

# Call for Evidence on the Scottish Just Transition Commission's Interim Report – Response from Prospect

## What do you see as the main economic opportunities and challenges associated with meeting Scotland's climate change targets?

### Clean growth opportunities

There are significant opportunities for Scotland to create major new sources of clean growth centred on clean energy technologies such as wind and tidal power, carbon capture and storage, electric vehicle infrastructure, and low-carbon heating systems. The effective development of these technologies will depend on substantial investment in energy networks to create greater resilience and flexibility to manage low-carbon energy flows more efficiently.

Beyond the energy supply industry there is also a pressing need to make progress in areas such as the retrofitting of homes and offices to higher energy efficiency standards, the roll-out of electric vehicle charging infrastructure, and efforts to enhance natural carbon sinks through peatland restoration and reforestation programmes.

These new potential growth areas will require large numbers of skilled workers, including in highly skilled science and engineering roles. In some areas, such as offshore wind and energy networks, there are major opportunities for Scotland to play a leading role in developing cutting-edge technologies that can support flexible grid management, remote monitoring and surveying, as well as assist with maintenance work in high-hazard environments. To take advantage of these opportunities, Scotland will need to develop an adequate talent pipeline of specialists in fields such as data science and robotics.

With the right policy support, these areas could all offer substantial growth opportunities for Scotland, and there is a real opening for a proactive government to support a domestic clean energy supply chain and enable the creation of potentially tens of thousands of new, high-quality jobs. But, maximising these opportunities will require a much more interventionist approach from government to financing and managing clean growth projects, to ensure that the benefits flow to the Scottish economy and to Scottish workers.

### Challenges post-COVID

The coronavirus pandemic is likely to present some significant challenges in the immediate term. The pandemic has understandably diverted government attention away from the climate emergency, whilst also creating multiple major new demands on public resources. The delay to the COP26 climate conference until late 2021 also risks prolonging a period of inaction on climate policy.

The coronavirus crisis may also limit the investment appetite of the private sector, and the International Energy Agency has recently warned that 2020 may see a historic reduction in new investment in renewable energy projects. Such a reduction would be on the back of a sharp fall in new investment in UK renewables over the last five years; according to new research from Bloomberg New Energy Finance and the UN Environment Programme, renewables investment in the UK fell by 40% in 2019 to reach the lowest level in more than a decade. A prolonged period of low energy prices may also weaken the investment case for clean energy projects in the short to medium term, and make it harder for projects to proceed without substantial public support.

The pandemic and the resultant lockdowns have also placed huge strains on international supply chains, and some renewable energy developers have already indicated that the pandemic will likely lead to delays to projects in the short to medium term. The challenge to global supply chains, and the impact that this could have on Scotland's net zero planning, points to the urgent need to develop more resilient local supply chains and to start re-shoring production wherever

possible. This would have the added benefits of driving higher levels of local economic value and greater numbers of Scottish jobs.

## **Opportunity for a green recovery**

We face an historic opportunity to reshape our economy in the wake of coronavirus, in order to make it much fairer and far more sustainable. The coronavirus crisis has unleashed a severe recession and threatens to result in mass redundancies, so there is a pressing need for a clear plan, backed by public investment, to get the economy going again. That in turn provides an historic opportunity to use such investment to redirect Scottish economic activity onto a more sustainable path.

But, a successful green recovery plan that is able to maximise the opportunities for clean growth cannot be based on a business-as-usual approach. The Scottish Government will need to be ready to take a very different approach to financing net zero projects and to nurturing a Scottish clean growth supply chain. The plans for a Scottish National Investment Bank with a clear mandate to support clean growth projects, is a very welcome step, but more needs to be done in terms of a coherent green industrial strategy if the full benefits for Scotland are to be realised.

The highly competitive nature of some clean growth sectors, particularly the renewables industry, is proof of the need for a more proactive approach from government. The current renewables landscape in the UK is dominated by a handful of large European energy companies, and the primary subsidy support scheme, the Contracts for Difference, has primarily benefited large foreign-owned offshore wind developers. This is a challenging landscape for Scottish and UK firms to operate in without support from government, and a continuation of the current laissez-faire approach poses a very real risk that the potential economic benefits arising from the journey to net zero, in terms of jobs and clean growth, will not accrue to Scottish and UK communities. The recent BiFab debacle offers a sobering case study in the costs of getting this wrong.

There is therefore a real need to start developing a proactive green industrial strategy for Scotland, and whilst the policy levers available to the Scottish government are more limited, there are a range of measures that need to be considered. These could include providing public financing for innovative new clean energy projects, creating a public energy development agency to help support the emergence of an indigenous supply chain, or by developing the kind of comprehensive skills and training programme that will be a crucial element of any just transition strategy.

## **Pressing need for a net zero skills plan**

The need for a net zero skills plan has never been more clear. Achieving net zero will require substantial investment in people, as much as it requires investment in physical infrastructure. Scotland will need to train and upskill huge numbers of workers across a broad range of economic sectors in order to deliver on its ambitious climate targets. In the energy industry alone, National Grid has estimated that Scotland will need an additional 49,000 skilled workers to realise its climate targets, many of them in the growing renewables sector, while research by the Energy & Utilities Skills Partnership suggests that across the UK as a whole tens of thousands of retiring engineers and other skilled energy workers will need to be replaced by 2030.

But, the sector is struggling to attract and retain a diverse workforce with the right mix of skills. In Scotland, EU Skills research suggests one in four vacancies in the utilities sector are due to skills shortages, while Scotland currently has the worst record in the UK for attracting BAME workers into the energy and utilities industry. At the same time, new apprenticeship starts in critical STEM fields have been falling precipitously, while Engineering UK estimates that the UK faces an annual shortfall of 20,000 engineering graduates.

