Dual Fuel - LNG and Marine Gas Oil ferries. However, the HySeas project represents a significant increase in ambition by aiming for a ‘zero emission’ ferry;
- Achieving a “world’s first” would give FMEL and the other partners in the consortium a competitive advantage in what is expected to be an increasing export market for zero/low emission maritime technology;
- More locally, a new ferry construction project will help sustain jobs and skills at FMEL’s Port Glasgow shipyard;
- Hydrogen ferries provide an outlet for island and coastal communities with (current or potential) excess renewable electricity generation;
- The production and supply of hydrogen should boost local economic activity and provide jobs which are not easily exportable.

Timelines

7. The initial outcome of the application for Horizon 2020 funding (‘stage 1’) is expected in April and final ‘stage 2’ decisions by late summer for those projects passing stage 1. With additional time for the release of funding, this

would mean that the string test would start towards the end of 2017. The string test itself would take just over a year and, assuming moving almost immediately to an 18-month build project in early 2019 – without an intervening ship procurement exercise – a vessel could be ready for deployment in the second half of 2020. This is already an ambitious timescale subject to a number of risks and dependencies (see below).

8. Until recently, the HySeas consortium was not aware of any other hydrogen ferry project at a similar stage of progress. However, the Norwegian Government has recently announced that it is working towards the deployment of such a vessel in 2020.

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9. Annex B shows a graphic of the 2 timelines.

10. There are also other workstreams that would need to be at a sufficiently advanced stage to inform a decision to proceed with a vessel build:

- Renewable electricity generation;
- Local production, storage and transport of hydrogen;
- Operational issues including re-fuelling of the vessel, training and resilience;
- Regulatory approvals.

11. Timelines for these activities are being developed by the consortium.

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12. The consortium is working on a detailed plan for taking the project to completion covering all the various workstreams outlined above.

13. The Stage 1 results of the Horizon 2020 funding application are due in April.

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Conclusion

14. The reason that HySeas III is so far advanced is that most of the system components are already at market with only the drivetrain and its application to be proved. Bringing the first hydrogen ro-ro ferry to market will provide the Hyseas consortium with a potential window of opportunity lasting several years during which the market can be exploited and a solid base created for future growth.

15. With growing pressure on emissions from marine transport, FMEL report that

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Email Transport Scotland to Ministers – 2 March 2017

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This is to record the main points of this morning's meeting insofar as they related to ferries.

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It was noted that the build quality so far was good, and that CMAL and FMEL had established a good working relationship.

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- Mr Brown noted the need to expand the narrative around FMEL in public communications – 350 jobs, shipbuilding renaissance on the Clyde, leading edge technology etc.
- **Action:** Mr Yousaf to meet with CMAL in a fortnight for an update on progress. PS/Mr Yousaf to take forward please.

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REASONS FOR NOT PROVIDING INFORMATION

Exemptions apply, subject to the public interest test.

Section 30(b)(i) – free and frank provision of advice

An exemption under section 30(b)(i) of FOISA (free and frank provision of advice) applies to some of the information requested. This exemption applies because disclosure would, or would be likely to inhibit substantially the free and frank provision of advice. This exemption recognises the need for officials to have a private space within which to provide free and frank advice to Ministers/other officials before the Scottish Government reaches a settled public view. Disclosing the content of free and frank advice provided to Ministers will substantially inhibit the provision of such advice in the future because Ministers/other officials will be reluctant to provide their views fully and frankly if they believe that those views are likely to be made public.

Public interest test

This exemption is subject to the ‘public interest test’. Therefore, taking account of all the circumstances of this case, we have considered if the public interest in disclosing the information outweighs the public interest in applying the exemption. We have found that, on balance, the public interest lies in favour of upholding the exemption. We recognise that there is a public interest in disclosing information as part of open, transparent and accountable government, and to inform public debate. However, there is a greater public interest in allowing a private space within which officials can provide full and frank advice to Ministers/other officials, as part of the process of exploring and refining the Government’s position. Premature disclosure is likely to undermine the full and frank discussion of issues between Ministers and officials, which in turn will undermine the quality of the decision making process, which would not be in the public interest.

Section 30(b)(ii) – free and frank exchange of views for the purposes of deliberation

An exemption under section 30(b)(ii) of FOISA (free and frank exchange of views) applies to some of the information requested. This exemption applies because disclosure would, or would be likely to inhibit substantially the free and frank exchange of views for the purposes of deliberation. This exemption recognises the need for Ministers/officials to have a private space within which to discuss issues and options with external stakeholders before the Scottish Government reaches a settled public view. Disclosing the content of these discussions with Jim McColl of Clyde Blowers Capital will substantially inhibit such discussions in the future, because parties will be reluctant to provide their views fully and frankly if they believe that those views are likely to be made public.

Public interest test

This exemption is subject to the ‘public interest test’. Therefore, taking account of all the circumstances of this case, we have considered if the public interest in disclosing the information outweighs the public interest in applying the exemption. We have found that, on balance, the

public interest lies in favour of upholding the exemption. We recognise that there is a public interest in disclosing information as part of open, transparent and accountable government, and to inform public debate. However, there is a greater public interest in allowing Ministers and officials a private space within which to communicate with appropriate external parties as part of the process of exploring and refining the Government's position. This private space is essential to enable all options to be properly considered, so that good decisions can be taken based on fully informed advice and evidence. Premature disclosure is likely to undermine the full and frank discussion of issues between the Scottish Government and stakeholders, which in turn will undermine the quality of the decision making process, which would not be in the public interest.

Section 33(1)(b) – commercial interests

An exemption under section 33(1)(b) of FOISA (commercial interests) applies to the information requested. This exemption applies because disclosure of this particular information would, or would be likely to, prejudice substantially the commercial interests of external parties / stakeholders.

Public interest test

This exemption is subject to the 'public interest test'. Therefore, taking account of all the circumstances of this case, we have considered if the public interest in disclosing the information outweighs the public interest in applying the exemption. We have found that, on balance, the public interest lies in favour of upholding the exemption. We recognise that there is a public interest in disclosing information as part of open and transparent government, and to help account for the expenditure of public money. However, there is a greater public interest in protecting the commercial interests of external parties stakeholders to ensure that we are always able to obtain the best value for public money.