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BiFab, the offshore wind sector and Scottish supply chain



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Contents

Executive Summary	1
Membership changes	7
Introduction	8
Background to the Committee's inquiry	9
Policy background	11
BiFab background and timeline	13
Investment	15
Guarantees	17
State Aid	20
UK Competition Law	24
Enterprise Agency investment	25
Role of developers in the local supply chain	27
Competition for contracts	30
Investment in Infrastructure	31
Contracts for Difference	33
Supply Chain Plans	36
ScotWind leases and Supply Chain Development Statements (SCDS)	39
Environmental and fair work considerations	42
Strategy	44
Scottish Offshore Wind Energy Council and joint working group	45
Floating technology	47
Employment opportunities	48
Annex A - Minutes of Meetings	51
Annex B – Correspondence	54

Economy, Energy and Fair Work Committee

Remit: To consider and report on economy and fair work matters falling within the responsibilities of the Cabinet Secretary for Economy, Fair Work and Culture; matters relating to the digital economy within the responsibilities of the Cabinet Secretary for Finance, and matters relating to energy falling within the responsibilities of the Minister for Energy, Connectivity and the Islands.



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Executive Summary

In this report, the Committee has made the following conclusions and recommendations:

The Committee is extremely concerned that BiFab has been put into administration. This is a huge blow for workers and communities in Burntisland, Methil and Arnish. It is also a concerning reflection of the ability of the Scottish supply chain to benefit from the growth of offshore wind. The BiFab yards could play a key role in the Scottish supply chain; it is vital that the administrators find a buyer who can support the future of these sites.

Investment

The Committee notes that there are clear contradictions between the evidence presented by DF Barnes and the Scottish Government in the expected level of investment by both parties. This is particularly true of financial guarantees which will be explored later in the report.

The Committee is extremely concerned by the lack of transparency in decision making. Both DF Barnes and the Scottish Government cited the pre-acquisition business plan as corroboration of their position, but neither shared this business plan with the Committee, despite repeated requests.

The Committee agrees that the completion of ongoing BiFab contracts in 2017 was vital and required financial support. However, the Committee believes that there should have been agreement around securing the future of the company. For a number of reasons explored in this report, including financial viability and state aid rules, neither DF Barnes nor the Scottish Government felt able to provide the finance required to secure the vital contracts BiFab needed to avoid administration. The financial loss to the public purse of BiFab failing as a company demonstrates that greater accountability and transparency is needed.

Guarantees

State aid regulations were cited as the reason behind the Scottish Government's decision not to offer further investment or the financial assurances that would have enabled BiFab to secure the NnG contract. DF Barnes felt unable to provide this guarantee without a clear pipeline of work for BiFab.

The Committee notes evidence that a contingent liability was agreed by the Finance Committee to allow the Scottish Government to provide the required guarantee for the

NnG project. However, delays to the project meant that circumstances had changed and the Scottish Government decided that it could no longer offer the guarantee. Such contingent liabilities are considered in private meetings of the Finance Committee; this Committee has not had sight of the documentation supporting the contingent liability decision. The Committee believes that the contingent liability process should be reviewed to consider whether it can be more transparent.

State Aid

The Committee notes the concerns of DF Barnes and GMB Scotland suggesting that BiFab is disadvantaged when competing for contracts against European bidders who may have received financial assistance from their respective governments.

The consequences of EU state aid regulations as understood and applied in the context of BiFab may have disadvantaged it to the benefit of state-owned/subsidised enterprises in Europe and the far and near East. It was suggested to the Committee that BiFab was not operating on a level playing field. As such, the Committee calls for any future subsidy regime in the UK to be cognisant of this issue and ensure that UK manufacturing jobs are given a fair opportunity to compete with low-wage economies. The UK and Scottish Governments must be creative and ambitious in their support of the local supply chain.

The Committee also notes the opinion of Lord Davidson QC, that the Scottish Government could have waited until there was an outcome of the EU future relationship negotiations, before a final decision on continued financial assistance to BiFab was made. As a result of the end of the transition period, the UK has left the EU's state aid regime and the framework under which the Scottish Government made its decision is now no longer in place. However, there continues to be level playing field agreements in the Trade and Cooperation Agreement and it is unclear at this stage how these will be implemented.

The Committee notes that the UK Parliament's Business, Energy and Industrial Strategy Committee is taking evidence on state aid in early 2021. The Committee recommends that its successor Committee conducts further work in this area as an early priority for Session 6.

UK Competition Law

The Committee acknowledges that discussions regarding how the internal market will operate are ongoing and asks the Scottish and UK Governments to share their understanding of how the UK's exit from the EU will impact on domestic competition principles in relation to specifying local content in supply chain plans and supply chain development statements.

Enterprise Agency Investment

The Committee believes that the enterprise agencies have a key role in ensuring that the Scottish supply chain is ready to take full advantage of future ScotWind Leasing opportunities. The Committee notes that projects are being undertaken by the enterprise agencies which aim to ensure that the Scottish supply chain is ready for future opportunities. Every effort must be made to strategically develop the Scottish supply chain to benefit from these contracts.

Role of developers in the local supply chain

Developers have an important role in supporting the Scottish supply chain. Whilst acknowledging issues such as financial guarantees and global competition, the Committee is disappointed that neither SSE Renewables or EDF Renewables awarded recent contracts to BiFab; these decisions were significant factors in the administration of BiFab.

Investment in infrastructure

The Committee notes the findings in Arup's report and the need to ensure sufficient port capacity to support the expansion of offshore wind activity in Scotland. The Committee asks Crown Estate Scotland to provide it with an update on timescales for the implementation of the report's recommendations.

Contracts for Difference

The Committee believes that all reasonable steps should be taken to support a robust and competitive local supply chain for offshore wind. The Committee urges the UK Government to fully consider all options available to it to balance investment in offshore wind, energy prices and local supply chain benefits. This should include, but not be exclusive to, the consideration of increased contractual requirements to demonstrate that consideration has been given to local supply chains, requirements on fair work policies and pay, and wider environmental factors, as detailed later in this report.

Following its consultation process, the Committee urges the UK Government to design and implement changes to the CfD process with urgency. The Committee encourages the Scottish and UK Governments to work together to ensure that updated CfD processes align with the first round of ScotWind Leasing.

The Committee notes the Minister for Business, Energy and Clean Growth's comment that "the proof of the pudding will be in the eating" when auction round 4 takes place. The Committee also notes that Scottish capacity as a share of total UK capacity has reduced in the most recent CfD allocation rounds. It is therefore vital that changes are

made in advance of the forthcoming auction round to ensure that Scottish firms and workers may benefit fully from these substantial opportunities.

Supply Chain Plans

The Committee notes that the Scottish Government has submitted a response to the UK Government's consultation on CfDs and supports the proposals referred to in paragraph 160.

The Committee believes that, in order to be effective, it is vital for commitments made in supply chain plans to be monitored and effective enforcement action taken where the developer deviates from the agreed plan.

ScotWind leases and Supply Chain Development Statements

The Committee notes Crown Estate Scotland's view that securing work for the Scottish supply chain cannot be a consideration when awarding licences. However, given Scotland is no longer bound by EU state aid restrictions to the same extent as prior to EU exit, the Committee calls on the Scottish Government and Crown Estate Scotland to urgently review the SCDS process with a view to strengthening local content requirements and monitoring powers.

The UK Government's aim is to have 60% UK content in the offshore wind supply chain, yet under EU state aid restrictions it was previously unable to insist on UK content in its award of contracts for difference. The Scottish Government also felt unable to specify the levels of Scottish content during the awarding of seabed leases. With the new arrangements in place between the UK and the EU, it may be possible that public bodies in the UK could have more freedom to require benefits to local supply chains. The Committee asks the Scottish Government to clarify whether it now has the legal power to insist on Scottish content as part of current and future leases.

Environmental and fair work considerations

The Committee is concerned by the suggestion that companies operating outside the UK are able to undercut bids by Scottish companies due to lower wages for workers and less stringent health and safety practices.

The Committee notes that the UK Government is considering changes to the CfD process and recommends that as part of this work it explores how environmental factors and fair work requirements, including labour costs and conditions, could be considered in bidding for contracts across the UK. The Committee notes that the UK Government

has proposed that supply chain plans could require applicants to estimate the carbon footprint of their supply chains and mandate that they set out how this would be minimised. The Committee agrees that it should be considered whether this would benefit the local supply chain.

Strategy

As set out above, scrutiny of the terms of the Scottish Government's investment in BiFab has been challenging due to a lack of information. Almost £40 million of public money has been spent on supporting BiFab since 2017 and when public money is involved, there must be transparency in decision making. The Committee strongly believes that DF Barnes should have released the pre-acquisition business plan to aid the Committee's scrutiny. The Committee asks the Scottish Government to clarify whether there was a strategic long-term plan for its investment in BiFab when it was converted into an equity stake. The Committee would expect there to be long-term strategic considerations in such a level of public investment and commitment.

This inquiry has raised an overarching issue about government investment in the strategically important industries outlined in Scotland's Economic Strategy and the need for a strategic approach. The Committee asks the Scottish Government to set out its overarching policy on strategic investment in failing companies and recommends that its successor committee may wish to explore this issue as an early inquiry in session 6.

Scottish Offshore Wind Energy Council and joint working group

The Committee is disappointed by the delay in conducting the SOWEC Scottish Offshore Wind Strategic Investment Assessment. The Committee does however welcome the clear timescales for action and reporting outlined in the Group's terms of reference. It demonstrates a clear joint working commitment between both Governments and industry which is needed. Given the urgent need for action to support the Scottish offshore wind sector supply chain, further delay is not tenable.

The Committee welcomes the Scottish and UK Governments' joint approach to strengthening the clean energy supply chain in Scotland through the BiFab working group announced in November 2020. The Committee asks to be kept updated on the progress of this group and the minutes of its meetings.

Floating technology

For reasons explored in this report, Scotland has missed opportunities to economically benefit from growth in the offshore wind sector. The Committee believes that it is essential for the Scottish and UK Governments to prioritise areas where there will be job opportunities and economic benefits in the future. The Committee notes that the UK and

Scottish Governments have ambitious targets regarding the development of floating offshore wind. It is vital that the Scottish supply chain keeps apace with these technologies so that opportunities are not missed. The Committee is unsure how Scotland can build expertise in floating technologies if developers do not work with the local supply chain. The ambition for developing floating offshore wind must be matched with a clear strategy on how targets will be met whilst maximising Scottish content.

Employment opportunities

The Committee notes that in December 2020 the Scottish Government published a Climate Emergency Skills Action Plan to accompany the updated Climate Change Plan. The Committee believes that ensuring that the Scottish workforce has the right skills to enable local economic benefit in the expansion of the renewables sector in Scotland is key. The Skills Action Plan must be translated into well-resourced delivery. The Committee asks to be kept updated on the development of an accompanying Implementation Plan and recommends that delivery of the Skills Action Plan is considered by its successor Committee.

Membership changes

1. The Committee has had an ongoing interest in BiFab, the offshore wind sector and Scottish supply chain. There have been several membership changes since the Committee first took evidence on this topic in April 2019. Evidence-taking for the most recent phase of this inquiry took place in November and December 2020. During this time, Alison Harris MSP and Rhoda Grant MSP left the Committee. Graham Simpson MSP and Alex Rowley MSP joined the Committee.

Introduction

2. In Scotland's Energy Strategy, the Scottish Government commits to looking at new opportunities for offshore wind development in Scottish waters and to supporting the development of an innovative and competitive supply chain that will create opportunities for Scottish manufacturers.¹
3. The UK Government is also committed to promoting renewable energy solutions. In 2013 it published its Offshore Wind Industrial Strategy, with a vision to work with industry to build a competitive and innovative UK supply chain that delivers and sustains jobs, exports and economic benefits for the UK.² The Offshore wind sector deal further sets out this partnership approach with industry.³
4. There is a clear joint policy objective which encourages growth of the renewables industry and seeks to meet net zero objectives. Scotland also has an estimated 25% of Europe's offshore wind energy potential, and work is currently underway just off Scotland's coastline to build some of Europe's largest offshore windfarms.⁴ Both governments are committed to the environmental benefits of renewable energy and both agree that there are economic benefits to be had from maximising UK-based employment, development, manufacture, maintenance and supply chain for offshore wind energy. However, few of these turbines, or indeed the jackets securing them to our seabed, are being made in Scotland.
5. Burntisland Fabrication Limited (BiFab) makes structures for the oil and gas and renewable energy industries. It operates three facilities across Scotland: in Burntisland and Methil in Fife plus a yard in Arnish on the Isle of Lewis. At the end of 2020 BiFab was put into administration having struggled to secure any contracts for the large-scale Scottish Seagreen and Neart Na Goithe (NnG) projects. This has led the Committee to look at BiFab's circumstances in more detail within the wider context of the Scottish offshore wind sector and opportunities for the local supply chain.

