NATIONAL ECONOMIC FORUM – TWENTIETH MEETING: 16 MAY 2018

DISCUSSION REPORT: Energy Supply Chain

Host: Paul Wheelhouse, Minister for Business, Innovation and Energy

Facilitators: Jenny Hogan, Scottish Renewables; Hannah Smith, Scottish Renewables; David Cameron, EDF Energy

Summary
This discussion group explored actions needed to support our industries and workforce, and also consider the steps that those industries and individual businesses can take, to ensure that we maximise the benefit of our renewables industry for Scotland. Some key discussion points included the renewables market, tendering for contracts, skills and the future vision of the renewables sector.

Introduction and Background
The transition to a low carbon economy had the potential to bring significant economic development and high value jobs to Scotland. The renewables sector has made huge progress in recent years, however we face a number of challenges and our supply chain need to focus on overcoming these barriers and take full advantage of opportunities presented.

There is a huge potential for our supply chain to grow their international presence with the expertise they hold, however the lack of route to market for many technologies creates uncertainty. Areas of innovation are facing competition from other countries, and a coordinated effort is require to realise our shared ambition for the renewables industry.

Topics discussed:

Renewables market
It was discussed that it can be challenging to engage consumers with energy efficiency, local heat and energy systems initiatives. It was suggested that many businesses want to get involved in this area however they don't always have the long term confidence in the market.

It was noted that there has to be a clear pipeline for companies to invest and to respond to cost pressures to ensure that the supply chain is sustainable. We have to consider the longevity of market and facilitate in bringing products to market. long term commitment from Government is required in the form of a sustainable policy environment and appropriate investment.

More frequent changes to grid compliance envisaged in order to deliver a flexible low carbon system. The raft of change is a big ask for suppliers to keep up with. Better communication of support for further innovation and investment is required to avoid a waste of supply chain work invested. Clearer signposting to the changes would benefit supply chain.

The competitive environment can pose a challenge for companies to collaborate and share information with each other. Enterprise agencies have been responsive to increased blurring of sectors and encouraging collaboration to address both the engineering and people requirements of projects/initiatives.

The Construction and Innovation Centre grand challenges to industry were widely agreed to be a positive initiative, particularly for engaging micro businesses. These challenges involve defining an issue and how it can be addressed bringing expertise together or bringing manufacturing capabilities in. It was also mentioned that Business Gateways have gained a

particularly good understanding across sectors, but how can we transfer this knowledge across different areas, and learn from experience?

Tendering for contracts
The question was raised on whether tendering process could be rationalised to assist lower tier suppliers as currently it is very onerous and consumes a lot of time. Is there scope for procurement to become more compliant across all energy sectors. This is mirrored by the better industry specific accreditation and/or training required for particular areas which companies may not be aware of.

It was suggested a supply chain 'code of conduct' would be helpful to ensure a level playing field and fair terms and conditions when tendering to protect small businesses, particularly those in the lower tiers. However for this to be effective, the code would need to be accepted the whole way down the supply chain.

There will be a need for the supply chain to react to the price coming down (The example of onshore wind was used). Suppliers need to be competitive and react to this but we can't lose sight of the fact that the consumer pays even when costs are being driven down.

There is significant opportunity in repowering, as past experience should provide an advantage for the local supply chain. If we understand the planning that has gone before, can we create a visible pipeline of repowering work to give the supply chain a 'heads up'?

Skills
Skills need to be at the forefront for the energy sector. Innovation and the advancement of technology within renewables is a key driver and will be the highly skilled jobs of the future.

It was agreed that there has to be the relevant foresight and consideration for the highly skilled jobs of the future and that engraining STEM in the skills agenda will help to grow our economy and help to generate economic prosperity.

Dependent on varying demand in the market, there can be a shortage of skilled people at times. There are also challenges associated with maximising the skills base in rural communities without much movement of people, attracting young people/graduates to rural areas can be difficult due to a lack of infrastructure and services such as schools, GPs etc.

UK Industrial Strategy reviewed the skill requirements for economic Growth. The Scottish Government has an opportunity to pick the favourites from this but, UK and Scottish Government needs to join up. In the O&G Industry there is clear Scottish Government engagement with UK industrial policy. It is recognised that the apprenticeship policy in Scotland is better than the rest of the UK. Scottish Government must therefore consciously invest in the skills that the energy sector need in Scotland.

Future of renewables in Scotland
It was suggested that there needs to be a vision for a Scotland that leads the world in renewables. Scotland is already exporting to the world with a vast international presence due to our expertise. There is also increased competition across the world to deliver renewables. Stakeholders, Government and third sector need to work together to help deliver this vision of Scotland being a lead driver for renewable energy.

The main challenge is how we can all get involved in this space. Along with the collaboration of stakeholders, full participation by all involved is imperative and this should lead to guiding policy.

As the wider economy in energy is rapidly changing we have to consider who can help us to maximise this opportunity. Financial support will be needed and test technology will play a massive part but fundamentally it will all come down to cost. So support will be need via government, industry and private companies .

It was discussed that given the massive scale of change and innovation within the energy sector there needs to be a more holistic approach and that there is a challenge of engaging in the fundamental transmission to this.

Active engagement and collaboration is essential. There is a real opportunity for people to be directly involved in reducing the carbon footprint and moving towards providing a flexible low carbon society. With an emphasis on the fact that this is a social enterprise and it allows communities to deliver a stake in this.

Closing Comments

The discussions were encouraging and positive, and it was good to see asks of both the Government and industry.

We need to drive skills into wider roles, across all energy rather than specific to technologies. The subject of big data is becoming increasingly important. We need to think about how to bring forward communities left behind by the low carbon transition. Repowering touches on the issue of a transparent pipeline of work, and we need companies to find ways of collaborating despite the competitive environment fostered by CfD auctions.

Scottish Government
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