

Document One

*Extract from a wider report*

‘The mission ran from 25-28 July, visiting Berlin, Nuremberg and Munich. I joined the Berlin leg, starting with a roundtable discussion arranged by SDI at the Berlin Chamber of Commerce with German companies that have invested in Scotland. I outlined our priorities and emphasised the importance of our relationship with Germany - Germany is Scotland’s fourth biggest export market; our third largest European export market; and our third largest inward investor. I explained that we are successful at attracting inward investment and out-performing London in the research and development sector. The investors’ questions focused on the energy sector, skills, and the technology sectors, in particular pharma. ‘

Document Two

<b>EU ENGAGEMENT REPORT</b>	
<b>Minister</b>	First Minister
<b>Type of engagement</b>	Brief address and round-table discussion with German investors in Scotland under Chatham House rules
<b>Date</b>	25 June 2018
<b>Who</b>	[Redacted] [Redacted], Glasgow Chambers of Commerce [Redacted] Glasgow Chambers of Commerce 14 German investors in Scotland (see Annex A)
<b>Key Points</b>	<p>In her opening remarks, the First Minister emphasised Scotland’s existing ties with Germany and our desire to strengthen bilateral links further, particularly in light of Brexit. She pointed to Scotland’s low cost base relative to London and increasing reputation for innovation, and highlighted measures taken by the Scottish Government to boost inward investment such as the new Scottish National Investment Bank, which will provide a source of capital for innovative business. The latter point, in particular, was noted with interest by the investors present and was picked up on in the subsequent discussion.</p> <p>Across the board, the German companies represented at the table were concerned at the implications of Brexit on their business operations. [Redacted]</p> <p><b>Access to labour</b> This was raised as a concern by investors both in relation to the post-Brexit environment and in the existing operating environment. German investors highlighted an existing lack of specific skills in Scotland as a key issue. [Redacted]</p> <p><b>Development of innovation ecosystems</b> [Redacted]</p> <p><b>Regulatory uncertainty due to Brexit</b> [Redacted]</p> <p><b>Onshore wind</b> [Redacted]</p>
<b>Actions</b>	<p>Whilst no formal actions were agreed at the meeting, there are some key areas where we could act to address investor concerns. For example:</p> <ul style="list-style-type: none"> <li>• Follow up with investors to gather detail and practical examples of the implications of Brexit for their business operations in Scotland (SDI);</li> <li>• Actively promote awareness of the purpose and scope of the Scottish National Investment Bank among German investors, [Redacted]</li> <li>• Conduct an initial comparative analysis of vocational training (perhaps also drawing on investor insights) as delivered in Germany</li> </ul>

OFFICIAL – SENSITIVE

	and Scotland, and seek to define the apparent skills gap referred to by German investors (SG);
<b>Attending Official(s)</b>	Mark Hallan, SDI, Director EMEA [Redacted], SG, Head of Germany Hub [Redacted] Field Director, SDI [Redacted], Deputy Head of Germany Hub, [Redacted] FCO, First Secretary, British Embassy
<b>Copy List</b>	Cabinet Secretary for Culture, Tourism and External Affairs Cabinet Secretary for Government Business and Constitutional Relations Minister for Europe, Migration and International Development DG Strategy & External Affairs Karen Watt Kevin Quinlan Aileen McKechnie Mary McAllan Frank Strang [Redacted] Stephen Pathirana [Redacted] Katy Bowman [Redacted] Brian Dornan [Redacted]

## ROUND TABLE WITH GERMAN INVESTORS CHAIRED BY FIRST MINISTER IN BERLIN

### PARTICIPANTS

**Mahle GmbH:** [Redacted]

Mahle acquired the Kilmarnock site from Dana Corporation in 2007, currently employ 208. Consolidating of manufacturing operations led to closure of finishing section at Kilmarnock in Jan 2015 with loss of 170 jobs, followed by a further 18 job losses in summer 2016. [Redacted]

SE providing support around sustainability, ODR, succession planning and skills development, as well as exploring financial incentives and strategic engagement in Scotland and Germany.

**SGL Group:** [Redacted]

In 2015 SGL invested in a product line diversification project which was supported by a HIE grant of £1.4m Upgrading of its production lines in Scotland have allowed the Group to sell other production sites, with its Wyoming plant being sold to Mitsubishi Rayon in 2017. [Redacted]

**Siemens Technology Accelerator:** [Redacted]

STA has founded many start-ups in a broad variety of industrial application fields amongst them Edinburgh-based Odos Imaging Ltd, SESMOS Ltd and Pyreos Ltd. Pyreos develops and produces unique pyroelectric infrared sensors based on highly innovative thin film technology. External investors include STA, Bosch and the Scottish Investment Bank (SIB). Odos Imaging focuses on vision systems for capturing hi-res 3D images using time-of-flight technology. Was sold to Rockwell Automation in 2017. SESMOS developed novel integrated screening and validation process for drug discovery. Company dissolved 2015. [Redacted]

**Keltic Coffee:** [Redacted]

Keltic Coffee is a young start-up business founded and run by coffee enthusiasts with more than 20 years experience in the coffee business. Delivering to the UK, Europe, Russia, Israel, USA and Canada. 2017 successes - first US customer: The Cooper's Mill Restaurant in the Marriott Hotel, Bethesda, Maryland (August 2017); first order to Dublin (June 2017). [Redacted]

**HAMBURG DRESDENER MASCHINENFABRIKEN VERWALTUNGSmbH:** [Redacted]

The Hamburg Dresdner Group is 100 % owned by the Probat Group which is the world market leader in coffee roasting equipment. One of the latest projects for Probat has been to build a large coffee roasting plant for Costa. Other customers include Starbucks, Lavazza, and Nespresso. Macintyre Chocolate Systems is one of 3 business locations for the Group, the two others are both located in Germany - Hamburg and Dresden.

