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Our ref: Just Transition Commission – letter to the chair of commission:

28 March 2023

Dear Professor Skea,

Thank you for your letter of the 15th of February 2023 regarding the draft Energy Strategy and Just Transition Plan (ESJTP). The initial reflections the Commission has offered on that draft, and your wider thoughts on the development of any Just Transition Plan, are incredibly helpful. We look forward to collaborating with you on all plans as we develop them.

I would like to start by offering my sincere apologies for not being able to attend your meeting on 8 March, due to Parliamentary business. Officials and private office are currently exploring new dates with the secretariat to reschedule and I look forward to a meeting soon. However, I understand that officials will attend and continue our productive discussions and I look forward to hearing their report.

The Commission's role in the development of Just Transition Plans is vital. I have asked officials to share full details of our work programme for the year (including our approach to engagement and co-design) in the coming weeks. With the publication of EY's independent [Energy System and Just Transition Analysis](#) (3rd of March), we announced that the consultation period for the ESJTP would be extended to the 9th of May. Development of the ESJTP will continue throughout 2023, aligning with work on the Climate Change Plan and other sectoral Just Transition Plans. We will be reflecting on the advice in your recent letter and seeking to address the issues raised as work on the plans progress.

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In the meantime, I would like to offer some initial reflections. We will adopt all ten cross-cutting recommendations on the general preparations of Just Transition Plans, and we will update the Commission on our approach to this over the next few months. Officials have already started working on some of the data-intensive pieces of work set out and will endeavour to progress that as far as possible before the full sector Plan drafts are published in November.

I am pleased that we have been able to agree a MOU and the coordination of our work plans will allow us to work together in a transparent, collaborative fashion. I understand that officials have arranged a forward calendar of meetings to help provide a forum to discuss matters of importance to the Commission. I will ensure that I receive regular updates on progress and maintain regular personal contact with the Commission.

Your letter requested additional information on specific policies, which I have included as an annex to this letter for ease (**Annex A**). I am sure the relevant policy officials would be happy to meet the Commission to provide further detail.

We will be aiming to publish materials to support the co-design and engagement process in April and will share this material with the Commission in advance to incorporate your feedback.

I look forward to being able to meet with the Commission once we have a new date in diaries.

Yours Sincerely,



Richard Lochhead MSP
Minister for Just Transition, Employment and Fair Work

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ANNEX A:

1. Supply Chains

We expect our developing plans to include a more detailed evidence base (and to have explicitly identified key gaps and the actions needed to close those gaps) in relation to target sectors, including considerations such as skills requirements and the application of fair work.

1.1 Supply Chain Development Programme

The Supply Chain Development Programme in particular seeks to boost the economic impact arising from Scotland's annual public sector procurement spend (£14.5 billion in FY 20/21) and focusses on opportunities that will arise in the energy transition. The SCDP makes sure that opportunities are made visible to Scottish supply chains, including manufacturers in Scotland with the skills, capacity and capability to bid for, win and deliver contracts. The SCDP is working alongside portfolio policy teams on the following priority areas:

- Increasing Scottish manufacturing of heat pumps and other low carbon heating (see also Decarbonising Homes, below);
- Maximising Scottish manufactured components in new green and blue Hydrogen supply infrastructure and the products and vehicles that will use it (information on other H-related supply chain work below); and
- Increasing value-added from Scottish timber in (largely offsite) construction.

1.2 Hydrogen

We know that many of the skills and the supply chain requirements for future hydrogen systems and infrastructures are to be found in our oil and gas industry today. We also recognise that Scotland's developing hydrogen economy will require a strong domestic supply chain across the whole hydrogen value chain. We know that there are companies already engaged or actively interested in hydrogen, for example, we hosted a Hydrogen Supply Chain event last year and our [Assessment of Electrolysers report](#) examined existing supply chains for these components in detail, and identified the next steps for encouraging electrolyses manufacture in Scotland. We continue to support and explore Scotland's range of capabilities in hydrogen production and emerging opportunities in the sector.