Background to the Committee's inquiry

6. The Committee has had an ongoing interest in BiFab, the offshore wind sector and Scottish supply chain throughout this parliamentary session. In March 2019, the Committee received a joint letter from the GMB and Unite unions asking it to "investigate the position of Scotland in relation to winning largescale work for the offshore renewables industry".⁵ The First Minister also indicated that she supported this call by the unions for the Scottish Parliament to conduct an inquiry into these matters.⁶
7. Following these communications, the Committee held a roundtable discussion with BiFab directors, the trade unions, the enterprise agencies, ORE Catapult and Scottish Renewables on 23 April 2019. A number of issues were discussed including ownership of BiFab, attempts to secure new contracts, the impact of state aid rules on BiFab's ability to compete for contracts and investment.⁷
8. The Committee took further evidence from Derek Mackay MSP, then Cabinet Secretary for Finance, Economy and Fair Work on 25 June 2019. Points raised during the roundtable session were discussed with the Cabinet Secretary.
9. As a result of concerns conveyed by the trade unions and other stakeholders, the Scottish Government convened its first offshore wind summit on 2 May 2019. Then Cabinet Secretary, Derek Mackay MSP, and Minister for Energy, Connectivity and the Islands, Paul Wheelhouse MSP, chaired the meeting and were joined by officials from the UK Government, trade unions, offshore wind developers and supply chain companies.
10. After the summit, a number of commitments were made by both governments. The UK Government committed to reviewing:
 - Contracts for Difference; and
 - the Supply Chain Plan process to improve supply chain outcomes.

The Scottish Government committed to exploring:

- the levers at its disposal to maximise Scottish content in projects;
 - the options open for attaching supply chain conditions and incentives to Crown Estate Scotland leases; and
 - the ways in which the Scottish Parliament reviews and approves decommissioning plans.⁸
11. A second summit was held on 16 January 2020 and was attended by Dean Lockhart MSP representing the Committee. Following this summit, the Committee sought a number of written updates throughout 2019 and agreed to revisit the issues raised before the end of the parliamentary session.
 12. In June 2020 the Committee wrote to the Scottish Government, Crown Estate Scotland, Highlands and Islands Enterprise, Scottish Enterprise and DF Barnes (the


majority shareholder of BiFab) and agreed to take further evidence on any issues raised.

13. The Committee agreed that the remit for this phase of its inquiry work was to investigate:
 - why BiFab has failed to gain contracts from recent offshore wind projects in Scotland, including the role of DF Barnes/JV Driver as owners of the Scottish yards and SSE and EDF as the contracting companies;
 - the role of the Scottish Government, including what investment, guarantees or loans were made and when, including the recent decision not to offer further financial support to BiFab;
 - the role of Contracts for Difference and the UK Government's Offshore Wind Sector Deal as drivers for investment in the sector;
 - current state aid rules and their impact on government investment and conditionality and the potential impact of any state aid rules following the UK's exit from the EU;
 - how the leasing and planning process will be used in future to encourage developers to work more closely with the Scottish supply chain;
 - what is the Scottish Government's strategic approach to investing in BiFab and other companies in the renewable energy sector and what lessons can be learned from the BiFab situation.
14. The Committee held the following evidence sessions:
 - On 24 November 2020, the Committee took evidence from SSE Renewables, Scottish Renewables, EDF Renewables and Kincardine Offshore Wind Limited (KOWL);
 - On 1 December 2020, the Committee heard from DF Barnes and GMB Scotland;
 - On 8 December, the Committee took evidence from Crown Estate Scotland, Marine Scotland and the Scottish Government's Directorate for Energy and Climate Change;
 - On 15 December, the Committee took evidence from the Cabinet Secretary for Economy, Fair Work and Culture, Fiona Hyslop MSP and officials;
 - On 21 December, the Committee took evidence from the UK Government's Minister of State for Business, Energy and Clean Growth and Department for Business, Energy and Industrial Strategy.
15. This was a short, focused piece of work which aimed to look at BiFab's specific circumstances. It did not examine other Scottish or UK-based supply chain businesses. Instead it sought to look at BiFab and the environment in which BiFab competed for contracts.

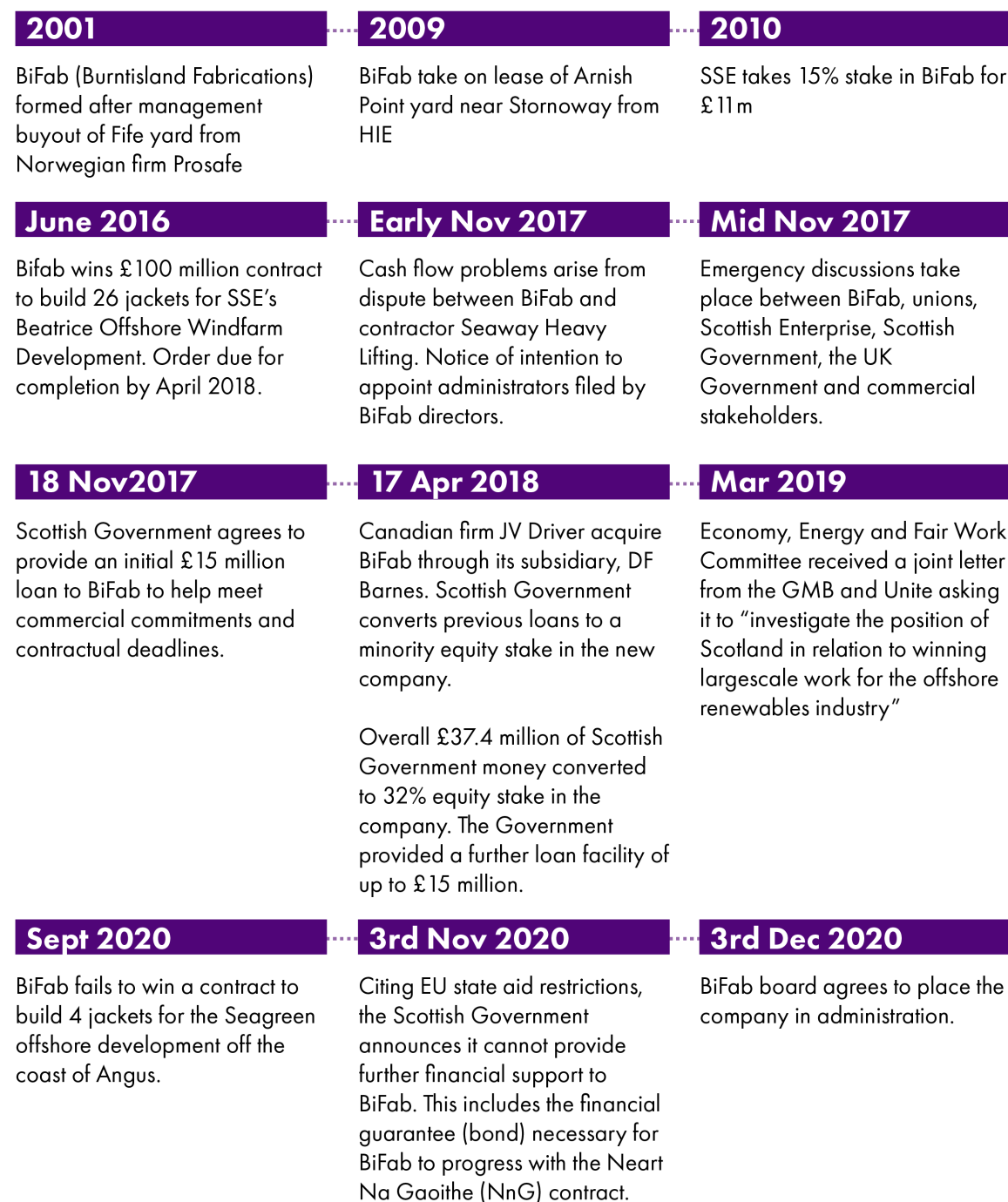
Policy background

16. When considering the offshore wind sector, it is important to note the wider context of UK and Scottish Government policy drivers, in which companies like BiFab operate.
17. Scotland's Energy Strategy outlines a number of Scottish Government commitments including:
 - Working with Crown Estate Scotland and Marine Scotland on new offshore wind opportunities, including floating offshore wind.
 - Continuing to work with the sector, enterprise agencies and other partners to increase the industrial and supply chain benefits for Scotland of development in our waters.
 - Contributing to UK Offshore Wind Sector Deal discussions between industry and the UK Government.
18. Energy is also one of the Scottish Government's six key sectors, and Scottish Enterprise and Highlands and Islands Enterprise account manage a number of firms involved in the offshore wind sector, including BiFab.
19. The UK Government's Offshore Wind Sector Deal aims to maximise the advantage for industry from the global shift to clean growth and has a number of objectives, including:
 - "Providing forward visibility of future Contracts for Difference auctions, with auctions taking place every two years.
 - The sector committing to increase UK content to 60 per cent by 2030, including increases in the capital expenditure phase.
 - Increasing the representation of women in the offshore wind workforce to at least a third by 2030, with an ambition to reach a higher figure of 40 per cent.
 - Setting an ambition of increasing exports fivefold to £2.6bn by 2030.
 - The sector investing up to £250m of funding to establish a new Offshore Wind Growth Partnership to work with UK businesses and SMEs to address the UK's productivity gap, increase business competitiveness, drive supply chain innovation and support the UK's export drive.
 - Working to integrate offshore wind to support grid integration, such as co-located storage and wind to hydrogen." ⁹
20. In a letter to the Committee, the Secretary of State for Business, Energy and Industrial Strategy outlined the Prime Minister's "ambitious plans to build back greener", with the publication of the Ten Point Plan for a green industrial revolution on 18 November 2020. This included an ambition to increase the amount of offshore wind energy the UK Government aims to generate in the UK from 30GW to 40GW by 2030. It also set a new target to deploy 1GW of floating offshore wind and

announced £160m of new funding, awarded through a UK-wide bidding process, for ports and coastal manufacturing infrastructure, in addition to a wider package covering transport, nuclear and hydrogen.¹⁰

21. Witnesses highlighted that as part of the sector deal, the Offshore Wind Growth Partnership has committed £100 million to supporting supply chain companies by helping foster innovation, boost productivity and increase competitiveness.¹¹
22. The UK Government's Minister for Business, Energy and Clean Growth offered a positive view of future opportunities for the offshore wind sector. The Rt Hon Kwasi Kwarteng MP told the Committee that "the UK has set out a bold, low-carbon future in which offshore wind will play a central part".¹²
23. The Cabinet Secretary also noted that there are opportunities for Scotland, but accepted there are some challenges. She said:
 We are also dealing with market signalling about the position. The market matters to attracting bids; we must have an attractive renewables energy market. For lots of reasons, Scotland is well placed, but it has disadvantages and challenges, not least of which relate to deep water and operations.¹³

BiFab background and timeline



Source: SPICe data visualisation

24. BiFab makes structures for the oil and gas and renewable energy industries. It was formed in 2001 following a management buyout from its previous owners. BiFab operates two facilities in Fife and a yard on the Isle of Lewis.
25. The company almost went into administration in November 2017, partly caused by cash-flow difficulties arising from its involvement in a contract for the Beatrice Offshore Windfarm. At the time, BiFab had a workforce of around 1,400 employees, including 250 permanent staff and 1,130 agency workers.