**12.18 HOTEL MANAGEMENT GmbH:** [Redacted]

12.18's £35 million investment into Roxburghe Hotel & Golf Resort [Redacted]

**MERCK KGaA**

Has around 50,000 employees worldwide and in 2017 generated sales of Euros15.02bn (£13.1bn) in 70 countries. Merck is celebrating its 350's birthday this year, making it one of

the oldest companies in the world. Latest engagement - Paul Wheelhouse visited BioReliance (May 2018), [Redacted]

Merck has 3 businesses operating in Scotland: Bioreliance – 3 locations, West of Scotland Science Park, Stirling and Pentlands – 350 employees. Sigma-Aldrich–based in Irvine, 190 employees. Merck-Millipore–based in Livingston, 110 employees

**Fraunhofer Institute:** [Redacted]

are based at the University of Strathclyde, established in 2012. Employ 50 staff. The non-profit Centre specialises in photonics - laser technology, part of a £740 million-a-year sector in Scotland. SG and SE/SDI funding totals £11.4m to date.

**Enercon:** [Redacted]

Headquartered in Aurich with factories in Germany, Portugal, Brazil, Turkey, France, Sweden and Austria, and more than 50 Service companies and 37 sales offices worldwide. ENERCON UK has an installed capacity of over 1.15 GW, supplying 18% of the onshore wind turbine market while in last 2 years. SDI met with Richard Hatton in Germany, July [Redacted]

**MVV Energy AG** [Redacted]

MVV to erect £100m Energy from Waste plant in Dundee which is shall preserve 37 operational jobs at the facility and around 70 indirect jobs linked to operations. [Redacted]

**EW Group:** [Redacted]

The EW Group is active in animal breeding and animal genetics and health. Subsidiary of the company Aviagen, with a state-of-the-art Genomics laboratory. In October 2017, the EW Group established another company in Scotland. the AquaGen Scottish office, located at Stirling University Innovation Park. AquaGen is Norwegian breeding company (owned by EW Group) which develops, produces and delivers genetic material to the global sea-farming industry. The company is family-owned and the management consists of Erich Wesjohann, his sons Jan and Dirk Wesjohann, as well as Albert Cordts.

**E.ON:** [Redacted]

In 2015, Rosehall generated enough electricity to power the equivalent of around 15,000 homes. Camster is based outside any area protected for their ecological, geological or landscape value. In 2015, Camster generated enough electricity to power the equivalent of about 40,000 homes. Also contributed £200,000 from its community fund on local projects that benefit the local community. Deucheran Hill was E.ON's first onshore wind farm in Scotland. In 2015, generated enough energy to supply nearly 16,000 homes. Steven's Croft is a biomass fuelled power station which uses locally sourced soft wood from the South West Scotland generating 44MWe and 6.5MWth.

Document Two

**Relevant meeting brief extracted from a wider briefing**

**BRIEFING NOTE 3**

**GERMAN INVESTORS ROUNDTABLE, MONDAY 25 JUNE 2018**

<b>Key Messages</b>	<ul style="list-style-type: none"> <li>• Whatever the circumstances of Brexit, we remain committed to supporting existing investors to develop, recruit high quality talent, grow and expand in Scotland.</li> <li>• Businesses located in Scotland enjoy access to a continuous supply of <b>skilled workers</b> in a pro-innovation environment and the <b>joint lowest corporation</b> tax in the G20.</li> <li>• Keen to understand and address any uncertainties in light of UK plans to exit the EU.</li> </ul>
<b>What</b>	<ul style="list-style-type: none"> <li>• A private roundtable discussion with German investors in Scotland.</li> </ul>
<b>Why</b>	<ul style="list-style-type: none"> <li>• Opportunity to listen, reassure and address uncertainties among German investors in Scotland in light of UK plans to exit the EU.</li> <li>• A platform to provide commitment at the most senior level to a mutually beneficial relationship with Germany.</li> </ul>
<b>Who</b>	See Annex D
<b>Where</b>	Berlin Chambers of Commerce
<b>When</b>	<p><b>17:10-18:15</b></p> <p>17:10 Arrival, welcomed at car by [Redacted]</p> <p>17:15 Interactive Business Forum with existing investors in Scotland headquartered in Germany (Roundtable Event) - Welcome remarks [Redacted]</p> <p>17:20 - Opening remarks First Minister (approx 7mins)</p> <p>17:27 - Open discussion forum (Chatham House rules)</p> <p>18:10 - Summary and closing remarks from Mark Hallan</p>
<b>Likely themes</b>	<p>Scotland's position in Europe; Scotland's economic strengths;</p> <p>Support for inward investment companies; Brexit impact on attractiveness</p>

<b>Media</b>	<i>n/a</i>
<b>Supporting Officials</b>	Mark Hallan, Director EMEA, SDI, [Redacted] [Redacted] SDI Senior Manager, [Redacted] [Redacted] ,SG, Head of Berlin Hub: [Redacted]
<b>Attached documents</b>	<p><b>Annex A - Summary Page</b></p> <p><b>Annex B – Key Biographies</b></p> <p><b>Annex C – Scottish Investment Bank</b></p> <p><b>Annex D - Impact of Brexit on German Businesses, German Chambers of Commerce 2018 Members Survey</b></p> <p><b>Annex E - List of attendees and guest profiles</b></p> <p><b>Annex F– German investors roundtable – possible questions</b></p> <p><b>Annex G - Brexit for International Audience: Scotland and the EU</b></p> <p><b>Annex H -</b></p>

