

SCOTTISH ENERGY ADVISORY BOARD
Monday 26 June 2017
Edinburgh

MINUTES OF THE MEETING

Ministers

- * Rt Hon Nicola Sturgeon, First Minister (Co-Chair)
- * Paul Wheelhouse, Minister for Enterprise, Innovation & Energy

* **Members**

- * Professor Sir Jim McDonald, University of Strathclyde (Co-Chair)
- * Keith Anderson, Scottish Power Renewables
- * Melfort Campbell, IMES Group
- * Stuart Crooks, EDF Energy
- * Sam Ghibaldan, Citizens Advice Scotland
- * Charles Hammond, Forth Ports Plc
- * Andrew Jamieson, ORE Catapult
- * Professor Alex Kemp, University of Aberdeen
- * Les King, Doosan Babcock
- * Ian Marchant, Dunelm Energy
- * Jim McColl, Clyde Blowers
- * Maggie McGinlay, Scottish Enterprise
- * Deirdre Michie, Oil & Gas UK
- * Frank Mitchell, SP Energy Networks
- * David Sigsworth, Scottish Fuel Poverty Forum
- * Grahame Smith, STUC
- * Dick Winchester, Pipistrelle Ltd
- * Damian Yeates, Skills Development Scotland

* **Attendees**

- * Duncan Burt, National Grid
- * Jenny Hogan, Scottish Renewables
- * Audrey MacIver, Highlands & Islands Enterprise
- * Gordon McGuinness, Skills Development Scotland
- * Jim Smith, SSE
- * Stephen Thompson, GE Group

- * Colette Cohen, Oil & Gas Technology Centre

- * Sue Kearns, Scottish Government
- * David Ritchie, Scottish Government
- * Kat White, Scottish Government
- * Hazel Wilson, Scottish Government

* **Secretariat**

- * Fiona Hamilton, Scottish Government
- * Andrew Forsyth, Scottish Government
- * Sean Jamieson, Scottish Government

Welcome and Introductions

1. The First Minister opened the meeting by thanking all attendees for coming to the first full meeting of SEAB in 2017. She then updated the Board on attendance at today's meeting and welcomed:
 - * Duncan Burt in place of Cordi O'Hara, National Grid;
 - * Jenny Hogan in place of Niall Stuart, Scottish Renewables;
 - * Audrey MacIver in place of Charlotte Wright, Highlands and Islands Enterprise
 - * Jim Smith in place of Alistair Philips-Davies, SSE; and
 - * Stephen Thompson in Roy McGregor, Global Energy Group.
2. The First Minister noted the retirement of David Chenier from his position of President UK of Conoco Philips. SEAB's gratitude for his input was noted.
3. The First Minister welcomed Colette Cohen, Chief Executive of the Oil and Gas Technology Centre to the meeting and noted that Ms Cohen would lead a session on the work of the Centre later in the meeting.
4. The First Minister reflected on the movements in the political landscape since the last meeting including the outcome of the EU referendum and what effect that outcome may have on the energy sector and, the General Election result from earlier in the month, with the Queen's Speech including a proposal to review the energy markets.
5. The First Minister also made reference to the positive developments in the energy sector this year including:
 - * the confidence she saw while attending the oil and gas UK conference;
 - * the launch of the Oil and Gas Technology Centre;
 - * the deployment of a third tidal turbine in Scottish waters; and
 - * the forthcoming deployment of the world's largest floating offshore wind project.
6. Sir Jim also reflected on the landmark events of 2017 including:
 - * On 21st April the first zero coal day since 1992; and
 - * On 26 May the UK generated 8.7GWh of solar power, described by National Grid as a 'watershed moment'.

Matters Arising

7. Sir Jim McDonald noted the apologies received from Graham Sweeney (The Chopping Company).
8. A meeting of the Energy Jobs Taskforce took place earlier in June and Sir Jim asked for a short oral update from the meeting. Scottish Enterprise reported cautious optimism about the state of the oil and gas sector.

ACTION: Update note of the work of the Energy Jobs Taskforce to be circulated to members.