26. In mid-November 2017, workers staged a “work-in” in a bid to prevent the closure of the BiFab yards. This was supported by Unite and the GMB. Emergency discussions took place between the firm, unions, Scottish Enterprise, Scottish Government, the UK Government and commercial stakeholders. These discussions helped broker a commercial agreement on 18 November 2017 which helped lift the threat of administration and alleviated BiFab’s immediate cash-flow problems.
27. Part of this agreement was a Scottish Government loan of £15 million to ensure that BiFab could meet its commercial commitments and contractual deadlines relating to the Beatrice Offshore Wind Farm. In April 2018, then Economy Cabinet Secretary, Keith Brown MSP, informed Parliament that the Scottish Government was expanding the loan facility made available to BiFab and converting the loan to a minority equity stake in the company.¹⁴
28. In a subsequent Parliamentary Question, the then Cabinet Secretary confirmed that the Scottish Government’s investment of £37.4 million in BiFab was converted to a 32.4% equity stake in the company. Although a substantial shareholder, the Scottish Government does not have representation on the BiFab board.¹⁵
29. In a deal brokered by the Scottish Government, BiFab was acquired by Canadian company JV Driver, through its subsidiary DF Barnes, on 17 April 2018.
30. In March 2019, it was announced that BiFab’s Arnish yard had been brought into use to build supports for offshore wind turbines in the Moray East development.
31. DF Barnes expressed a degree of optimism for BiFab’s future when it wrote to the Committee on 10 September 2020:

” I am pleased to report that, despite the challenging conditions, we remain optimistic that the BiFab yards have a long-term sustainable future. BiFab has contributed to all major Scottish windfarm developments to date. We expect this to continue in the very near future.”¹⁶
32. However, on 2 December 2020, less than three months later, the BiFab Board of Directors passed a resolution to put BiFab into administration. The board then contacted the Scottish Government to relay its decision. Subsequently, the Government has indicated that it plans to work:

” As closely as possible with the Administrator to get the best possible outcome for the workforce and yards themselves. Ideally a buyer willing to put money into the business will be found, but nothing is guaranteed. BiFab delivering the NnG contract is now impossible but I hope that the Burntisland and Methil yards could play some role in the project.”¹⁷
33. The Scottish Government noted that its focus will be on the workforce and the future of the yards, working closely with Scottish Enterprise and Highlands and Islands Enterprise to work on options for the yards.¹⁸
34. The Cabinet Secretary confirmed that “as a secured creditor with a considerable outstanding debt, the Scottish Government therefore has a significant interest in the Administration process and will work closely with the appointed Administrator”.¹⁹ It was confirmed that, “it is not possible at this time to estimate with any certainty the

level of return the Scottish Government might expect".²⁰

35. The Committee is extremely concerned that BiFab has been put into administration. This is a huge blow for workers and communities in Burntisland, Methil and Arnish. It is also a concerning reflection of the ability of the Scottish supply chain to benefit from the growth of offshore wind. The BiFab yards could play a key role in the Scottish supply chain; it is vital that the administrators find a buyer who can support the future of these sites.

Investment

36. Part of the remit for this inquiry was to investigate why BiFab has failed to gain contracts from recent offshore wind projects in Scotland. To do this it was important to look at the role of DF Barnes (subsidiary of Canadian industrial construction company JV Driver) as owners of the Scottish yards and SSE and EDF as the contracting companies. The Committee also wanted to scrutinise the Scottish Government's actions and determine what investment, guarantees or loans were made and when.
37. There has been some dispute between the Scottish Government and DF Barnes regarding both parties' expectations of their respective levels of investment, business support and roles in providing financial guarantees to BiFab.
38. In terms of the Scottish Government's financial involvement in BiFab, the Cabinet Secretary told the Committee:

” The Scottish Government provided loans to BiFab to allow for the Beatrice offshore Wind Farm project work to be completed, and to avoid an insolvency of BiFab in late 2017 when the works were ongoing and BiFab had over 1,000 workers in its yards. The loans totalled £37.4 million, and have been converted to a 32.4% equity stake in the business... Ministers acknowledge the current value of the Scottish Government's equity stake in BiFab will be below that invested to ensure completion of the Beatrice contract.²¹
39. This £37.4 million investment and subsequent conversion to a 32.4% minority stake in the company was intended to support the completion of the Beatrice Offshore Wind Farm contract. A separate loan facility of £15 million was also provided by the Scottish Government to support working capital and allow the company to tender for contracts following JV Driver's acquisition of BiFab. To date, a total of £14.9 million has been drawn down in relation to this loan facility.
40. The Cabinet Secretary told the Committee:

” We were the primary source of funding for supporting completion of the Beatrice contract, but that was way back in 2017. That was not to keep the company running for the subsequent three years— that was not part of the business plan proposals.²²
41. The Cabinet Secretary also said:

- ” We provided an investment of working capital to the company while it was operating under new ownership. Anyone would expect the majority shareholder to provide investment and working capital and to ensure the company's cash-flow position; it is not the responsibility of the minority shareholder to do that. We provided loans to help the company, and we provided support. ²³
42. The Cabinet Secretary said that the Scottish Government had concerns about BiFab's finances and cash flow, and JV Driver's assurances that it was seeking alternative funding never came to fruition. ²⁴
43. DF Barnes told the Committee that since its acquisition of BiFab in 2018 it had "invested heavily" in business development, training and equipment. ²⁵ However, the Cabinet Secretary took a different view, expressing her disappointment in JV Driver's "lack of financial investment in the business and the zero-risk position that it has adopted as a shareholder". ²⁶
44. The Committee pressed DF Barnes to provide details on the level of financial support it had provided for BiFab since its acquisition, but they were unable or unwilling to respond. DF Barnes did however say that "after that kind of significant loss and near catastrophe" with the Beatrice project, BiFab "was not a company that we would put millions of pounds into. That would not have made sense". DF Barnes said that the Scottish Government always "understood that we would come in and try to restore the company, but we would not be providing a lot of cash". ²⁷
45. DF Barnes told the Committee:
- ” Our business plan was set out in great detail, and it was provided to the Government late in 2017 and into early 2018. As part of that business plan, we set out our vision for BiFab, and we set out how we would implement that business plan in conjunction with the Scottish ministers, who were the other shareholder. The business plan's intent was always that the Scottish ministers would be the primary financier of the business. It set out the money that was required as part of the revitalisation of BiFab, and that money was coming from the Scottish ministers. That was agreed between the parties. ²⁸
46. The Cabinet Secretary told the Committee that the pre-acquisition business plan clarified what had been agreed between DF Barnes and the Scottish Government in terms of investment and assurances. ²⁹ The Cabinet Secretary said:
- ” I agree that it would be helpful for the business plan to be shared with the Committee. It is not however within the gift of Scottish Government to do so, without the consent of the document owners, DF Barnes. This is on grounds of its potential commercial sensitivity. ³⁰
47. When BiFab went into administration, DF Barnes issued a media statement which said that it was "perplexed and disappointed" by the joint statement from the Scottish and UK Governments regarding financial support for BiFab. DF Barnes noted that BiFab had "limited visibility into the methodology and information" used to form the UK and Scottish Governments' position. It further said that "Scottish Ministers to date have provided less than 50% of the working capital financing

requested by JV Driver in its pre-acquisition business plan".³¹

48. The Committee notes that there are clear contradictions between the evidence presented by DF Barnes and the Scottish Government in the expected level of investment by both parties. This is particularly true of financial guarantees which will be explored later in the report.

49. The Committee is extremely concerned by the lack of transparency in decision making. Both DF Barnes and the Scottish Government cited the pre-acquisition business plan as corroboration of their position, but neither shared this business plan with the Committee, despite repeated requests.

50. The Committee agrees that the completion of ongoing BiFab contracts in 2017 was vital and required financial support. However, the Committee believes that there should have been agreement around securing the future of the company. For a number of reasons explored in this report, including financial viability and state aid rules, neither DF Barnes nor the Scottish Government felt able to provide the finance required to secure the vital contracts BiFab needed to avoid administration. The financial loss to the public purse of BiFab failing as a company demonstrates that greater accountability and transparency is needed.

Guarantees

51. The dispute between the Scottish Government and DF Barnes relates to the issue of investment in BiFab, including financial guarantees. The Committee was told that BiFab securing the contract to fabricate 8 jackets for the NnG contract hinged on its ability to provide a £30 million financial guarantee for completion of the work. As neither DF Barnes nor the Scottish Government were prepared to provide this assurance, BiFab lost the NnG contract.

52. DF Barnes told the Committee that their original business plan set out that the Scottish Government would be the main financiers of BiFab. It said that BiFab was originally covered by JV Driver's global bonding facility, but after reviewing BiFab's pipeline of work in 2018, it decided that BiFab was "unbondable".³² According to DF Barnes, after this decision was made, the Scottish Government had agreed that they could provide the bond and guarantee for the NnG project.

53. DF Barnes told the Committee:

- ” our bonding agency reviewed the commercial situation of BiFab, the market conditions and the contractual forms that are utilised in the offshore renewables industry, and determined that the associated risk profile was beyond the scope of what the bonding agency could sustain and that, therefore, 100 per cent cash security was required for all future bonding...We brought that to the attention of the Government, because that was not part of our plan...the Government discussed it with its advisers and it was determined that the Government could provide the bond and guarantee for the NnG project. That was put in front of the finance committee sometime late in 2019 and commercially approved, based on the award of contract. ³³
54. DF Barnes told the Committee that the value of the guarantee for BiFab was significant, amounting to "millions and millions of pounds" that "would need to be cash secured and outstanding for up to seven years". ³⁴ Until September 2020 it was DF Barnes's expectation that guarantees were being provided by the Scottish Government. ³⁵
55. The Cabinet Secretary disagreed with this interpretation. She told the Committee:
- ” Way back in 2017, when the company faced potential insolvency, support was provided to deliver the Beatrice contract in particular, and to broker finances between the parties that were involved at the time. JV Driver subsequently took on the majority shareholding. The agreement at the time and the pre-acquisition business plan...specifically said that JV Driver would provide capital and assurances, and would use its parent company bond guarantee. It said that it would provide financial support for the company. From a straightforward business point of view, it would be highly unusual for the majority shareholder not to be the first port of call for assurances in the industry and for provision of working capital, particularly when the company was becoming cash insolvent, which led it to go into administration. ³⁶
56. EDF Renewables also understood that the Scottish Government would provide the necessary financial guarantees, but did note that it was not aware of any examples where government guarantees had been offered in other EU countries ³⁷ :
- ” It is normal in contracts for jackets that the developer asks for a guarantee that the work will be completed. That was a request not just of BiFab; we ask all our suppliers and contractors to provide such a guarantee so that, if the work is not completed, we have protection. In this instance, the guarantee was coming from the Scottish Government as a shareholder in BiFab—it was as a shareholder that the Scottish Government came in to provide the guarantee...The guarantee can be provided through a bank or it can be a parent company guarantee. In the case of BiFab, it was the Scottish Government, as a shareholder in the company, that provided the guarantee. ³⁸
57. The Cabinet Secretary explained that DF Barnes had initially agreed to offer the necessary financial assurances for the NnG contract. When DF Barnes no longer felt that this was viable, the Scottish Government explored other bonding options. The Cabinet Secretary told the Committee that "had the company been in a better financial position with a pipeline of future work, and had it been a company that anyone was prepared to invest in, that would have been a different set of

circumstances that would have allowed us to support the company".³⁹

58. The Cabinet Secretary sought to clarify the disagreement over guarantees. She told the Chamber that the Scottish Government "did not renege on an assurance; we gave an agreement in principle in relation to NnG at a point in time when commercial returns and a pipeline of work were envisaged. That is very important in terms of those aspects".⁴⁰

59. Ultimately BiFab could not provide the financial guarantees needed to secure the NnG contract. On 24 November 2020 the Scottish and UK Governments issued a joint statement that agreed there is currently no legal route to provide further financial support to BiFab in its current form.⁴¹ The Cabinet Secretary told the Parliament:

” As a minority shareholder, we have been exhaustive in our consideration of the options that are available to us to financially support BiFab. We have worked collaboratively with the United Kingdom Government to explore all options, and we have not identified a legally compliant way to support the business.⁴²

60. DF Barnes said that it was "shocked" by the Scottish Government's decision that it was unable to offer the necessary financing, assurances and guarantees for BiFab to progress with the NnG contract, which "would have put 400 to 500 people back to work in Fife".⁴³ DF Barnes indicated that the timing of the Covid-19 pandemic and failure to secure the Seagreen contract was significant. DF Barnes believed that the Covid-19 pandemic changed how financial support by the Government would be viewed in terms of state aid compliance. Failure to secure the Seagreen contract damaged BiFab's pipeline of work, which was significant in its viability.⁴⁴ Both DF Barnes and the Government noted that securing the Seagreen contract could have significantly altered BiFab's prospects and therefore investability. Having a pipeline of work was key to the financial support being state aid compliant.

61. In a statement to Parliament, the Cabinet Secretary said:

” If the majority shareholder will not invest, investment by central Government can, almost by definition, be seen only as a subsidy. Investment by Government must be made on the same basis as that of a commercial investor. When the pipeline of future work was adversely affected by SSE Renewables deciding not to award the Seagreen work to BiFab, the commercial position changed. I have been asked why we could not invest at that time. It is simply because there was no prospect of a commercial return. A commercial investor would not have invested, so we were unable to do so. By investing, we would only have been providing subsidy with no prospect of a return. That fact is key to the state aid position.⁴⁵

62. In summary, it appears to the Committee that initially DF Barnes agreed to provide financial guarantees to enable BiFab to secure contracts. In 2018, parent company JV Driver provided a guarantee for BiFab's completion of the pin piles contract for the Moray East Offshore Wind Project. However, following a review of BiFab's risk profile it determined that it could not offer full cash guarantees for the completion of work by BiFab. At this point, DF Barnes claims that the Scottish Government started exploring options to offer BiFab this financial guarantee so that it could win the NnG contract. This included an approach to the Finance Committee for a contingent

liability.