## GERMAN INVESTORS ROUNDTABLE - SUMMARY PAGE

### Purpose

- Outline SG's commitment to doing everything possible to retain Scotland's membership of the EU - Scotland remains very much open for business.
- Opportunity to address and listen to the concerns of key German investors. According to latest German Chambers of Commerce (DIHK) survey (Feb 2018) **1** in every **12** companies is currently planning to shift its UK investments to other markets.
- Reassure, gather real time insights, and thank companies for their continuing investment.
- Reaffirm Scotland's pre-eminent position as top UK location for FDI outside London and reiterate SG's on-going commitment to supporting foreign direct investment.
- Promote the key benefits of doing business in and with Scotland.

### Key Facts for open discussion

#### Scotland's strengths

- Scotland is competitive - **joint lowest Corporation Tax in the G20 at 19%**, and **30-40% more cost effective** to locate in Scotland than other parts of the UK.
- Graduate pipeline from **5** of the world's **top 200 universities**.
- Scotland has **28% of the UK's spin-out** companies compared to London's 18%.
- Scotland offers an enviable quality of life and was ranked as the **2nd top place** to visit in the world in 2017 (Rough Guide). Edinburgh has been voted UK's Top City by Guardian Travel awards for **13** consecutive years.
- Operational cost savings of up to **30-40%** compared to London.

#### Scotland's economy

- Scotland has **lower unemployment** than the rest of the UK and one of the **highest employment** rates in the OECD.
- Over the past year alone the number of people in work has risen by **57,000**.
- Between 2007 and 2016, Scotland's **productivity growth has been higher** than any other country or region of the UK, including London.
- The Scottish Fiscal Commission forecasts that Scottish income tax revenues will **grow more rapidly** than in the rest of the UK and projects that Scotland will **close the gap** with the UK in terms of GDP growth per person over the forecast period.

#### Inward investment

- **2,350** foreign owned companies operating in Scotland employing **317,850** people and generating a turnover of around **£86 bn**.
- **155** German owned companies employing **17,840** people generating a turnover of **£4bn**.
- Scotland has strong record in attracting FDI with; EY 2018 Attractiveness survey show increase in number of **projects in Scotland in 2017** (by 7%).

- Scotland continues to punch above its weight in attracting FDI. It has been **the top performing location in UK outside London for five out of the last six consecutive years** and the **FDI growth rate** was 7% - higher than the UK average.
- Scotland has biggest share of **UK R&D projects (24%)**, with a **70%** increase from 2017
- FDI **job creation** in Scotland increased by **104%** (2016 to 2017) – reflecting a shift towards larger scale projects (largest was oil and gas with 700 offshore jobs).
- **Digital FDI** grew by **56%** and was the second largest sector for Scotland (
- **Graduate pipeline** from 5 of the world's **top 200 universities**
- **Number of HQs** in Scotland the highest for a decade while the UK as a whole is in decline
- Inward Investment Forum established in November 2017, chaired by Cabinet Secretary Economy, Jobs and Fair Work. Purpose is to enhance engagement and address issues of concern to our inward investors.

### International trade

- Germany was Scotland's **4th largest export market** in 2016, responsible for **6.4%** of all international exports, and Scotland's **3rd largest European market**.
- Key sectors include electrical and instrument engineering; chemicals and mineral products, rubber and plastics and business services and finance.
- Scotland's international exports (excluding oil and gas) increased in 2016 by **£460m (1.6%)** from £29.3bn in 2015 to **£29.8bn** in 2016.
- USA continues to be Scotland's top international export destination country (£4.8 bn).
- The top 5 international export markets (USA, Netherlands, France, Germany (**£1.91bn**) and Norway) accounted for £12.1 bn (41%) of international exports from Scotland.

### Universities

- More world-class universities than any other country by head of population, other than Luxembourg.
- **18** Scottish universities have **98** unique links with German HEI's
- Every year, all 19 Scottish Universities work with over **19,000** different organisations, (10,000 in Scotland), to develop new products and processes.

### Brexit

- SG paper indicates Scottish GDP could be up to **£11.2bn lower by 2030** compared to forecast GDP in the absence of Brexit.
- EY survey finds that over half (52%) of investors into the UK say that leaving the European Single Market makes the UK less attractive as an investment location.
- Scotland exported **£12.7bn to EU** in 2016 – 17% of total international exports.
- Scotland exported **£1.91bn to Germany** in 2016, up from £1.76bn in 2015.
- Around **181,000 EU citizens** live in Scotland, bringing important skills and expertise.