The Scottish Government has commissioned a study through ClimateXChange (CXC) to gain a strategic understanding of the hydrogen skills landscape within Scotland. This is expected to report next month, providing a focus on the current and forecasted demand for hydrogen jobs and skills. This assessment will support an understanding of the skills requirements for the whole hydrogen value chain to aid the transition to a hydrogen economy in Scotland in line with the [Hydrogen Action Plan](#). Further research piece has been commissioned to investigate hydrogen storage (expected in early summer 2023).

2. Decarbonising Homes - heat pumps, low carbon heating

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One million Scottish homes will need to change their heating system to a zero direct emission one in order to meet our 2030 targets. Whilst we know there is work to do on skills, financing and workforce capacity, a great deal of activity is underway.

2.1.1 To support our Heat in Buildings Strategy, we are creating a broad, coordinated package of policies and support programmes to deliver the change required and are boosting support through our long-standing programmes, which have already supported over 150,000 households in or at risk of fuel poverty.

2.1.2 This year we will be consulting on a Heat in Buildings Bill to phase out fossil fuel boilers. In addition, our Green Heat Finance Taskforce will make recommendations on the range of approaches that the Scottish Government, working in collaboration with the private sector, should bring forward to support the scaled growth in private capital. The taskforce will explore and identify financing mechanisms to help people make their properties warmer, greener and more efficient as part of a just transition, so some households who have the means will share some of the costs.

2.1.3 Supporting Scotland's current and future workforce to develop the skills needed for the net zero transition is a priority. We know that the pace of the Heat in Buildings transition requires a substantial growth in supply chains, particularly in the availability of skilled heating and energy efficiency installers. Our [Heat in Buildings Supply Chains Delivery Plan](#) sets out practical steps we are taking to support the growth of the green heat sector to overcome supply chain constraints and fill the skills gap. This includes a new £17.6 million Green Heat Innovation Support Programme to help shape the market for new products and services; our commitment to review our support for green skills and training; investment in a mobile training centre for heat pump installation; and a programme of industry engagement with a focus on working with installers.

3. Draft ESJTP references to Shared Ownership (page 42)

The research referred to is an additional, comprehensive review of the Scottish community and local energy sector. The aim of this research ('Leveraging community and local energy for a just transition: a review of current and future opportunities for Scotland') is to help to build a strong evidence base to inform the development of future community energy policy. It will focus on how we can maximise the community energy sector's contribution to a Just Transition in Scotland and ensure that the associated benefits flow to all communities across the country. As such, we expect that the research will consider the role of community benefits and shared ownership opportunities, alongside broader models of community energy.

We are also engaging with others, including the Scottish National Investment Bank and Local Energy Scotland, in order to assess the pipeline of shared ownership opportunities and the ways in which those opportunities could be financed.

In addition to this, we're in the process of reviewing our Good Practice Principles for community benefit from offshore renewables. This will include seeking views on opportunities for shared ownership in relation to offshore renewables.

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4. Impact Assessments

The Strategic Environmental Assessment (SEA) has now been published and can be found [online](#). The Partial Business and Regulatory Impact Assessment (BRIA) has also now been published [online](#).

Work is underway on the Equalities Impact Assessment (EQIA), the Islands Communities Impact Assessment (ICIA) and Fairer Scotland Impact Assessments, which will be published alongside the final ESJTP with the final BRIA and a post-adoption statement for the SEA.

5. Commission meetings with officials on specific areas of interest associated with the ESJTP

I am pleased to hear that the Commission had a productive meeting on Project Ninian. I have asked officials to work with you on the other areas of specific interest you wish to explore.

With regards to a public energy company, the Scottish Government's ambition is to explore fully the opportunities across the energy sector for public ownership in an independent Scotland. As an independent state, we would have full powers in relation to energy generation and borrowing and as such would enable Scotland to consider large-scale public sector involvement or ownership in key technologies.

We remain supportive of the future potential for a public energy company in Scotland and, through the new agency, Heat and Energy Efficiency Scotland, we will support others with an interest in exploring options to take forward new models for energy provision.

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