63. Although the contingent liability was agreed by the Finance Committee to allow the Scottish Government to provide the required guarantee for the NnG contract, the Scottish Government subsequently determined that offering the cash assurance would be a breach of state aid rules. Circumstances had changed due to BiFab's financial situation, its failure to secure a pipeline of work and delays to the NnG project (largely due to the Covid-19 pandemic).

64. State aid regulations were cited as the reason behind the Scottish Government's decision not to offer further investment or the financial assurances that would have enabled BiFab to secure the NnG contract. DF Barnes felt unable to provide this guarantee without a clear pipeline of work for BiFab.

65. The Committee notes evidence that a contingent liability was agreed by the Finance Committee to allow the Scottish Government to provide the required guarantee for the NnG project. However, delays to the project meant that circumstances had changed and the Scottish Government decided that it could no longer offer the guarantee. Such contingent liabilities are considered in private meetings of the Finance Committee; this Committee has not had sight of the documentation supporting the contingent liability decision. The Committee believes that the contingent liability process should be reviewed to consider whether it can be more transparent.

State Aid

66. Part of the remit for this inquiry was to investigate current state aid rules and their impact on government investment and conditionality and the potential impact of any state aid rules following the UK's exit from the EU.
67. State Aid restrictions were cited by the Scottish Government as the reason why it could no longer offer financial support to BiFab or provide the financial guarantee assurances required by EDF Renewables for BiFab to undertake building 8 jackets for the NnG contract. This was therefore a significant area of interest for the Committee.
68. State aid refers to financial or other assistance given by public authorities to entities carrying out economic activities. In an overview of state aid provided to the Committee by the Cabinet Secretary, it was highlighted that the primary purpose of the EU state aid regime is to prohibit subsidies which may distort competition on the EU internal market and to avoid damaging subsidies races. The Scottish Ministers, as a public authority, are required to observe the EU state aid regime when providing financial support to industry. When taking decisions, the Scottish Ministers look to the body of state aid law to determine how support can be structured in a compatible way.⁴⁶
69. To provide context to the Committee, Crown Estate Scotland cited some examples where the European Court of Justice previously considered there to be breaches of

Article 34 of the Treaty on the Functioning of the European Union. Article 34 forbids measures that hinder or discourage free trade in goods. Examples included:

- The use of “discriminatory” specifications regarding a call for competition by an Irish Public Authority where the specifications for pipes to be used in the works programme favoured Irish products.
- Decisions to buy from specific regions, such as that proposed in Italy which required certain public authorities to reserve 30% of their purchases of supplies for undertakings which had establishments within a specific region for the aim of securing industrial development in that region.
- Requirements in construction contracts requiring national products to be used, such as in relation to a Danish public authority which required the use of Danish materials.
- The requirement to purchase local products in order to achieve a subsidy, such as an Italian policy which required certain Italian Public Authorities to purchase motor vehicles of domestic manufacture as a condition of eligibility for certain subsidies.⁴⁷

70. The Scottish Government believed that giving a financial guarantee to BiFab in 2020 would fall foul of the Market Economy Investor Principle (MEIP), a “cornerstone” of EU state aid law. It said that a key question in determining whether or not Government support to a business would be permissible is whether or not a market economy investor would do the same. It did not believe that a private financier would provide a financial guarantee to BiFab at this time. DF Barnes also said that BiFab was “unbondable”.⁴⁸
71. The UK Government agrees with the Scottish Government's legal advice and subsequent position. In a joint statement by both governments it was concluded that “there is currently no legal route to provide further financial support to BiFab in its current form”.⁴⁹
72. The Cabinet Secretary explained that only commercial considerations can be taken into account. This will include consideration of the assets and liabilities of the business, its revenue and future plans and prospects.⁵⁰ That is why, in the Scottish Government's opinion, failure to secure the Seagreen contract was so significant as BiFab's future plans and prospects were damaged. The Cabinet Secretary was clear that legal advice had been sought on state aid regulations, but this could not be shared with the Committee.
73. GMB Scotland and Unite unions sought their own legal opinion from Lord Davidson QC, which did not agree with the Scottish Government's position, although it was noted that his “opinion is inevitably subject to the constraints imposed by paucity of information and by urgency”:

” ...the critical predicate fact is that the market in the provision of guarantees and performance bonds would refuse to provide such a guarantee to BiFab. This assumes ScGov has tested the market in some manner as regards BiFab. This is perhaps a surprising step for ScGov to undertake not least as it is unlikely to have the full information available to BiFab and its holding company. Furthermore the market in guarantees includes the provision of bespoke bonds. To establish the response of the market to a proposal is not especially easy.⁵¹

74. It has been suggested that the Scottish Government should have waited until the end of the EU-exit transition period on 31 January to assess what state aid regulations are then in place. Lord Davidson advised:

” There does not appear to have been any immediacy for provision of the guarantee. A willingness to provide a guarantee would not in my view of itself offend against the EU State Aid regime... Therefore one is left with the perception that ScGov has acted unnecessarily precipitately in 'withdrawing the guarantee'. There is in fact no guarantee to be withdrawn but only an agreement in principle to provide such a guarantee. It appears to be an excess of caution for ScGov to inform BiFab a guarantee would be illegal.⁵²

75. The Cabinet Secretary has repeatedly told the Committee that the Scottish Government's legal advice is that further financial support of BiFab would breach state aid rules and disclosure of that legal advice would be a breach of the Scotland Act and ministerial code.⁵³ When asked to summarise where advice differed, the Cabinet Secretary suggested that "to summarise meaningfully the ways in which the legal advice received by Scottish Ministers diverges from the Opinion of Lord Davidson QC would be akin to divulging that advice".⁵⁴

76. Furthermore, according to the Scottish Government the decision about whether or not to continue to provide a financial guarantee to BiFab could not be delayed. The Cabinet Secretary stressed that the company was in a difficult position and the decisions in relation to the NnG contract were time critical.⁵⁵

77. Addressing the Parliament, the Cabinet Secretary stressed that as of 16 December 2020, the rules dictating state aid following the end of the transition period were still unclear. The Cabinet Secretary said:

” there seems to be a general attitude that state aid will not exist after EU exit, and it is disingenuous to give that impression. That is not the case; it will exist in a different form, even under World Trade Organization rules. Indeed, because the level playing field is a key aspect of the EU exit negotiations, I suspect that it will feature in that.⁵⁶

78. On 24 December 2020, the UK and EU announced the conclusion of negotiations for the Trade and Cooperation Agreement which came into force on 1 January 2021. The Agreement sets out "level playing field" provisions for competition, subsidies and state-owned enterprises, amongst other things. There is no reference to EU law or dynamic alignment on state aid in the agreement⁵⁷, but new rules will be in place to prevent distortions created by subsidies, anti-competitive practices, or discriminatory and abusive behaviour by state-owned enterprises. According to the

European Commission both parties have the right to determine their own laws while maintaining a robust level playing field. This will be accompanied with effective, domestic enforcement, a binding dispute settlement mechanism and the possibility for both parties to take remedial measures.⁵⁸

79. GMB Scotland expressed their frustration that other countries seem to be able to offer this kind of financial support, yet Scotland cannot. GMB Scotland said:

” It needs to be pointed out that, in Scotland, almost every offshore wind turbine has been built by a state aid-backed company.⁵⁹

80. GMB Scotland also noted that although France came to renewable energy later than some other countries:

” ...it has made it clear that companies that want to win contracts to produce offshore wind in France need to build in France.⁶⁰

81. DF Barnes cited examples of BiFab competing against a "state-led fabricator and ship repair business in Spain" which is "state financed and state owned".⁶¹

82. The Scottish Government and DF Barnes both noted that the option of transferring DF Barnes's shares in BiFab to nationalise the yards was considered by both parties, but the Scottish Government determined that this would not have allowed the Scottish Government to provide state aid-compliant additional funding for the company, either in assurances or in working capital.⁶²

83. For DF Barnes, state aid restrictions and open-market competition were the biggest problems facing BiFab. Given that BiFab was primarily competing against firms outside Europe, DF Barnes could not understand why European state aid regulations still applied. It told the Committee:

” The primary reason why BiFab has had a challenging time with the renewables sector has been driven...by open market competition, state aid legislation and the fact that we have an ever-increasing scope of competition from state-financed enterprise. We ran into that situation many times with other entities in Europe and see it now in particular with firms from the middle east and Asia.⁶³

84. The Cabinet Secretary indicated that DF Barnes found state aid rules more restrictive than it had anticipated and certainly more restrictive than it had experienced in Canada. The Cabinet Secretary believed that DF Barnes found that problematic and not what it had expected.⁶⁴

85. The Cabinet Secretary said that she appreciated the work that the UK Government did in considering whether any further Government support could be offered. However, its conclusion was that it could not step in.⁶⁵ It also agreed to establish a working group to consider supply chain issues. The Minister for Business, Energy and Clean Growth noted that state ownership or support cannot be agreed on a "blanket basis" as the individual circumstances of the business are important factors.⁶⁶

86. The Committee notes the concerns of DF Barnes and GMB Scotland suggesting that BiFab is disadvantaged when competing for contracts against European bidders who may have received financial assistance from their respective governments.
87. The consequences of EU state aid regulations as understood and applied in the context of BiFab may have disadvantaged it to the benefit of state-owned/subsidised enterprises in Europe and the far and near East. It was suggested to the Committee that BiFab was not operating on a level playing field. As such, the Committee calls for any future subsidy regime in the UK to be cognisant of this issue and ensure that UK manufacturing jobs are given a fair opportunity to compete with low-wage economies. The UK and Scottish Governments must be creative and ambitious in their support of the local supply chain.
88. The Committee also notes the opinion of Lord Davidson QC, that the Scottish Government could have waited until there was an outcome of the EU future relationship negotiations, before a final decision on continued financial assistance to BiFab was made. As a result of the end of the transition period, the UK has left the EU's state aid regime and the framework under which the Scottish Government made its decision is now no longer in place. However, there continues to be level playing field agreements in the Trade and Cooperation Agreement and it is unclear at this stage how these will be implemented.
89. The Committee notes that the UK Parliament's Business, Energy and Industrial Strategy Committee is taking evidence on state aid in early 2021. The Committee recommends that its successor Committee conducts further work in this area as an early priority for Session 6.

UK Competition Law

90. Crown Estate Scotland highlighted that even without adherence to EU State Aid regulations, UK competition law may prevent any processes being introduced that prioritise the Scottish supply chain within a UK-only context.⁶⁷ The Committee notes that the same considerations may apply under World Trade Organisation (WTO) rules or other international obligations.
91. The Cabinet Secretary said:
- ” Although there is rhetoric around the potential for advantages in terms of more generous provision of state support to companies, we do not know what competition law will look like in any shape or form. Shaping it, even in the UK, is absolutely essential.⁶⁸

92. The Committee acknowledges that discussions regarding how the internal market will operate are ongoing and asks the Scottish and UK Governments to share their understanding of how the UK's exit from the EU will impact on domestic competition principles in relation to specifying local content in supply chain plans and supply chain development statements.

