

## Headline

The energy intensive industries (EII) roundtable of November 2017 was part of Scottish Ministers' commitment to support industry to become more energy efficient and decarbonise. Scottish Government will convene working group during 2018 to examine how to align business opportunities created by transitioning to a low carbon economy with measures that will result in increased energy efficiency or decarbonisation, in line with Scotland's Energy Strategy (December 2017) & Climate Change Plan (March 2018)

### 1. Key points from Scottish Ministers:

- 1.1. Our **Programme for Government** supports the transitioning economy.
- 1.2. We remain **active** in meeting with industry or business, and promote the nation as a **test-bed for innovators and ideas**, & can assemble **main interests from industry round the table** at the same time.
- 1.3. Existing energy sector **skills are transferrable** into the low-carbon economy.
- 1.4. We promote **inclusive economic growth** to widen jobs market access.
- 1.5. Our strong **research and science sector** can take advantage of the challenges to decarbonize.

### 2. Summary of challenges raised by industry

- 2.1. There are risks that energy intensive 'foundation' industries face further '**carbon leakage**'.
- 2.2. Perception amongst EII that energy policy has been about renewable electricity production rather than supporting investment in industrial user efficiency to **focus on reducing carbon emissions at source**.
- 2.3. Industry has taken early actions – the 'low-hanging fruit'- but recognises that there are significant challenges to realise many more carbon abatement projects that could provide 2-3 year **paybacks** across sectors. Investment in energy efficiency or decarbonisation (EE&D) is often placed below other choices for business reasons.
- 2.4. **Viability of industrial operations** must be accounted for. Boardrooms unlikely to support investment if they lack confidence in a facility. Political uncertainty adds to this risk.
- 2.5. **Energy supply security**. Need for storage and/or base generation capacity.
- 2.6. **High energy costs** reduce margins available. 'Sector deals' outline the appetite to invest in EE&D measures but with proviso to reduce energy costs.
- 2.7. **Unintended consequences of policy, exemptions or incentives**. For example, Contracts for Difference (CfD) promotes renewables not efficiency measures.
- 2.8. **Limits to local infrastructure capacity** – e.g. road or power networks.

### 3. Summary of opportunities for industry

- 3.1. **Joining-up supporting infrastructure** to enable more local options requires greater focus; for example pumped hydro as a battery.
- 3.2. There is a desire to explore more **innovation in financial instruments**. If access to finance can be widened to leverage these ideas, then investment to deploy efficiency measures will increase.
- 3.3. **Harnessing excess heat or other by-products**. In particular taking excess heat off-site could supply district systems and enable neighbourhood connections. Look at more routes to market to recovering heat.
- 3.4. **Deploying other technologies**. CCUS (Carbon Capture Usage and/or Storage)
- 3.5. Positive stimulus could link industrial process improvements with **wider benefits** such as: community infrastructure, circular economy, supply chains, carbon abatement properties of products in use, corporate social responsibility (CSR)/ green branding.

### 4. Summing up

- 4.1. We want to **design the right policy delivery framework** to deploy EE&D measures linked with :
  - The non-domestic part of the wider energy efficiency programme in Scotland.
  - Scotland's Manufacturing Action (SMAP) workstream on EE&D.
  - Low Carbon Infrastructure Transition Programme (LCITP).
- 4.2. **Scope for collaboration** is under-utilised. Scotland can be a useful testing ground for collaboration, as well as innovation.
- 4.3. Role for Scottish Ministers to continue **building confidence amongst EII leaders**.

### 5. Next Steps

- 5.1. Cross-sector **working on industrial EE&D**, during 2018, will consider a discussion paper that covers, within a Scottish context:
  - **Joining-up supporting infrastructure**
  - **Innovation in financial instruments**
  - **Harnessing excess heat or other by-products**
  - **Deploying other technologies** (such as CCUS)
- 5.2. We will ask sector representatives to widen attendance - some activities may have best opportunity to progress if representatives are drawn from an operational level from Scottish industrial plants or sites, including SMEs.
- 5.3. We will include agency partners and liaise with BEIS at UK level and other relevant groups such as the Energy Intensive Users Group (EIUG).
- 5.4. Subject to good progress, **Ministers will reconvene roundtable at the end of 2018**.

**DRAFT COLLABORATIVE AGREEMENT** (to be developed into working group objectives)

**Scottish Government and key representatives from EII within Scotland will work together to:**

1. **Raise understanding by sharing good practice** on measures that improve energy efficiency or decarbonisation across the sector
2. **Identify opportunities** to enhance energy productivity across the sector in line with Scotland's Energy Strategy and Climate Change Plan.
3. **Secure more resource to incentivise investment and enable deployment** of energy efficiency and decarbonisation measures where the business case aligns with the case for decarbonising industrial processes.