9. Sir Jim McDonald updated SEAB that there was an extraordinary meeting of the Board convened on 16th February following the work of National Grid and the publication of the Northern Security report that was raised by Cordi O'Hara at the previous meeting. The meeting focused on security of supply and reviewed the report prepared by National grid

and the Scottish transmission network owners. Discussions covered the emerging findings of the modelling of the resilience of Scotland's electricity system following the closure of Longannet power station. Detailed analysis is being further refined and extended by National Grid and there a number of wider actions being taken forward by Scottish Government.

10. Sir Jim emphasised how useful it had been to use this type of format (smaller SEAB group with expertise in this area) as a way to focus the SEAB work on a specific issue.
11. The draft minutes of the previous SEAB were approved as an accurate record of the meeting.

Scotland's Energy Strategy

12. Before opening the discussion to members, Mr Wheelhouse gave a brief overview of the themes that were emerging from the draft Energy Strategy consultation which closed on 31st May 2016.
13. Ministers and officials have been greatly encouraged by the number (255) and content of the responses received. These are now being analysed by an independent research company and a report of the analysis will be available in September which the Minister confirmed he would circulate to members.

ACTION: SEAB secretariat to circulate consultation analysis in September.

14. Mr Wheelhouse provided an overview of key emerging issues under the three themes of the draft Energy Strategy:
 - **A whole system view** – the whole system approach was welcomed but lacked detail on the future energy mix, a timeline for when decisions required to be made in the years ahead and, the detailed actions required to be taken by Scottish Government. The proposal for a 50% renewables target was welcomed for its ambition and leadership although there was a recognition that there are significant challenges to be overcome to achieving it.
 - **A stable, managed energy transition** – there was a call to define the continuing role for oil and gas as part of Scotland's energy mix in future and for the government to ensure that priority is given to the use of existing assets, such as pipelines and gas infrastructure in the future energy system. Further analysis should be undertaken of the resilience of the Scottish electricity system and the role for new thermal generation capacity.
 - **A smarter approach to local energy provision** – there was widespread support for the commitment to funding for innovation relating to local energy solutions. New commercial and regulatory arrangements will have to take shape and Scottish Government will need to use its influence in shaping those changes proposed by Ofgem and UKG to ensure the right climate for innovation in Scotland. There was interest in the proposal of the establishment of a government owned energy company and also the suggestion was put forward for the establishment of a central agency to support the delivery of the energy transition.
15. The development of a public engagement plan to ensure a deeper understanding of the public's views on our future energy system was very much welcomed.

16. Mr Wheelhouse emphasised the importance of SEAB and its expertise as the final Energy Strategy is refined in the coming months and its role in advising on its implementation and delivery once the final strategy is published.
17. Using the three themes set out in the draft Energy Strategy Members made the following points:

A Whole System View

- This whole system approach was very much welcomed by members and many commented that Scottish Government should ensure this remained firmly part of the final strategy. The final Strategy should keep a focused and streamlined approach to ensure that it is readable and understood by the general public.
- A number of members emphasised the need for a timeline to ensure key decisions points are plotted. Not all decisions have to be taken now but we need to know when those decisions need to be taken – ‘a plan for a plan.’
- We are now part of the 4th Industrial Revolution and it would be important for the energy strategy to set out its links to the economy and jobs and what the future energy jobs market might look like. We want to ensure that Scotland is a place that will continue to encourage talent to come here to work and live and the investment in skills will be very important.
- It is a concern that the electricity sector continues to be highlighted when it comes to climate change when it is heat and transport where much of the action now needs to be taken.