Enterprise Agency investment

93. Scottish Enterprise and Highlands and Islands Enterprise have both been involved in BiFab through business support and direct investment.
94. The Committee was told that during the last 10 years, Scottish Enterprise has undertaken a programme of activities specifically targeted at development of the Scottish offshore wind supply chain. It said, "these complement other more generic business support programmes and schemes that have benefited the sector, recognising that the offshore wind sector does not operate in a silo".⁶⁹
95. With regard to investment in BiFab specifically, Scottish Enterprise told the Committee:
- ” Scottish Enterprise has, to date, invested £2.3M specifically in the enhancement of the yard occupied by BiFab at Methil. This is in addition to investment in the wider Energy Park Fife infrastructure.⁷⁰
96. In answer to the same question, Highlands and Islands Enterprise said:
- ” HIE has previously invested in the Arnish site, prior to BiFab taking tenancy. In terms of improvements direct to BiFab's leased area in the Arnish site, HIE undertook external recladding of the main facility (£2M) and installation of plant and equipment (plate bending & handling and welding equipment, £3M).⁷¹
97. DF Barnes indicated that when it became a shareholder in BiFab, Government support was significant. It said that "it brought all its agencies to bear in support of BiFab and the Scottish supply chain". However, it suggested that the Covid-19 pandemic had impacted the relationship between DF Barnes and the Scottish Government where "a lot of issues were competing for the attention of Government officials and Scottish Ministers".⁷²
98. The Cabinet Secretary said that Scottish Enterprise has been heavily involved supporting the offshore wind sector, including direct support of BiFab:

” Scottish Enterprise has helped. Working with Fife Council, it has invested over £2 million to improve the state of the yard, particularly the ground covering and concreting. It provides support for expertise in offshore wind, and there are supply chain meetings and meet-the-buyer events. It also looks at diversification support programmes. It is involved in a number of things. In July, I announced a £62 million investment in the energy transition fund, and Scottish Enterprise is heavily involved in that...It has also provided leads to the administrator. It is involved in a variety of ways immediately and in strategically looking at the supply chain aspects.⁷³

99. The Cabinet Secretary felt that DF Barnes were reluctant to engage with Scottish Enterprise:

” In the current situation, SE would work with the company if the company agreed to that, but the owners have been reluctant to engage with others. We tried to get third-party investment and to find ways to improve the cash-flow and working capital positions, but it was clear that we were coming to the end of what we could provide, both legally and financially. The £15 million loan that we had provided was maxed out. That is the context. Scottish Enterprise is now helping to identify companies that might want to take BiFab over.⁷⁴

100. In addition to the £2.3M investment specifically made in enhancing the BiFab yard at Methil, Scottish Enterprise also provided the Committee with details of its broader investment in the offshore wind sector and Scottish supply chain. It cited expenditure on a number of projects:

- £1.4M on the offshore wind supply chain development programme
- £103,224 on the offshore wind supply chain and innovation support service
- £164,756 on energy expert support, £190K on the diversification support programme, with further investment in the offshore wind supply chain directory, the offshore wind Scotland website
- £296,341 on Scottish low carbon investment conferences in 2010, 2011 and 2012
- £1.97M by Scottish Development International supporting internationalisation and SDI inward investment activity
- £33.9M in renewables related infrastructure projects
- £6M POWERS grant towards the Levenmouth demonstration turbine, and
- £1.23M for global renewable energy marketing and communications, including offshore wind, between 2012 and 2017.⁷⁵

101. The Committee specifically asked Scottish Enterprise how much it had spent over the past ten years supporting, developing and promoting the offshore wind supply chain. The information provided in its response did not fully answer this question with the agency arguing that it is difficult to identify and isolate spend which supports one specific sector alone. Instead, various programmes were described,

some of which relate to the renewables sector in its entirety. Totalling all the funding mentioned in Scottish Enterprise's response gives us a figure of £45.3 million since 2010. Scottish Enterprise was asked how much it had spent over the past ten years supporting, developing and promoting the offshore wind supply chain and what this spend has achieved. The Committee was disappointed that the breakdown of investment offered to the Committee did not address this specific question.

102. Highlands and Islands Enterprise also detailed investment including: £58M in port and harbour infrastructure, account management support to 150 businesses in the energy supply chain, meet the buyer events and development of the DeepWind cluster. HIE noted that through DeepWind it will deliver a series of procurement workshops leveraging the developer and top tier cluster members. They will provide early, detailed guidance on procurement strategies and the steps the Scottish supply chain must take in tandem with the developers and top tiers to be competitive in Round 4 and ScotWind projects.⁷⁶
103. Crown Estate Scotland has also made a commitment to consider how it can potentially invest its own capital to help support the development of the offshore wind sector in Scotland. It has invested £3.7m in the acquisition of a 123-acre commercial site near Montrose called Zero Four. The site is considered to have strong potential for supporting the development of offshore renewables, as a potential base of operational and maintenance support activities linked to the development of offshore wind projects in the North Sea.⁷⁷

104. The Committee believes that the enterprise agencies have a key role in ensuring that the Scottish supply chain is ready to take full advantage of future ScotWind Leasing opportunities. The Committee notes that projects are being undertaken by the enterprise agencies which aim to ensure that the Scottish supply chain is ready for future opportunities. Every effort must be made to strategically develop the Scottish supply chain to benefit from these contracts

Role of developers in the local supply chain

105. According to the UK Government, UK-wide commitments to net zero mean that, alongside 35% of the global capacity in offshore wind, the UK is a very attractive place for developers.⁷⁸ Ultimately, within the parameters set by Governments, it is also the developers who decide how contracts will be awarded. Developers told the Committee that they aim to support local supply chains wherever possible, whilst also accepting that the vast majority of jacket fabrication work relating to their developments is taking place elsewhere.
106. The Committee was told by developers that they take a proactive approach to engaging with local communities and businesses. The developers described a situation where SMEs have been encouraged and supported to engage with contracts. Scottish Renewables said:

” [there] is a great deal of goodwill in Scotland from larger developers towards the smaller companies. Indeed, a tremendous amount has been done by those larger companies to help the smaller companies. The success of the supply chain in Scotland and, indeed, the rest of the UK is a matter for three parties: supply chain companies, Government and developers.⁷⁹

107. Both EDF and SSE claimed to have done their utmost to help BiFab win jacket contracts. SSE Renewables said that it lost huge amounts trying to invest in BiFab:

” Back in about 2011, we invested £10 million in equity in the company, which we effectively gave away for £1 when it went into administration. We put a further £7 million into BiFab to prevent it from doing so. Earlier in the decade, we stepped in and saved the Wind Towers factory from closure, which kept it going for a while until a manufacturer was able to buy it.⁸⁰

108. EDF Renewables said that it seeks to work with Scottish and UK supply chains and is proactive in reaching out to companies. It said that for the NnG project it asked all tier 1 suppliers to consider where they could get some local content, and in some cases also made suggestions.⁸¹

109. EDF Renewables came to an agreement with BiFab that the Scottish yards would build 8 jackets for the 450-megawatt NnG development, situated off the Fife coast. In September 2020, DF Barnes indicated that it expected several hundred jobs to be created in Fife through the NnG contract. It also suggested that negotiations were ongoing in relation to the Seagreen contract and BiFab's bid to build 4 jackets.⁸²

110. However, by November BiFab had lost the Seagreen contract. The Cabinet Secretary expressed her disappointment that SSE did not award any of the Seagreen work to BiFab. She said:

” That decision has been pivotal in the situation that BiFab now faces. The BiFab bid was competitive with all other United Kingdom and European bids. Furthermore, BiFab's tender included fully procured Scottish steel, and therefore offered SSE an opportunity to demonstrate its support for the Scottish supply chain during these challenging times.⁸³

111. In relation to BiFab, the Committee heard that EDF Renewables had made considerable effort to ensure some work could go to the Fife yards. It was committed to BiFab building 8 jackets for the NnG contract until it became apparent that BiFab was unable to provide a financial guarantee for the contract.

112. EDF Renewables told the Committee that BiFab was not awarded the NnG contract because it could not compete on price and it could not provide a financial guarantee.⁸⁴ SSE agreed that price was the reason it could not award the Seagreen contract to BiFab.⁸⁵ DF Barnes noted for the Seagreen contract, BiFab's tender "was acknowledged as being amongst the lowest prices of European renewables fabricators. However, fabricators from China provided pricing that no European yard could match. China's price differential is driven primarily by low cost labour, state led investment and/or subsidisation, and economies of scale".⁸⁶

113. Witnesses told the Committee that loss of the Seagreen and NnG contracts mark a significant turning point in BiFab's plight. The pipeline of work that these two projects would have offered BiFab made it a viable company. Without these contracts the Scottish Government decided that it could no longer offer financial investment without breaching state aid.

114. On 3 November 2020, the Cabinet Secretary told Parliament:

” ...the delays to the NnG contract award as a result of the [Covid-19] pandemic and SSE's decision to award the Seagreen contract to companies in China and the middle east, compounded by JV Driver's continued lack of investment in the business, have greatly weakened BiFab's cash flow and balance sheet. Those factors bring about a position in which the Scottish Government cannot currently legally continue to provide more financial support to BiFab. ⁸⁷

115. Witnesses highlighted the intense competition faced for UK jacket fabricators, including BiFab. However, EDF Renewables acknowledged that:

” There is work to be done to further develop capabilities to engage Scottish businesses to win contracts through the development, construction and operation of windfarms... More can be done in future to develop the local content. ⁸⁸

116. However, the developers were keen to stress that all is not lost and that there are "still opportunities" in an industry which expects considerable growth. SSE Renewables claim "the scale of the opportunities is huge". ⁸⁹ It did warn that the issue was with attracting investment into manufacture:

” There is no doubt that the market is here, but there is a question about where the money for manufacturing investment will come from. ⁹⁰

117. EDF Renewables said that strategic oversight on investment was needed:

” Without strong investment, the supply chain cannot necessarily compete. We need to consider taking an holistic approach to the opportunities for the Scottish and UK supply chain and where investment would be best targeted. We cannot just pay a premium on an ad-hoc basis to support the supply chain in the long run. ⁹¹

118. Developers have an important role in supporting the Scottish supply chain. Whilst acknowledging issues such as financial guarantees and global competition, the Committee is disappointed that neither SSE Renewables or EDF Renewables awarded recent contracts to BiFab; these decisions were significant factors in the administration of BiFab.ⁱ

ⁱ Supply chain mechanisms to encourage developers to use local content are explored later in this report.

Competition for contracts

119. Scottish Renewables told the Committee that developers are looking for three things: "cost, quality and reliability".⁹²
120. DF Barnes told the Committee that competition for contracts has significantly increased in recent years:
- ” When we first looked at acquiring BiFab as a going concern in 2017, BiFab’s competition came at that time from the UK and northern Europe. The scope of that competition had increased by 2018 to include all of continental Europe, and then it expanded to include the middle east. Competition now comes from across the globe, particularly from Asia. Much, if not all, of the current foundation work for offshore UK renewables projects is happening in the middle east and Asia, which have the lowest costs because of cheap labour, state aid and economies of scale. There is virtually nothing that the UK supply chain can do to compete with those companies on price, other than creating supply chain protection for the industry.⁹³
121. When the Committee took evidence in April 2019, we heard that UK yards do not have the infrastructure in place nor the ability to compete at the scale required. We were told that the developers face severe financial penalties for any delays to projects and therefore need companies which can provide a reliable, quality product, often on a large-scale.⁹⁴
122. In terms of comparable investment, Scottish Renewables said:
- ” Denmark built its first offshore wind farm—the first in the world—in 1991. Europe has moved since then to invest in manufacturing and port capacity, but the UK has not. That has been a fundamental failure of industrial strategy at Government level for many decades...we spoke to some of our members about facilities in Scotland and how they compare with facilities in the rest of the world. The phrase, “We are not comparing apples with apples” came up. We are talking about a complete shift in size and capacity.⁹⁵
123. However, it was noted that Scotland is no longer just competing with the rest of Europe, there is also significant competition from the far east and middle east. Scottish Renewables said that “the cost of offshore wind has been driven down across the world” and it is “therefore no surprise that companies in the far east are able to produce such large projects at lower cost”. It concluded that:
- ” Not only are Scotland and the rest of the UK now struggling to compete with Europe, Europe is struggling to compete with the far east. For the price of £40-odd per megawatt hour that I discussed earlier for Seagreen, it would be difficult to build those jackets in Europe. If those companies did not go to the far east for jackets, they could not build their projects. If there were no projects, there would be no economic or environmental benefits for Scotland, and that would be really difficult.⁹⁶
124. Witnesses told the Committee that the price difference between suppliers can also be significant. Whilst developers did not quote specific examples of the cost difference between a bid from BiFab and a bid from Europe or the middle east, SSE

Renewables did suggest that it could be at least a 10% difference for Europe and possibly an additional 10-15% between BiFab and the middle east or Asia.⁹⁷

125. For DF Barnes the only way to overcome this level of competition is for legislation to mandate a proportion of work for the local supply chain. However, this was apparently not permissible under EU state aid restrictions.⁹⁸

Investment in Infrastructure

126. Whilst it was not a key focus for this inquiry, some witnesses highlighted the importance of good infrastructure in attracting developers to the UK. It was also seen as having a role in facilitating companies to bid for contracts.
127. The Minister for Business, Energy and Clean Growth told the Committee that the UK Government's £160 million investment, allocated through a UK-wide bidding process for ports and offshore wind manufacturing, is "enabling infrastructure, because it will help to support the next generation of manufacturing, which can drive further opportunities in the UK supply chain".⁹⁹ The Minister confirmed that Scotland is in a good position to benefit from this investment.¹⁰⁰
128. Port infrastructure was highlighted as an issue by other witnesses, with Scottish Renewables noting that the UK has no equivalent to Esbjerg in Denmark, Rotterdam in the Netherlands or Rostock in Germany.¹⁰¹
129. Crown Estate Scotland told the Committee that port facilities are a "crucial piece of the jigsaw" in ensuring Scotland is well placed to host major offshore wind projects. Arup's detailed report, 'Ports for offshore wind: A review of the net-zero opportunity for ports in Scotland', was commissioned by Crown Estate Scotland and published in September 2020. It notes that actions must be taken to ensure that Scotland's ports are equipped and ready to support the expansion of offshore wind. The report seeks to provide a route map for facilitating rapid growth in projects by examining the future trends, needs and requirements of the offshore wind sector.
130. It provides a baseline capability of ports and potential future capacity projections. All existing ports and harbours in Scotland with potential significance for offshore wind were considered in the study. Its key finding was:
- ” Scotland has good technical capability to support offshore wind port functions in some, but not all locations. However, we believe that there is a significant risk that existing port capacity will be insufficient to support the offshore wind build-out rates required in Scottish waters to meet the UK-wide net-zero target. There are multiple port locations which are likely to be suitable for development of additional capacity to address this risk. This is true for both the large construction phase uses of ports, and operations and maintenance.
131. Crown Estate Scotland indicated that there are various steps that could be taken to maximise the future potential of Scottish ports, including:
- Taking steps to increase the port capacity that is suitable for large scale offshore wind developments.