## Key Sector Information

### ENERGY

- Scotland **maximises oil & gas recovery** in most inhospitable regions of the world.
- Scotland has considerable renewable potential, incl **25%** of the entire European offshore wind resource.
- Europe's oil capital - **vast and collaborative supply chain** of home grown and international companies.
- Aberdeen global hub for industry; trading with Scotland can also give access to new markets.
- Global leader in development and deployment of marine renewable energy.
- Energy Technology Partnership - made up of **600** researchers from **13** Scottish universities.
- World expertise in Reservoirs; Drilling & Wells; Platforms & Topsides; Marine, Subsea and Pipelines.
- **20bn boe** still to be recovered from the North Sea making innovation crucial to success.
- Oil and Gas Technology Centre launched 2017 with **£180m (CNY1,607m)** funding, further **£90m (CNY804m)** committed part of Aberdeen City Region Deal over the next decade

### Renewables

- Meet the equivalent of **100%** of Scotland's own electricity demand from renewables by 2020.
- Deliver equivalent of **50%** of Scotland's total energy consumption from renewable sources by 2030.
- Reduce Scotland's greenhouse gas emissions by **80%** below 1990 levels by 2050.
- **54%** electricity demand from renewables in 2016 and continues to deploy new capacity in pursuit of **100%** target. We currently have **9.7GW** of operational projects, **1.9GW** under construction, **6.7GW** with consent and **2.9GW** in the planning system (i.e. **11.5GW** projects in the pipeline).
- European Marine Energy Centre (EMEC) in Orkney: world's first and only purpose-built, accredited, open-sea testing facilities for marine renewable energy devices.
- Recognised as a renewable energy pioneer with world first projects such as:
- **The world's first: MeyGen** - utility scale tidal array; The **Shetland Tidal Array** - community tidal array; **The ScotRenewables SR2000 turbine** - the world's most powerful floating tidal energy device; and **Hywind Scotland** - floating offshore wind farm.
- Renewables & low carbon sector supported **49,000** jobs in 2016, generating **£11bn (CNY98bn)**

### TOURISM (specific to potential questions from 12.18 hotel relative to their project in the Scottish Borders)

- **14.5m** tourists in 2016 took overnight trips to Scotland.
- **Over 207,000** jobs are supported by **14,090** tourism related businesses in Scotland which is **8.5%** of Scottish employment.
- There were **13** new hotel openings in 2017, an increase of app. **1464** rooms from 2016.
- There are **19 projects** in the pipeline due to be built in 2018 (this equates to approx **1458** rooms). This does not include speculative/unconfirmed projects.

## Scottish Borders

- **4000** jobs in tourism in the Scottish Borders.
- Top tourism attractions: Tweed Valley Forest Park, Teviot Watergardens, Heart of Hawick, Abbotsford, Melrose Abbey.
- **267,000** domestic visitors in 2016.
- **30,000** overseas visitors in 2016, spending **£8m**.
- Hotel occupancy **58%**.
- Scottish Government commitment to the region through new Borders railway link.

Source: VisitScotland

## LIFESCIENCES

Scotland has a thriving life sciences sector and is a growth sector of the Scottish economy recognised for the distinctive capabilities of its business base; research institutions, international reputation, for continued significant growth and creation of high value jobs.

## Cost effectiveness

- Scotland is a highly competitive European location for wage costs compared with France, Spain, Germany and the Netherlands.
- Scotland (as part of the UK) has the lowest corporation tax rate of all G20 nations and this will be reduced further to **17%** by 2020.
- Scotland (as part of the UK) offers Patent Box which creates an effective 10% tax rate. Valuable to an R&D based industry such as life sciences.

## Research and Development

- Scotland ranks worldwide among the **top 3** for research productivity and impact, with 19 universities and higher education institutions, and world leading research centres that attract some of the brightest international scientists.
- Scottish institutions deliver world class research excellence. With only **8%** of UK population, Scotland captures **19%** of the biosciences funding attracted by UK universities.
- Scotland, as **one of the largest Life Sciences clusters in Europe**, employs approx. **37,200** people directly (2016) across **719** organisations.
- The wider sector turnover in 2014 was **£4.3bn (\$5.6bn)**, GVA at **£2bn (\$2.3bn)** and exports at **£1.6bn (\$2.09bn)**.
- From 2010-2014 the sector **saw a 29% growth in turnover and 24% growth in GVA**. The number of companies has increased by **14%** and industrial employment by **13%**.
- **A thriving entrepreneurial culture in our universities creates more spin-outs than any other region of the UK**. Scotland has comprehensive supply chains and world class manufacturing

expertise supplying chemical and healthcare equipment, pharmaceutical services, medicines, vaccines and diagnostics to the world.

- Business Enterprise Research and Development (BERD) spending in the Life Sciences was **£285m (\$372m)** in 2015, **33%** of total BERD spend in Scotland.
- With **30%** of its portfolio in Life Sciences, **Scottish Investment Bank** (SIB) is one of the most active investors in Life Sciences in the UK. In the last 5 years SIB has invested **£39m (\$50.9m)** in the sector, leveraging **£98.6m (\$128.9m)** in private funds.
- **FOOD & DRINK** Germany is Scotland's **5<sup>th</sup>** largest food & drink market
- Overseas Food and drink exports worth **£6bn** in 2017 –**a record year, up 70%** since 2007
- Scotch Whisky exports worth **£4.4bn**, and food exports worth **£1.6bn** up **130%**
- Food and Drink Exports to EU – **£2.5bn** in 2017
- Whisky - Overseas exports to **over 200** countries
- Food - Overseas exports to **86** countries

**GERMAN INVESTORS ROUNDTABLE – KEY BIOGRAPHIES**

[Redacted] **Glasgow Chamber of Commerce**  
[Redacted]

[Redacted] **Glasgow Chamber of Commerce**  
[Redacted]

[Redacted] **Glasgow Chamber of Commerce**  
[Redacted]

[Redacted] <b>Mahle GmbH</b>
[Redacted]
[Redacted]

[Redacted] <b>SGL Group</b>
[Redacted]
[Redacted]

[Redacted], <b>Siemens AG</b>
[Redacted]
[Redacted]