These data-points highlight one of the key challenges associated with meeting Scotland's climate change targets – a skills and technical education system that is not fit for purpose. An increasingly fractured skills policy landscape, and years of chronic underfunding of adult and technical education, has left Scotland and the UK ill-equipped to deal with the huge demand for reskilling and retraining that will accompany net zero planning, and which will need to be a core element of any just transition strategy.

The Scottish Government's pledge to produce a Climate Skills Action Plan is a positive step, but more needs to be done to secure adequate funding and to ensure a fully joined-up approach to skills planning across the four nations of the UK. We can't afford to get this wrong, and developing a robust, coherent technical education system must be a priority. Whilst such a system needs to work for employers, it is also crucial that it delivers for workers as well. This means developing an approach to skills policy that emphasises high-quality, flexible training opportunities which lead to nationally-recognised and transferable qualifications.

## **Does your response relate to a specific sector?**

Prospect has members working across the Scottish economy, in both the public and private sectors, many of whom work in areas that will be highly impacted by Scotland's response to the climate emergency. This includes our members working in the energy sector, in public agencies involved in managing the natural environment, in agricultural research, and in the aviation sector. Our response to this call for evidence reflects input from across these sectors.

## **What would a successful transition to net-zero emissions look like for your sector/community?**

Decarbonisation is an urgent imperative, but it also offers a historic chance to build a more sustainable and equitable economy that can generate good quality jobs for Scottish workers. A successful transition, from the perspective of Prospect members, would therefore maximise both the environmental and economic benefits of decarbonising the Scottish economy. Our members want to see the Scottish government map out a credible pathway to a net zero economy that has the creation of good, secure jobs at its heart.

Prospect welcomes the initial steps the Scottish Government has taken to involving workers in planning for net zero, through social partnership forums like the Just Transition Commission. This kind of active engagement and consultation with workers and their communities needs to be, we believe, another crucial element of a successful transition. The journey to net zero is likely to be a challenging one, involving many difficult choices along the way, and we firmly believe that social partnership is the best way to build consensus around change and ensure that no one is left behind.

## **What actions do you think the Scottish Government should take to manage the opportunities and challenges referenced above?**

Some important positive steps have already been taken, particularly the creation of the Just Transition Commission and the commitment to set up a Scottish National Investment Bank with a core mission of supporting the transition to net zero. But there is much more to be done to support the creation of a more resilient, domestic clean growth supply chain. The Scottish Government should make it a priority to develop a more comprehensive green industrial strategy with a focus on how to support Scottish companies to win a greater share of the economic opportunities that net zero will create.

But, as the BiFab case helps to illustrate, in order to achieve the goal of higher Scottish content in net zero projects, there is arguably a need for a more interventionist approach from government. One proposal that Prospect believes should be explored further is the creation of a publicly-backed energy project developer. Such a body could, for example, leverage the historically low cost of public borrowing, potentially through the issuing of a Scottish Green Bond, to help to drive higher volumes of renewable energy projects. And, crucially, it could also develop a strategic approach to procurement that would allow it to nurture a Scottish clean energy supply chain. Given the highly competitive nature of the core clean growth industries like renewables, where state-backed companies in Europe and Asia already have a strong presence, these are the kinds of policy interventions that Scotland will need to consider if the transition to net zero is to open a new chapter both environmentally and economically.

## **Are there specific groups or communities that may be, or feel that they may be, adversely affected by a transition to a net-zero carbon economy? What steps can be taken to address their concerns?**

From a Prospect perspective, two key sectors where the transition to net zero has the potential for adverse effects on workers are the energy sector and aviation. But, these two sectors are at different stages of planning for how to mitigate those impacts. In the energy sector there is already a more developed conversation around the idea of just transition that is informed by the enduring legacy of the decimation of the UK coal industry and, in the Scottish context, by more recent examples like the effects of the downturn in global oil markets post-2014 on the offshore oil and gas workforce. There is also a clearer pathway for transition in the energy sector, and the growth of a new clean energy economy provides a potential opportunity for workers in high-carbon sectors to transition to new types of jobs.

But, as indicated above, this will not happen automatically and requires a clear transition plan. A crucial element of this must be strong, and early, engagement with the energy workforce in order to effectively build a consensus for change, and to ensure that policy interventions are calibrated to the actual needs of energy workers themselves.

In aviation conversations about the future of the industry in a net zero economy are still at an early stage, and a pathway to decarbonisation is much less clear than in other carbon-intensive sectors. But, the severe impact of the COVID-19 pandemic on aviation has brought the issue of the sector's future to the foreground, and has led some parts of the environmental movement to call for aviation to be permanently 'grounded'. Prospect believes this is a deeply misguided approach and threatens to repeat past experiences of unjust transition in the coal industry and much of the UK's former manufacturing base.

Scottish aviation is a multi-billion pound industry upon which tens of thousands of Scottish jobs depend. There are also, of course, many Scottish communities which heavily depend on access to air transport. Prospect firmly believes there is a viable, decarbonised future for aviation, potentially through the use of new types of fuels and new propulsion technologies, and early investment in these may offer another clean growth opportunity for Scotland. But, whatever the future pathway for the industry looks like, it is absolutely vital that aviation workers are given a strong voice in shaping that pathway and, as in other carbon-intensive sectors, any just transition framework for Scottish aviation is developed in close consultation with the aviation trade unions.