- Establishing a national strategic approach to how offshore wind port facilities are developed.
- Developing new optimal operation & maintenance facilities which open up the right opportunities for Scotland's ports.¹⁰²

132. The Committee notes the findings in Arup's report and the need to ensure sufficient port capacity to support the expansion of offshore wind activity in Scotland. The Committee asks Crown Estate Scotland to provide it with an update on timescales for the implementation of the report's recommendations.

Contracts for Difference

133. The Committee also sought to investigate the role of Contracts for Difference and the UK Government's Offshore Wind Sector Deal as drivers for investment in the sector.
134. Throughout the inquiry, the Committee heard how important the UK Government's Contract for Difference (CfD) scheme has been, and continues to be, for the development of the UK's offshore wind energy sector. The UK Coalition Government introduced CfDs in 2010 to incentivise investment in secure, low-carbon electricity, improve the security of Great Britain's electricity supply and improve affordability for consumers. CfDs are the UK Government's primary mechanism for supporting new low carbon power infrastructure.
135. CfDs operate by guaranteeing a set price for electricity – known as a strike price – that generators receive per unit of power output. As the wholesale price of electricity fluctuates, the generator is either paid a subsidy, or pays back, so that they always receive the value of the strike price. The cost, or benefit, is in theory passed on to consumer bills.
136. By fixing the prices received by low carbon generation CfDs reduce the risks faced by developers and ensure that eligible technology receives a price for generated power that supports investment. Renewable generators located in the UK that meet the eligibility requirements can apply for a CfD by submitting a form of 'sealed bid'. There have been 3 auctions, or allocation rounds, to date, which have seen a range of different renewable technologies competing directly against each other for a contract.
137. The UK Government's Minister for Business, Energy and Clean Growth said that "people across the world, including manufacturers, are looking at the CfD scheme in the UK as something that has been very successful and they want to compete in it". The Minister did not see low-cost energy provision as incompatible with employment for the local supply chain.¹⁰³
138. However, the Committee heard that CfDs incentivise developers to generate renewable electricity as cheaply as possible, which should benefit the consumer, but this has dictated developers' priorities when sub-contracting. It is in the developer's interest to buy turbines, jackets and other equipment for the lowest possible cost, leading to fabrication work going to yards with low labour costs and high capacity, such as those in China and the Middle-East. GMB Scotland suggested that where European companies have successfully competed, they may have received financial state assistance.¹⁰⁴
139. Scottish Renewables told the Committee that CfD has been "phenomenally successful" in its aim to drive down the cost of power as low as possible. However, this has had consequences:

- ” In terms of offshore wind, Beatrice received a strike price before the first auction round of £140 a megawatt hour. The cheapest project in the first auction round was under £114; in the second, it was £57. In the third auction round, Seagreen 1 received a contract of £41 per megawatt hour... In 2016, the UK Department for Business, Energy and Industrial Strategy thought that offshore wind would cost £103 per megawatt hour in 2030; the current estimate is £47. Nobody saw that coming. That has led to a lack of money in the system and therefore to a desire to bring down project costs. ¹⁰⁵
140. The Minister for Business, Energy and Clean Growth told the Committee that the CfD scheme has been "very successful" and in five years, has reduced the cost of offshore wind from £114 per megawatt hour in 2015 to roughly £39.50 per megawatt hour in 2019. ¹⁰⁶
141. The Committee was also told that over the past three allocation rounds of CfDs, Scottish capacity as a share of total UK capacity went from 39% to 30%, and in the most recent round was down to 9% (measured in megawatt capacity). Scottish Renewables told the Committee:
- ” the amount of offshore wind capacity awarded to Scottish projects fell across the first three auction rounds...If we are getting only 9 per cent of the projects through from a CfD round, we simply cannot deliver the economic and environmental benefits that this industry wants to deliver for Scotland. ¹⁰⁷
142. SSE suggested that higher transmission charges, deeper waters and more difficult sea-bed conditions disadvantage projects in Scotland and makes them more expensive. ¹⁰⁸ Scottish Renewables thought that this was the reason for the decline in Scottish deployment. ¹⁰⁹ However, Scottish Renewables also said that "it is absolutely not the case that the supply chain is adrift; a lot is being done to help supply chain companies to compete. We are at the start of the journey and there is a lot more to come". ¹¹⁰
143. DF Barnes told the Committee that the CfD process is a "race to the bottom". ¹¹¹ From its perspective changes to the system are the only way to improve BiFab's chances of success in winning contracts:
- ” If we understand the market that BiFab must compete against, we can see that there is no level of investment that could overcome that. Developers must agree supply chain plans that guarantee a minimum amount of work for the Scottish supply chain. That is what happens in most jurisdictions in which we operate and we view it as a key success factor for supply chains in the Scottish renewables sector. ¹¹²
144. The Secretary of State for Business, Energy and Industrial Strategy told the Committee that:
- ” The Contract for Difference scheme has been very successful in delivering renewable energy projects, including in Scotland, and in driving cost reduction and better value for consumers across the whole of Great Britain. ¹¹³
145. However, the UK Government also acknowledges that the CfD process could be

improved to "strengthen" its Supply Chain Plan Policy and better align it to "Government priorities and its industrial strategy".¹¹⁴ It does not consider the current Supply Chain Plan process to be sufficient to deliver its supply chain objectives.

146. The UK Government launched a consultation on CfDs in March 2020. Proposals discussed in the consultation include extending the CfD scheme delivery years until 2030, enhancing the low carbon supply chain, and providing for the decommissioning of offshore windfarms. In the March consultation, the UK Government stated that it wanted to consider whether Supply Chain Plans can better encourage the growth of sustainable, efficient supply chains by introducing new measures that focus on delivering clearer and more measurable commitments that align with government priorities such as supporting regional growth, investing in skills and boosting productivity.

147. In November 2020, the UK Government launched a further consultation specifically on changes to Supply Chain Plans. The consultation noted that:

” The government previously sought views on whether the Supply Chain Plan policy could better encourage the growth of sustainable, efficient supply chains. The government is now proposing more detailed changes to the Supply Chain Plan policy, which are designed to increase the clarity, ambition, and measurability of developers’ commitments, and ensure that those commitments are delivered.¹¹⁵

148. Scottish Government officials indicated that the Scottish Government would be encouraging the UK Government to "go as far as it can" to create a robust supply chain process, but warned that investment must not be deterred if Scotland is to meet its net zero targets.¹¹⁶

149. The Minister for Business, Energy and Fair Work told the Committee that he was "directly focused" on the supply chain and hoped that in the fourth CfD auction round, the UK Government "can deliver on the promise of 60 per cent of UK content in the offshore wind supply chain". He said that "we cannot mandate UK content, but we can certainly support companies by creating a healthy market".¹¹⁷

150. The Minister added:

” the proof of the pudding will be in the eating. In auction round 4, we are doubling the capacity that we want to see on stream. We hope and we fervently expect that we will be able to show a marked improvement in driving up UK content.¹¹⁸

151. In its response to the UK Government's CfD consultation, the Scottish Government stressed the importance it feels the CfD mechanism has on supply chain prospects. The Minister for Energy, Connectivity and the Islands wrote:

” I would also welcome a discussion on the proposals to improve the supply chain requirements and outcomes. Implementation of the CfD proposals provides the final opportunity to ensure that our domestic supply chain benefit from future developments of our natural energy resources by hold the applicant to account. These contract awards can also be profoundly influenced by any decisions concerning the application of budgetary or capacity caps for forthcoming auctions. Failure to act on all fronts will simply extend the current and growing pattern of capex contract awards to Europe and beyond, and go directly against the principles set out in the Offshore Wind Sector Deal.¹¹⁹

152. The Committee believes that all reasonable steps should be taken to support a robust and competitive local supply chain for offshore wind. The Committee urges the UK Government to fully consider all options available to it to balance investment in offshore wind, energy prices and local supply chain benefits. This should include, but not be exclusive to, the consideration of increased contractual requirements to demonstrate that consideration has been given to local supply chains, requirements on fair work policies and pay, and wider environmental factors, as detailed later in this report.

153. Following its consultation process, the Committee urges the UK Government to design and implement changes to the CfD process with urgency. The Committee encourages the Scottish and UK Governments to work together to ensure that updated CfD processes align with the first round of ScotWind Leasing.

154. The Committee notes the Minister for Business, Energy and Clean Growth's comment that "the proof of the pudding will be in the eating" when auction round 4 takes place. The Committee also notes that Scottish capacity as a share of total UK capacity has reduced in the most recent CfD allocation rounds. It is therefore vital that changes are made in advance of the forthcoming auction round to ensure that Scottish firms and workers may benefit fully from these substantial opportunities.

Supply Chain Plans

155. Currently developers are required to provide a Supply Chain Plan to the Department of Business, Energy and Industrial Strategy (BEIS) when applying for a CfD. According to the UK Government, the aim of the Supply Chain Plan assessment process "is to encourage the effective development of low carbon electricity generation supply chain". BEIS then assesses and monitors the implementation of these Supply Chain Plans.¹²⁰ Whilst these plans are monitored, they cannot be enforced.

156. In practice however, it seems that supply chain plan commitments are not always met. The Supply Chain Plan for the Seagreen development states "an aspirational target range of 50-55% UK content".¹²¹ Both the supply chain plan and economic impact assessment study anticipated significant beneficial impacts for the Scottish

economy during the development and construction phase, including "direct impacts upon employment". ¹²²

157. Although BiFab's yards are around 50 miles from the development site, it failed to win any contract despite only bidding to build 4 jackets. SSE Renewables awarded a tier 1 contract for the engineering, procurement, construction and installation of the Seagreen foundations to Subsea 7, a company ultimately owned in Luxembourg. Subsea 7 then awarded contracts to Chinese/US joint venture COOEC-Fluor Heavy Industries to make 84 jackets and suction caissons for Seagreen. The remaining 30 jackets will be fabricated by UAE-based firm, Lamprell.

158. DF Barnes stressed the importance of having supply chain plans that are enforceable. It was frustrated that the consenting documents for the Kincardine offshore wind project set out "that 100 per cent of the fabrication was going to happen in Scotland" where "in fact, 100 per cent of the fabrication for that project happened in Spain". ¹²³ When KOWL was asked whether it had awarded the contract to a Spanish company that is "state-owned" and "loss-making" the Committee was told that KOWL was unable to comment, having no knowledge of the accounts of the company. ¹²⁴ The UK Government's Minister for Business, Energy and Clean Growth confirmed that it cannot mandate UK content. ¹²⁵

159. The Cabinet Secretary said that:

” The greater use of supply chain plans as part of the contract for difference would make a material difference to the opportunities for Scottish supply chains to get work and jobs. A dramatic shift is needed, and the opportunity is there...those who are tendering for the current ScotWind contract are expected to apply for contract for difference. We understand that the CfD option round is due to commence in autumn next year. Ideally, the supply chain statements that we have from the Crown Estate provision and the improved contract for difference will ensure a very strong position for Scotland's supply chain. ¹²⁶

160. The Scottish Government's response in June 2020 to the UK Government's consultation on CfDs proposes changes that it feels would benefit the local supply chain, including the following points:

- We expect offshore wind Supply Chain Plans (SCPs) to focus on the voluntary commitments set out in the Offshore Wind Sector Deal. We recommend therefore that all offshore wind Applicants detail how their SCPs will contribute towards the Sector's efforts to reach 60% UK content by 2030, with a particular focus on increasing local content during the construction phase of projects.
- One remedy, which the Scottish Government supports, would be to require Applicants to set out tangible actions that they will undertake to achieve the voluntary commitments set out in the Sector Deal.
- We would like in particular to see how Applicants will take action to increase local content in the construction phase of projects, and, as the Sector Deal's commitments were agreed to by the sector as a whole, we would expect Applicants to emphasise collaboration as a means to achieving these commitments. ¹²⁷

161. The Committee notes that the Scottish Government has submitted a response to the UK Government's consultation on CfDs and supports the proposals referred to in paragraph 160.