[Redacted] <b>Siemens Technology Accelerator (STA)</b>
[Redacted]
[Redacted] <b>Keltic Coffee</b>
[Redacted]
[Redacted]
[Redacted] <b>HAMBURG DRESDENER MASCHINENFABRIKEN VERWALTUNGS mbH</b>
[Redacted]
[Redacted]
[Redacted] <b>12.18 HOTEL MANAGEMENT GmbH</b>
[Redacted]
[Redacted]
[Redacted] <b>MERCK KGaA</b>
[Redacted]
[Redacted]
[Redacted] <b>Fraunhofer</b>
[Redacted]
[Redacted]
[Redacted] <b>Enercon</b>
[Redacted]
[Redacted]

[Redacted]
[Redacted]

[Redacted] <b>MVV Energy AG</b>
[Redacted]
[Redacted]

[Redacted] <b>EW Group</b>
[Redacted]
[Redacted]

[Redacted] <b>E.ON</b>
[Redacted]

## SCOTTISH NATIONAL INVESTMENT BANK

### Top Lines

- We know that Scotland can benefit from having such a major financing body. The Council of Economic Advisers previously highlighted the need for more strategic, patient capital to boost business investment and innovation, and to further support our long-term growth ambitions.
- These plans for a bank are about being more ambitious for Scotland, supporting positive outcomes for the population now, and for generations to come. The Bank will be an institution of significant scale and scope, acting as a cornerstone in Scotland's economic architecture.
- We know that the successful economies of the future will be low-carbon, and that the rate of technological and social change means that innovation will be essential to stay ahead. I want Scotland to be the investor and the producer, not just a consumer, of innovations that will shape the lives of future generations.
- The Bank will be a key element of achieving these aims, providing the flexible finance required for our companies to grasp this opportunity and thrive on the global stage.
- This is a Bank that must support economic opportunities and ambition in all corners of Scotland. As well as providing finance for existing businesses, its existence should be part of a signal of our ambition, and encourage young people today to be the entrepreneurs of the future..
- Ministers have endorsed the target of investing £2 billion over the first 10 years to capitalise the bank
- With £150 million for the Building Scotland Fund – a precursor to the Bank – in the budget for 2018/19. And an undertaking to provide initial capitalisation of £340 million from 2019/20 providing a significant down payment towards the £2 billion commitment over 10 years .
- The Scottish Government is committed to establishing the Bank as a public body to ensure direct alignment with the Bank's activities and broader economic policy.
- It is essential that the Bank secures the right people. As a unique institution despite its intended status as a public body its terms and conditions of employment must reflect that it is part of the finance sector. Further work will be undertaken to establish options for pay, salaries and conditions of employment.
- Following consultation a Bill will be brought forward in 2019 to establish and capitalise the Bank
- The SG is making use of available FTs for the Building Scotland Fund and initial capitalisation for the Bank.
- Ministers have considered the recommendations made in the Implementation Plan in detail and have agreed that the Scottish Government will accept all 21 of the recommendations. The SG formally responded to Mr Higgins' report in a Parliamentary Debate on 8 May 2018

- Discussions are ongoing with HMT about the Bank and the additional year end budget flexibilities required.

**GERMAN INVESTORS ROUNDTABLE - GERMAN CHAMBERS OF COMMERCE 2018 MEMBERS SURVEY - IMPACT OF BREXIT ON GERMAN BUSINESSES ANALYSIS**

- The DIHK's nationwide survey "Going International 2018" was conducted in February 2018 with support from **79** Chambers of Commerce and Industry (IHKs) in Germany. More than **2,100** German-based companies with foreign operations took part. The following analysis of their views on Brexit is based on responses from around **900** companies with significant business contacts in the UK, representing **43%** of total responses:
- About 750,000 jobs in Germany depend on trade with the United Kingdom. To date, German companies have built production sites and businesses with a value of 121 billion Euros in the UK. German companies maintain about 2,500 branch offices in the UK, which employ nearly 400,000 workers. British companies have 1,200 branch offices in Germany, which employ about 220,000 workers.
- In the estimation of German companies, the withdrawal of the United Kingdom from the European Union will represent a significant strain on the trade of goods and services.
- The business outlook of companies engaged in trade with the UK is worsening significantly, as expected cost burdens will negatively affect business on both sides due to taxes, tariffs and increasing bureaucratic hurdles at Europe's new borders,. The magnitude of this effect largely depends on negotiations between the UK and the EU.
- Although the terms of the withdrawal are not yet known, and regardless of the specific outcome of negotiations, almost 1 in every 12 German companies with investments in the UK is already planning to shift investments away from the UK and towards Germany or other countries within the EU internal market because of the UK's withdrawal from the EU. This is a demonstration of how unsettled German companies are.
- In the near term, the weakened British Pound could compensate at least partially for a decline in investments. Companies planning to shift their investments because of Brexit have several options with regard to future target regions. Over half expect to redirect their investments towards Germany.
- As a result, the German economy may benefit from the shift in investments, which would mitigate the overall negative impact of Brexit in Germany at least somewhat. But other EU states would benefit also as companies attempt to preserve the advantages of the internal market. However, 39% of companies see investing outside of Europe as an option, including in Eastern and South-Eastern European countries which are not EU member states but offer other advantages, such as lower wages.