A Stable, Managed Energy Transition

- There were comments to support the role of oil and gas to not only be part of the transition phase but the destination as well when it comes to Scotland’s future energy mix.
- The strategy was welcome as a key to encouraging investor confidence. The Scottish Government was encouraged to ensure that relationships were in place with the UKG and there were links in place to ensure Scotland was plugged into UKG policies like the recently published Industrial Strategy and the forthcoming Clean Growth Plan.
- The Scottish Government should make explicit the incentives available on the energy side to encourage long term investment, for example, in the area of electric vehicles we should be setting out an economic deployment model to kick start the market and then transition to ‘business as usual’.
- Some concerns were expressed about the ability for Scotland to retain talented and adequately skilled workforce under the high pace of change in the energy sector whilst the outcome of EU Exit negotiations was unknown.
- Members emphasised that the industrial opportunities in energy were enormous but Scotland had yet to grasp them. There are some up and coming sectors where Scotland is barely visible e.g. hydrogen. We should be looking around the world to other countries to inspire companies here.

- There were several who suggested a detailed sector roadmap for the decarbonisation of heat and routemaps for the use of new technologies. These would be extremely useful for business to take investment decisions. This type of planning would also be useful when setting out the requirements for the supply chain in Scotland.
- Build on the work of the Low Carbon Infrastructure Transition Programme which is stimulating the marketplace and the government should be looking at ways for this to continue and develop further.

A Smarter Approach to Local Energy Provision

- Some concerns were expressed that the strategy was still too focused on the supply side and the demand side need to be given more emphasis, for example actions to reduce fuel poverty. Much of the success of the strategy will be down to householders and the cost of energy to their purse.
 - The urban heat network will be a major challenge over the next 10 years. Many members cited the challenge in decarbonising heat and suggested that only Government would be in a position to lead that charge. To do this consumers have to be put at the centre and educated. There is need for more consideration of how we change behaviours in the use of heat.
 - We should not underestimate the innovation taking place at the local level and we need to give space to that in the strategy. Parallel to this local innovation we have to ensure that the infrastructure is in place to take advantage of this type of development. It was suggested by a number of members that the Government should be looking for ways to trial and test solutions on a smaller scale, for example at the level of some of Scotland's smaller towns. This would very much help with technology development.
 - An important element in helping in the challenge to decarbonise heat is building standards and it is important to ensure that these are in line, and help to promote, the vision set out in the Energy Strategy.
18. On communicating the strategy, public engagement was seen as a key aspect to delivering the strategy and an important audience and participant would be Scotland's local authorities and COSLA. The government should consider their interaction with the energy strategy.
 19. Governance was seen as an important part of ensuring delivery of the strategy and an Annual Statement was welcomed. It was suggested that the economic impact of the strategy should be included as part of that statement.
 20. SEAB members were very much in agreement that they would be happy to be used as 'critical friends' as the final energy strategy was developed.
 21. Sir Jim thanks members for their input and concluded the discussion with thoughts on the future of SEAB in the context of the Energy Strategy. He suggested that a change was required to the remit and format of the SEAB meetings to take account of the aims and objectives of the Energy Strategy. This would include an extended membership and smaller more frequent meetings of SEAB make the Board

more nimble and provide a forum for discussing matters in greater depth. The aim would be to bring the full membership of SEAB together once or twice a year.

ACTION: SEAB secretariat to bring forward proposals for agreement.

Oil and Gas Technology Centre (OGTC)

22. Sir Jim McDonald invited Colette Cohen to outline the work of the OGTC. Ms Cohen set out the backdrop to the work of the centre with an actual increase of oil and gas production in the North Sea due to increased efficiency. It was important to change the perception of what was happening in the North Sea - there is still around 20 billion potential barrels out there although a little harder to get to and gas, in particular, can play a strong role in a low carbon economy.
23. Ms Cohen also pointed to the continuing use of carbon in an array of products and pointed to the fact that when you look at the manufacture of cars the only item which has been decarbonised is the fuel and there is a greater use of composite than previously.
24. The First Minister thanked Ms Cohen for her presentation and pointed to the OGTC as an important global hub for Scotland. Mr Wheelhouse echoed the First Minister's comments stating the sector was well placed to help the oil and gas sector achieve the necessary efficiencies and competitiveness required to thrive in the future.
25. Members very much saw the OGTC as welcome but were keen to see that research undertaken and funded in Scottish universities was more aligned to our industrial strategy. This had to happen for progress to be made.

Any Other Business

26. There was no AoB and the First Minister closed the meeting with thanks to members for their contributions.