162. The Committee believes that, in order to be effective, it is vital for commitments made in supply chain plans to be monitored and effective enforcement action taken where the developer deviates from the agreed plan.

ScotWind leases and Supply Chain Development Statements (SCDS)

163. The Committee's remit included investigation of how the leasing and planning process in Scotland will be used in future to encourage developers to work more closely with the Scottish supply chain.
164. Scottish Government energy policy focuses on the promotion of renewable energy, the consenting of electricity generation/transmission development and improving energy efficiency. Since April 2017, the management of Crown Estate assets in Scotland has been devolved. This includes rights and liabilities that were previously managed by the Crown Estate Commissioners, including leasing of the seabed out to 12 nautical miles and equivalent rights on the Continental Shelf out to 200 nautical miles.
165. At the second offshore wind supply chain summit, held in January 2020, the Scottish Government and Crown Estate Scotland offered an update on their intention to develop a policy that would require developers to agree supply chain commitments when applying for offshore wind leases in Scottish waters.
166. In June 2020 Crown Estate Scotland announced the launch of the first round of offshore wind leasing in Scottish waters for a decade. The round, called ScotWind Leasing, enables offshore renewables developers to apply to build Scotland's new generation of offshore wind farms. Leases provide developers with the rights required from Crown Estate Scotland to construct and operate an offshore wind farm on the seabed. Developers still have to receive other consents before commencing development.
167. As part of any lease application, developers will have to submit a Supply Chain Development Statement (SCDS), outlining how they plan to engage with and utilise the supply chain to successfully develop their projects. It includes:
- Information on the geographical location of supply chain activity
 - Evidence relating to how their plan can be fulfilled
168. The intention behind the SCDS is to encourage more developers and their Tier 1 contractors to sub-contract work to Scottish suppliers. Developers will be required to submit credible information on the scale and location of anticipated supply chain spend in Scotland, the rest of the UK, the EU and beyond. However, despite being designed to encourage a pipeline of work for Scottish business, the Crown Estate confirmed that the new ScotWind Leasing process does not impose any requirement on the level or location of supply chain impact. Due to state aid rules and competition regulations it said that "it would not be legal for Crown Estate Scotland to require Scottish content as a basis for leasing". ¹²⁸
169. Crown Estate Scotland further confirmed, "the presentation of the Supply Chain Development Statement will be required, but the information contained in it will not form part of any scoring relating to selection of winning applications". ¹²⁹ This means that an application by a developer would not be negatively impacted if it did

not make any commitments to the Scottish supply chain.

170. The Cabinet Secretary for Economy, Fair Work and Culture wrote to the Committee:
- ” If the Contracted Position Statement does not fulfil the Supply Chain Development Statement, then there will be contractual consequences. We are considering whether those consequences will be financial penalties, or, if there are circumstances that may warrant other action potentially including termination. ¹³⁰
171. Crown Estate Scotland further clarified:
- ” We considered various options in developing the Supply Chain Development Statement which included mandating or incentivising local content or local supply chain delivery. The imposition of any requirement that bidders either must use or are offered incentives to use local content or only invite local bidders, would be a contravention of the EU principles of non-discrimination and equal treatment. Offering incentives for the same would be a contravention of the state aid rules and therefore would not be a viable route for Crown Estate Scotland to follow. ¹³¹
172. If developers do commit to Scottish content and then later renege, Crown Estate Scotland could impose a fine or even terminate the lease. It said the amount will depend on the degree to which the SCDS deviates from its commitments:
- 100% or more of SCDS commitment: No penalty
 - 90%-100%: Payment of £50,000
 - 50%-90%: Payment of £100,000
 - 10%-50%: Payment of £250,000
 - 0%-10%: The project cannot proceed to a full lease agreement ¹³²
173. Crown Estate Scotland hopes that these penalties provide balance between promoting local supply chain without discouraging potential investment, which could impact Scotland's net zero ambitions. ¹³³
174. The developers expressed some concerns about Supply Chain Development Plans and stressed the importance of having "a level playing field with regard to projects that are being developed in Scotland and those down south". ¹³⁴ Some expressed concerns that there could be unintended consequences that may harm the Scottish supply chain. SSE Renewables also expressed some concern that any changes could make Scotland more unattractive and uncompetitive, especially as Scottish waters are already considered more difficult to develop than the shallower waters off the East coast of England. ¹³⁵
175. Scottish Renewables explained that while supply chain development statements aim to bring clarity to the process and the confidence to invest, it is challenging to make commitments to supply chain companies so early in the process. It expressed concern that there could be unintended consequences and companies could "low-bar" their early commitments to make it less likely that they will break the

commitment later in the project. ¹³⁶ Scottish Renewables said:

” It is really challenging to ask companies to make commitments to specific supply chain companies so early in the process, when they're just applying to lease the seabed to build the project. It is often the case that these companies might not still exist when the project is delivered. ¹³⁷

176. The Scottish Government's ScotWind leasing process allows companies to revise their supply chain development statements as time goes on and the review of the CfD process will also address this. Scottish Renewables felt that "the UK and Scottish Governments are both battling the same issue" on this point. ¹³⁸

177. DF Barnes were more welcoming of the ScotWind leasing requirements:

” The ScotWind initiative, which will put greater onus on making developers live by the supply chain plans that they present as part of the consenting process, is a huge step forward. Unfortunately, the support for BiFab has been withdrawn at a critical juncture, prior to ScotWind having a lasting and significant impact on future projects. ¹³⁹

178. Crown Estate Scotland explained that state aid rules meant that the SCDS cannot require any Scottish content. Crown Estate Scotland did not want to wait until the end of the transition period to see if this position changed as delays would also impact on Scotland's ability to meet its net zero ambitions. Crown Estate Scotland said:

” The ScotWind process is well advanced and the leasing round is live. There would be quite a significant potential impact on that if we were to try to recast the process in light of any EU exit settlement. That could have serious implications not only for the viability of schemes going forward in relation to the operation of, for example, the Crown Estate round 4 which is live at the moment, but for Scotland's net zero ambitions. ¹⁴⁰

179. Scottish Government officials said that although the ScotWind Leasing process cannot prescribe the percentage of local content in projects or award licenses on that basis, "that does not mean that the new ScotWind supply chain development statements have no teeth". The Committee was told that by asking developers about their commitments and monitoring whether these are met, the development statements "offer a significant additional layer of conditionality compared to what we had previously". ¹⁴¹

180. The Committee notes Crown Estate Scotland's view that securing work for the Scottish supply chain cannot be a consideration when awarding licences. However, given Scotland is no longer bound by EU state aid restrictions to the same extent as prior to EU exit, the Committee calls on the Scottish Government and Crown Estate Scotland to urgently review the SCDS process with a view to strengthening local content requirements and monitoring powers.

181. The UK Government's aim is to have 60% UK content in the offshore wind supply

chain, yet under EU state aid restrictions it was previously unable to insist on UK content in its award of contracts for difference. The Scottish Government also felt unable to specify the levels of Scottish content during the awarding of seabed leases. With the new arrangements in place between the UK and the EU, it may be possible that public bodies in the UK could have more freedom to require benefits to local supply chains. The Committee asks the Scottish Government to clarify whether it now has the legal power to insist on Scottish content as part of current and future leases.

Environmental and fair work considerations

182. The Committee questioned whether greater consideration could be given to carbon impact and fair work practices when awarding contracts. Without imposing a quota for work undertaken in the UK, which would not be allowed under competition law, contractual consideration of working conditions and environmental impact may be possible.
183. Some witnesses suggested that if Scotland were to introduce these conditions it would make it uncompetitive when bidding against other parts of the UK for CfD contracts. The industry therefore believes that any fair work clauses would have to be applied across the entire UK. ¹⁴²
184. EDF Renewables told the Committee that developers already employ contractors that treat people fairly and adhere to the health and safety standards required. For EDF Renewables this includes site surveillance to ensure health and safety standards are being met. ¹⁴³
185. GMB Scotland noted that there is an environmental impact "of putting all the offshore jackets on diesel-powered ships and sailing them halfway across the world". It thought that this should be influential in the award of contracts. ¹⁴⁴
186. However, witnesses did not agree about the potential for carbon impact to be reduced if fabrication took place in Scotland for Scottish offshore wind farms. EDF Renewables suggested that raw materials would still be shipped to Scotland making differences in the environmental impact negligible. ¹⁴⁵ Crown Estate Scotland agreed that analysis of carbon footprint may not benefit Scotland due to the transportation of "bulky" raw materials. ¹⁴⁶
187. The Cabinet Secretary suggested that there is a question as to why developers are transporting fabrication from one part of the world to another and whether consideration should be given to the energy that is used in doing that. She suggested that there may scope for strategic thinking about how to tackle climate change in relation to transportation at a global-level. ¹⁴⁷
188. SSE Renewables said that it would:

” welcome a scheme in which carbon accounting for the construction of the project was taken into account, but with the proviso that that would be done across the UK, to ensure that we were competing on a level playing field. ¹⁴⁸

189. DF Barnes told the Committee that the only way to ensure "that we can have good, high-paying, skilled jobs that enable the work to be done in a safe way, at the highest level of quality and in geographic proximity to the projects" is to have a mandatory level of local supply chain work.¹⁴⁹

190. The Committee is concerned by the suggestion that companies operating outside the UK are able to undercut bids by Scottish companies due to lower wages for workers and less stringent health and safety practices.

191. The Committee notes that the UK Government is considering changes to the CfD process and recommends that as part of this work it explores how environmental factors and fair work requirements, including labour costs and conditions, could be considered in bidding for contracts across the UK. The Committee notes that the UK Government has proposed that supply chain plans could require applicants to estimate the carbon footprint of their supply chains and mandate that they set out how this would be minimised. The Committee agrees that it should be considered whether this would benefit the local supply chain.

Strategy

192. As part of its remit the Committee sought to investigate what the Scottish Government's strategic approach to investing in BiFab and other companies in the renewable energy sector is and what lessons can be learned from the BiFab situation.
193. GMB Scotland told the Committee that more than a decade ago there were promises of 130,000 jobs in Scotland in the renewable sector by 2020. It said that Scotland is more than 100,000 jobs short of these predictions, which in its opinion, "comes down to a lack of holistic strategy at a UK and a Scottish Government level".¹⁵⁰
194. Scottish Renewables told the Committee that Scotland currently has just under 1GW of offshore wind capacity installed in Scottish waters and the Scottish Government has indicated that 11GW of offshore wind deployment is possible by 2030. With such a large potential increase Scottish Renewables stressed:
- ” Scottish and United Kingdom supply chain companies are not out of the race. This is a sector that has to grow if we are going to deliver our net zero targets and there are still tremendous opportunities within it.¹⁵¹
195. The Committee was also told that the original goal was to raise UK deployment to 30GW by 2030, but the Prime Minister recently raised that to 40GW by 2030. In this context, Scottish Renewables said that:
- ” the industry is committed to increasing the UK content of projects from the current 48 per cent to 60 per cent by 2030. We will simply be unable to do that unless we have a robust, competitive supply chain in the UK and in Scotland. It will require not just investments in parts of the supply chain in which we do not currently excel, but, more important, a focus on those areas in which we do excel... The commitment under the sector deal is to support 27,000 jobs across the UK by 2030, with the majority of those being in coastal communities, as well as increasing the representation of women to at least a third.¹⁵²
196. The Committee heard that there is no shortage of ambition in this field, but given recent history and the current plight of Bifab, we were keen to explore how these future opportunities can be harnessed for Scotland.
197. The Committee asked the Cabinet Secretary what the Scottish Government's strategic vision is for supporting struggling firms and what lessons have been learned from BiFab. The Cabinet Secretary said that "the general lesson is that it is right to intervene to support struggling companies, but that there are also issues around that". Particularly related to Covid-19 related support to business:
- ” Government's involvement with private companies does not come with a blank cheque. It is therefore essential that we support strategic companies but that there is a structured way to do that. The banks obviously have a role to play in that as well.¹⁵³
198. The Committee commissioned an international comparison research report from the

Institute for Government on support for businesses during the Covid crisis. In this report the Institute for Government recommended that governments that take equity stakes in companies “should do so in a transparent manner, with clear guidelines published on the criteria for government intervention”.¹⁵⁴

199. As set out above, scrutiny of the terms of the Scottish Government's investment in BiFab has been challenging due to a lack of information. Almost £40 million of public money has been spent on supporting BiFab since 2017 and when public money is involved, there must be transparency in decision making. The Committee strongly believes that DF Barnes should have released the pre-acquisition business plan to aid the Committee's scrutiny. The Committee asks the Scottish Government to clarify whether there was a strategic long-term plan for its investment in BiFab when it was converted into an equity stake. The Committee would expect there to be long-term strategic considerations in such a level of public investment and commitment.