## GERMAN INVESTORS ROUNDTABLE - ATTENDEE LIST AND GUEST PROFILES

[Redacted]	[Redacted]	[Redacted]	Hamburg Dresdner Maschinenfabriken Verwaltungs mbH
[Redacted]	[Redacted]	[Redacted]	Fraunhofer
[Redacted]	[Redacted]		Mahle International GmbH
[Redacted]	[Redacted]	[Redacted]	Merck KGaA
[Redacted]	[Redacted]	[Redacted]	SGL Group
[Redacted]	[Redacted]	[Redacted]	EW Group
[Redacted]	[Redacted]	[Redacted]	12.18 Hotel Management GmbH
[Redacted]	[Redacted]	[Redacted]	Enercon GmbH
[Redacted]	[Redacted]	[Redacted]	Enercon GmbH
[Redacted]	[Redacted]	[Redacted]	E.ON - Climate and Renewables
[Redacted]	[Redacted]	[Redacted]	MVV Energie AG
[Redacted]	[Redacted]	[Redacted]	Senvion Holding GmbH
[Redacted]	[Redacted]	[Redacted]	Siemens AG Siemens Technology Accelerator GmbH
[Redacted]	[Redacted]	[Redacted]	Siemens Technology Accelerator GmbH
[Redacted]	[Redacted]	[Redacted]	Keltic Coffee Ltd. / German Chances BizzCom
[Redacted]	[Redacted]	[Redacted]	Glasgow Chamber of Commerce
[Redacted]	[Redacted]	[Redacted]	Glasgow Chamber of Commerce

## GERMAN INVESTORS ROUNDTABLE – Q&A

[Redacted]

## ENERGY STRATEGY

The Scottish Energy Strategy (Dec 2017) sets out a vision for the future of energy in Scotland:

*"A flourishing, competitive local and national energy sector, delivering secure, affordable, clean energy for Scotland's households, communities and businesses."*

It will guide decisions that the SG, working with partner organisations, needs to make over the coming decades, supporting work already planned or underway to achieve our long-term climate change targets, and to address the impact of poor energy provision.

In January 2017, the Cabinet Secretary for the Environment announced that we are now accepting applications from innovative local energy projects to the **£60m** worth of funding under the Low Carbon Infrastructure Transition Programme.

### **We are determined to attract, retain and develop the low carbon innovators who will shape our future**

- As announced in the PfG, **£60m** is now being made available for accelerating innovative low carbon project delivery, supported by EU funding.
- This builds on the Low Carbon Infrastructure Transition Programme (LCITP) which has allocated around **£40m** to **16** low carbon capital projects since 2015.
- Represents one of the most significant direct low carbon investments in last 10 years.
- Fund focuses on 3 priority areas: integrated energy systems, low carbon heat and ultra- low emission vehicles.
- Support of **£100,000** per project to develop investment grade business cases is available. For capital ready projects, maximum of **50%** of eligible capital up to **£10m** per project is available.

### **We have published Scotland's first Energy Strategy which sets Scotland on course for an inclusive, innovative and low carbon energy future.**

- Our Strategy sets two new and ambitious targets for 2030:
  - The equivalent of **50%** of Scotland's heat, transport and electricity consumption to be met from renewable sources, and
  - An increase of **30%** in the productivity of our energy use across the Scottish economy.
- The Strategy takes a "whole system" view – across heat, transport and electricity.
- We have committed up to **£80m** to give dedicated support for renewable and low carbon energy infrastructure and innovation in 2018-19.

**QUOTE: Claire Mack, Chief Executive of Scottish Renewables, Dec 20:** *“Scotland’s first Energy Strategy heralds a new era for the energy system used by us all, and provides a roadmap for others to follow. The huge ambition of the new target is to be commended.”*

**We have also published our Onshore Wind Policy Statement confirming the vital role that onshore wind will continue to play in our energy future.**

- We have a long record of support and success for onshore wind in Scotland.
- We remain committed to Onshore wind as it is the lowest cost form of electricity generation at scale, providing clean, renewable energy
- Wind will continue to make a valuable contribution to our ambitious targets.
- Onshore wind delivers valuable economic and industrial benefits and we are determined that these should continue - and grow.
- We will maintain the vital balance between consent for new development and protection of Scotland’s landscapes.
- We also remain committed to securing benefits from these developments for Scotland’s communities, and more opportunities for shared ownership.

**Our new 2030 target of 50% of Scotland’s energy needs to come from renewables demonstrates our commitment to a clean energy future**

- Statistics published by the UK Government in December show in the first three quarters of 2017, renewable electricity in Scotland was **19%** greater than the same period in 2016.
- The figures also showed renewable energy was **10%** greater than the same period in 2015.
- This means Scotland is on track for a record year of renewable generation in 2017.
- Scottish renewable electricity makes up **24%** of the UK renewable electricity output – leading the way in the generation of clean green power.
- We continue towards our **100%** target for gross electricity consumption from renewable sources.
- Statistics show our progress at **54%** in 2016, more than three times higher than in 2006.

**Scotland is the home of energy innovation – a living laboratory of ideas.**

- Norwegian energy firm Statoil has built the world’s largest floating offshore wind farm Hywind off the East Coast of Scotland.
- We are home to the world’s leading wave and tidal test centre, the world’s largest planned tidal stream array and the world’s largest tidal turbine.
- During July 2017, the tidal turbines in the Pentland Firth set a new world record for the production of power from tidal stream generation.

**Cost of renewables continues to come down and offshore wind is now substantially cheaper than new nuclear.**

- The results of the second Contracts for Difference auction proves offshore wind in Scotland is very competitive, and cheaper than new build nuclear at Hinkley C.
- Over 3 GigaWatts of offshore wind awarded to three developments, provides a huge opportunity for the Scottish supply chain.

**Over the past 2 years, the UKG has cut support for renewable electricity – jeopardising its future deployment and economic benefit in Scotland**

- We are monitoring the UKG Cost of Energy Review – we will push to ensure reform contributes to our Climate Change targets and minimise costs to all.

**A strong and vibrant domestic oil and gas industry can play a positive role in supporting the transition to a low carbon economy.**

- We continue to work with the industry to maximise economic recovery.
- We also want to ensure that the expertise gained through 40 years of operating in the North Sea makes a valuable contribution to the low carbon transition.
- Scotland is not alone in its support for domestic production of hydrocarbons. No other oil or gas producing country in the world has publicly stated any formal intention to leave substantial oil reserves 'in the ground'.

**We support Carbon Capture Storage (CCS) as an important decarbonisation infrastructure and essential climate change technology.**

- Scotland's waters provide the largest carbon storage resource in Europe.
- Couple this with our existing oil & gas capabilities, ready supply chain, and existing pipeline and platform infrastructure.
- Scotland is the best-placed country in Europe to realise CCS on a commercial scale.
- We are participating in the UK Government Carbon Capture Utilisation Storage (CCUS) Ministerial-led CCUS Council and the CCUS Cost Reduction Taskforce.

**Scotland's Energy Efficiency Programme (SEEP) is the cornerstone of our approach with £500 million funding over next 4 years.**

- Improving energy efficiency in all our buildings, decarbonising Scotland's heat supply; making energy more affordable and reducing carbon emissions is key.
- In 2018, we will accelerate our work on SEEP, publishing a Route Map and continuing our **£0.5bn** investment over the next four years.

## ONSHORE WIND

**Renewable Electricity Target:** The Scottish Government has a target to reach the equivalent of 100% of Scotland's electricity demand to be met from renewable sources by 2020. **2017** was a record year for renewable electricity generation in Scotland with **68.1%** of electricity demand met by renewable sources, up 14.1 percentage points from 54.0% in 2016.

Renewable electricity in Scotland makes up 25% of total UK renewable generation in 2017. 10.0GW of installed renewable electricity capacity in Scotland by the end of 2017, 13% increase from 2016.

Office for National Statistics released the UK environmental accounts for Low carbon and Renewable Energy Economy survey. Final estimates for 2016 show that in 2016, almost half (45.8%) of the UK's turnover from onshore wind activities was generated in Scotland This aligns with the fact that the majority of large capacity wind farms are in Scotland.

Onshore wind can provide an important contribution to the renewables mix. BEIS stats show that onshore wind in Scotland had, by the second quarter of 2017 an installed capacity of 7.3GW and had generated 3.23GWh for that quarter.

### **LINES TO TAKE**

The Onshore wind Policy Statement (OWPS) discusses the future of onshore wind in Scotland. It remains our lowest cost renewable energy at scale and so it remains vitally important to our decarbonisation of the energy **system**.

The OWPS shows continued support to the Onshore Wind sector which makes a valuable contribution to the Renewable targets set out by the Scottish Government, which underlines the continued importance of this established, low cost resource.

2Route to Market – The OWPS recognises that new projects face a highly uncertain route to market. The arrangements which have enabled onshore wind to expand and to reduce its costs so successfully, are no longer in place.

Continued innovation and cost reduction, a supportive and well-resourced planning system, and continued advances in turbine and blade technology will help close the gap that currently exists, but not for all developments.

With the price of offshore wind falling to £57.50 for the delivery year 2022/23 the gap is closing on onshore wind which a Baringa report commissioned by Scottish Renewables predicted a clearing price of £49.50 for 1GW of consented projects.

**Renewables Obligation:** On June 18<sup>th</sup> 2015 it was announced that in order to fulfil a manifesto commitment to end *new* subsidies for onshore wind, the RO for this technology would close one year early in March 2016. There was a grace period for those who could demonstrate that they had a grid connection and agreement, land rights and consent, by the date of the announcement. It was later agreed that those developments, which were on appeal on 18<sup>th</sup> June, but which were subsequently granted consent, would also fall into the grace period criteria. The Scottish Government did not agree that an existing subsidy scheme like the RO counted as a new subsidy.

**Contracts for Difference:** The UK Government has made it clear that onshore wind will not be included in the next allocation round. Remote Islands may be included, but we are waiting to hear about state-aid clearance. The industry are calling for a 'market stabilisation' mechanism or in other words a subsidy-free CfD, which has a strike price equal or below unabated gas when accounting for the capacity market etc.

**Feed-in Tariff Scheme:** The response to the 2015 review. A new system of deployment caps mean a low number of installations expected in each quarter. In practise the caps have been allocated for the year ahead.

**Number of On-shore wind generating sites, turbines and capacity (MW) in Scotland, by technology and planning status as at 5 May 2018**

Application Submitted			Awaiting Construction			Under Construction			Operational			Total		
No. of sites	No. of turbines	Capacity (MW)	No. of sites	No. of turbines	Capacity (MW)	No. of sites	No. of turbines	Capacity (MW)	No. of sites	No. of turbines	Capacity (MW)	No. of sites	No. of Turbines	Capacity (MW)
51	574	1,824	92	1,060	3,167	20	307	826	295	3,581	7,396	458	5,522	13,213

**Decision Making**

For any project below 50MW the decision will be made by the relevant planning authority under the Town & Country Planning Act. For those above 50MW decisions will be made by Scottish Ministers under the Electricity Act (1989).

A Scottish Minister cannot discuss any project with a live application.

**OFFSHORE WIND**

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- On 19 March 2014 consent was granted for adjacent projects by Moray Offshore Renewables Limited (MORL) (1116MW) and the Beatrice Offshore Windfarm Limited (BOWL) (750MW).
- On 10 October 2014 consent was granted to Neart na Gaoithe (450MW), Inch Cape (784MW) and Alpha and Bravo Seagreen developments Firth of Forth (525MW each). [Redacted]
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Project	Developer	MW	CfD	Favoured Turbine
Beatrice	SSE (40%) /	750	FID Enabling Contract for 664MW	Siemens;

(Moray Firth)	Copenhagen Infrastructure Partners (35%) / SDIC (25%)		– secured March 2014  Building out 588MW	
Moray East (Moray Firth)	EDPR (76.7%)/ ENGIE (23.3%)	1116	CfD contract for 950MW secured – 11 Sept 2017	MVOW
Neart na Gaoithe (Forth/Tay)	EDF	450	CfD contract for 448MW Secured – 26 <sup>th</sup> Feb 2015	[Redacted]
InchCape (Forth/Tay)	SDIC	784	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

On 4 May 2018 Neart na Gaoithe was sold by Mainstream to EDF Renewables for a reputed £500m. EDF are still evaluating the build-out programme but aim to be fully commissioned between March 2022 and March 2023.

The MORL project will be built over three phases, the first of which will be in 2022/23 at a strike price of £57.50.

[Redacted]

### **Implications of RSPB Judicial Review**

On 20 July Lord Stewart ruled in favour of the RSPBs legal challenge against the Scottish Government granted consent for the Neart na Gaoithe, Inch Cape, SeaGreen Alpha and SeaGreen Bravo wind farms, which together would have comprised 335 turbines generating up to 2.3 GW. This decision was overturned by the Inner House of the Court of Session on 16 May 2017 and refused RSPB’s request to appeal to the Supreme Court on 19 July 2017. The RSPB then appealed directly to the Supreme Court, who refused permission to appeal in November 2017.

## **Band for innovative offshore wind generation**

On 1 April 2014 the Scottish Government introduced two new bands for offshore wind:

- A band set at 2.5 ROCs aimed at supporting generation from offshore test and demonstration sites deploying innovative, new to market turbines; and
- A band set at 3.5 ROCs for pilot projects consisting of non-fixed turbines – e.g. floating turbines or those deploying “tension line” deployment systems.

A total installed capacity ceiling of 75 MW will apply to each of the proposed new bands, as a means of limiting the maximum additional cost.

We have also introduced grace periods for these bands which, subject to preliminary accreditation by the end of March 2017, will allow additional phases of capacity to be registered until the end of September 2018 and which will thus qualify for the higher band.

## **European Offshore Wind Deployment Centre (EOWDC)**

attenfall are keen to take advantage of [Redacted]

- . The development consists of 11 wind turbines and their connecting cables, sited between 2 and 4.5 km off the Aberdeenshire coast. All 11 foundations and turbine were installed by the end of May 2018, with first power expected July/August 2018.

## **Floating**

Statoil’s 30MW Hywind Scotland was fully commissioned in Q4 2017 and officially opened by the First Minister on 18 October 2017 off Peterhead.

Kincardine Offshore Wind Ltd is south of Aberdeen was granted planning permission on 17 March 2017 for the 48MW test site. KOWL are targeting a phased deployment, with the first turbine deployed summer 2018. The remaining 6 turbines are targeting installation Q1 2020.

Dounreay Tri received approval on 17 March 2017. A single semi-submersible platform with two 5 MW wind turbines approximately 6 km off Dounreay. The project was planned to be

operational by the summer of 2018, however, on 30<sup>th</sup> June 2017 the project filed for Administration. As BEIS have confirmed they will not extend the ROC deadline, the project is now unlikely to go ahead.

## **BREXIT – LINES FOR AN INTERNATIONAL AUDIENCE: SCOTLAND AND THE EU**

### **TRADE AND INVESTMENT**

- Competition for global foreign direct investment is fierce but as EU negotiations unfold we can be confident that Scotland's exceptional **skills**, business **infrastructure, academia, cost effectiveness** and global business **network** will stand it in **good stead for continuing to attract investment** from all around the world.
- Scotland has an exceptional investment support agency, Scottish Development International (SDI), with a network of offices in more than 20 countries around the world. Regardless of EU negotiations, **investors can be confident** that they will receive **on-going tailored and bespoke** world-class support before, during and after making an investment to ensure they realise their true potential in Scotland.
- We understand that every investment and business decision is unique – that's why SDI is focused on **sustaining and where necessary re-energising Scotland's global investment proposition** in a way that is **tailored and meaningful** for our key trade and investment partners
- Scotland's **economy is fundamentally strong and has shown resilience** since the vote to leave the EU. The most immediate impact of Brexit has been on currency exchange. whilst it has presented some challenges for importers, it has equally resulted in some significant **opportunities for increased trade and investment** in Scotland. The Scottish Government has also acted to increase the resilience of the economy, for instance in a programme of capital investment. It will continue to do so as necessary.
- We remain confident that globally competitive companies and investors have the ability to continue to grow amidst political, social and economic challenges and we are committed to working with partners to **identify challenges and solutions** to help mitigate these as far as possible.

## **SCOTTISH GOVERNMENT POSITION/ACTION**

- Scotland is taking action to safeguard its global position. The Scottish Government is doubling the number of staff in its European trade and investment offices, and has opened an innovation and investment hub in Berlin to build on its existing impressive global network of offices around the world. Trade envoys are being established to help ensure that potential investors and exporters access to dedicated support through the Brexit negotiations and thereafter.