200. This inquiry has raised an overarching issue about government investment in the strategically important industries outlined in Scotland's Economic Strategy and the need for a strategic approach. The Committee asks the Scottish Government to set out its overarching policy on strategic investment in failing companies and recommends that its successor committee may wish to explore this issue as an early inquiry in session 6.

Scottish Offshore Wind Energy Council and joint working group

201. The Scottish Offshore Wind Energy Council (SOWEC) is a group established in partnership between the Scottish public sector and the offshore wind industry. Co-chaired by Scottish Energy Minister, Paul Wheelhouse MSP, and Brian MacFarlane of SSE, its aim is to co-ordinate a Scotland wide response to the Offshore Wind Sector Deal and to work directly with the DeepWind and Forth & Tay Offshore clusters to achieve its vision and goals.

202. Crown Estate Scotland told the Committee that £500,000 has been committed by SOWEC (£300,000) and Marine Scotland (£200,000) to research the sustainable development of offshore wind in Scotland. It confirmed projects funded under SOWEC must align with the goals of the Offshore Wind Sector Deal and/or the Supply Chain Development aspect of the Scotwind Leasing process.¹⁵⁵

203. During the offshore wind summit in January 2020, SOWEC was tasked with undertaking a short, focused, independent review of the current status of the offshore wind supply chain and make recommendations for immediate action. This supply chain review is being led by Sir Jim McDonald from the University of Strathclyde. It is due to recommend how industry and Government can support a successful Scottish supply chain.¹⁵⁶

204. The Committee was told that although the commitment to undertake this work was made in January, it was delayed by the Covid pandemic and began meeting in late

2020. It is due to report its finding in Spring 2021.¹⁵⁷ The Scottish Government indicated that the remit of the group will extend beyond offshore wind to look more broadly at barriers for the Scottish supply chain in other industries.¹⁵⁸ The executive committee has committed to meet a minimum of four times before the end of March.¹⁵⁹

205. SOWEC shared its terms of reference for its 'Scottish Offshore Wind Strategic Investment Assessment' with the Committee. The group is led by an executive committee whose membership is:

- Professor Sir Jim McDonald - Principal, University of Strathclyde (Chair)
- Director of Energy & Climate Change, Scottish Government
- Iberdrola Renewables Offshore Wind Division
- Subsea7
- Global Energy Group
- NewByrne Consulting
- Director of Renewable Energy Deployment, BEIS, UK Government
- SSE Renewables
- ORE Catapult
- Scottish Enterprise¹⁶⁰

206. The executive committee is supported by a working group with the following membership:

- Hutcheson Associates
- SSE
- Deputy Director, Renewables, BEIS, UK Government
- Chief Commercial Officer, University of Strathclyde
- Scottish Power Renewables
- Scottish Enterprise
- Highlands and Islands Enterprise
- Subsea 7
- Head of Energy Supply Chain, Scottish Government
- Executive Head of International Business, University of Strathclyde

207. The Scottish Government and UK Government also committed to convening a working group to explore how existing policy measures can be used to strengthen

the renewables and clean energy supply chains in Scotland. It also expects the group to look at options for the future of the sites where BiFab currently operates.

¹⁶¹ This group will be separate from the group being led by Sir Jim McDonald.

208. The Committee is disappointed by the delay in conducting the SOWEC Scottish Offshore Wind Strategic Investment Assessment. The Committee does however welcome the clear timescales for action and reporting outlined in the Group's terms of reference. It demonstrates a clear joint working commitment between both Governments and industry which is needed. Given the urgent need for action to support the Scottish offshore wind sector supply chain, further delay is not tenable.

209. The Committee welcomes the Scottish and UK Governments' joint approach to strengthening the clean energy supply chain in Scotland through the BiFab working group announced in November 2020. The Committee asks to be kept updated on the progress of this group and the minutes of its meetings.

Floating technology

210. The Kincardine Offshore Wind project is a trial wind farm south-east of Aberdeen, which uses floating platforms. Once completed, this will be the largest wind farm of its kind in the world.

211. Kincardine Offshore Wind Limited (KOWL) told the Committee that floating systems "are the future". It believes that "as turbines get bigger, we will improve the floating technology and access significantly more of Scotland's acreage over the next 10 or 20 years". However, the KOWL Director also told the Committee that "we have very little expertise in building floating structures—most that were built for the oil and gas business were not built here". ¹⁶² Local manufacturing expertise was not developed in Scotland during this project as KOWL contracted the manufacture of the floating platforms to Navantia, a Spanish state-owned company.

212. In October 2020, the Prime Minister set a target for floating offshore wind to deliver 1GW of energy by 2030. ¹⁶³

213. KOWL told the Committee that changes are needed to floating offshore wind turbine design. It said that Scottish ports are often too shallow for current designs, which require a depth of 13m. It said "we can either fix the ports or we can fix the designs". ¹⁶⁴

214. Crown Estate Scotland said:

” If Scotland is able to become a leader in the deployment of floating wind, that will be of great significance globally because, globally, most of the opportunity for offshore wind is in floating wind, rather than in shallow water developments. ¹⁶⁵

215. In response to the UK Government's CfD consultation, the Minister for Energy, Connectivity and the Islands said:

” Floating offshore wind can undoubtedly, if given the opportunity, realise cost reductions similar to those which fixed offshore wind has achieved. It is an area where Scotland has huge potential, and where we have worked hard to support innovation and early developments. I strongly support steps to give these projects a more realistic route to market, and remain determined to work in partnership with the sector and across our governments to secure this outcome.¹⁶⁶

216. For reasons explored in this report, Scotland has missed opportunities to economically benefit from growth in the offshore wind sector. The Committee believes that it is essential for the Scottish and UK Governments to prioritise areas where there will be job opportunities and economic benefits in the future. The Committee notes that the UK and Scottish Governments have ambitious targets regarding the development of floating offshore wind. It is vital that the Scottish supply chain keeps pace with these technologies so that opportunities are not missed. The Committee is unsure how Scotland can build expertise in floating technologies if developers do not work with the local supply chain. The ambition for developing floating offshore wind must be matched with a clear strategy on how targets will be met whilst maximising Scottish content.

Employment opportunities

217. There is widespread frustration on the translation of the UK and Scottish Governments' renewables ambitions into jobs and supply chain opportunities.

218. The Cabinet Secretary suggested that the Climate Emergency Skills Action Plan which accompanies the updated Climate Change Plan is key to the Scottish Government's approach to increasing the number of good, green jobs, through training and reskilling. The Scottish Government, and its agency Skills Development Scotland published the Climate Change Emergency Skills Action Plan 2020-2025 alongside the updated Climate Change Plan in December 2020. Energy transition (including oil and gas, on and offshore wind, hydrogen, electricity, carbon capture and storage) was identified in the Plan as one of five broad areas of economic activity that will make a significant contribution to net zero transition. The plan includes priority areas for delivery and resourcing.¹⁶⁷

219. Scotland's skills system has an important role to play in ensuring people of all ages have the skills required to benefit from the green transition opportunities. The Plan includes a number of new policies aimed at developing the future workforce for the transition to net zero. These include:

- Establishing a Green Jobs Workforce Academy in September 2021.
- The co-design and development of a Construction Retrofit national training programme.

- Supporting the development of leadership and management skills required for a net zero future
 - Access to these green jobs will be supported by recovery skills programmes including the National Transition Training Fund, Young Person's Guarantee, Fair Start Scotland and No One Left Behind.
 - Aligning education and training opportunities in schools, colleges and universities to net-zero opportunities and maximising their uptake.
220. DF Barnes said that "the UK and Scottish supply chains were set up for success and to take on a global leadership position on offshore wind, as a result of Scotland's success in the oil and gas industry". ¹⁶⁸
221. However, in reality, Scottish Renewables confirmed that current employment in the Scottish offshore wind sector equates to the lowest-level projections imagined a decade ago. It suggested that delays to deployment caused by consenting issues and the successfully defended judicial review brought against Marine Scotland, have resulted in less employment opportunities than expected. ¹⁶⁹
222. GMB Scotland noted that "we have just had two projects amounting to over £7 billion, and not one job in manufacturing will be brought to Scottish shores as a result". ¹⁷⁰
223. The UK and Scottish Governments are hopeful that changes to the CfD process and introduction of ScotWind leasing will improve local supply chain employment prospects for the future. However, this must align with a strategic approach to skills development and future opportunities.
224. The Cabinet Secretary said that she was very supportive of fabrication work, but suggested that high-skilled engineering work could be the main area where Scotland could compete. She said that "in offering support to the sector, it is important that we look at different areas. We need to consider how the skill base in Fife can be used for fabrication, but we must do that in such a way that we are not competing with labour costs of £2.70 an hour. That becomes a real issue." ¹⁷¹ The Cabinet Secretary said that skills training is an important part of growing the sector and that the skills section of the Climate Change Plan supports those aims. ¹⁷²
225. Scottish Renewables also highlighted that as part of the sector deal there is a people and skills workstream, which looks at how many people are employed in offshore wind and how oil and gas workers can be supported to transition towards working in renewables. ¹⁷³
226. Scottish Renewables suggested that chasing manufacturing contracts may not be the best way to seek employment opportunities for Scottish workers, particularly when the majority of fabrication work is now being done abroad. It said that the greatest economic benefit is to be made from operation and maintenance:

” The majority of economic benefit from an offshore wind farm comes not from the fabrication of the steel that makes the wind turbine...but from its 20 or 25-year operations and maintenance phase. We know that Scotland can compete in that area, because we can develop the skills that the rest of the world will need as it decarbonises its economy. For example, SSE has created 100 jobs in Wick, which is not an area in which it is easy to get one—especially a highly skilled, low carbon job of the future that involves working in the operations and maintenance of an offshore wind farm. We know that the majority of the benefit comes at that point. ¹⁷⁴

227. Scottish Renewables noted that a number of groups are considering how investment can be made strategically:

” The Offshore Renewable Energy Catapult, the Offshore Wind Growth Partnership, the Offshore Wind Industry Council and the Scottish offshore wind energy council are all considering where we should put our efforts... Earlier I mentioned the one that is being headed by Sir Jim McDonald and the Minister for Energy, Connectivity and the Islands, which will consider whether we should support the parts of the supply chain that can compete, helping them to grow and export their skills and to drive economic benefit, or whether we should spend money on supporting areas such as fabrication, in which we know that the majority of such work is now done abroad. ¹⁷⁵

228. EDF Renewables suggested that there is "no magic bullet" but "there is a prize that we can win by working together and targeting the right areas that would most benefit the economy". ¹⁷⁶

229. The Committee notes that in December 2020 the Scottish Government published a Climate Emergency Skills Action Plan to accompany the updated Climate Change Plan. The Committee believes that ensuring that the Scottish workforce has the right skills to enable local economic benefit in the expansion of the renewables sector in Scotland is key. The Skills Action Plan must be translated into well-resourced delivery. The Committee asks to be kept updated on the development of an accompanying Implementation Plan and recommends that delivery of the Skills Action Plan is considered by its successor Committee.

Annex A - Minutes of Meetings

13th Meeting, Tuesday 23 April 2019

2. BiFab, the offshore wind energy sector and the Scottish supply chain: The Committee took evidence from—

- Andrew Jamieson, Chief Executive, ORE Catapult;
- Nick Sharpe, Director of Communications, Scottish Renewables;
- Audrey MacIver, Director of Energy and Low Carbon, Highlands and Islands Enterprise;
- Andy McDonald, Director of Energy and Low Carbon Technology, Scottish Enterprise;
- Peter Welsh, Head of Campaigns, Communications and Policy, GMB Scotland;
- Pat Rafferty, Regional Secretary, Unite Scotland;
- Bill Elkington, Director, BiFab and Chairman, The JV Driver Group;
- Sean Power, Director, BiFab and VP Business Development, DF Barnes.

3. BiFab, the offshore wind energy sector and the Scottish supply chain (in private): The Committee considered the evidence heard at today's meeting. The Committee agreed to write to the Scottish Government regarding issues raised.

22nd Meeting, Tuesday 25 June 2019

2. BiFab, the offshore wind energy sector and the Scottish supply chain: The Committee took evidence from—

Derek Mackay, Cabinet Secretary for Finance, Economy and Fair Work, David Pratt, Head of Planning and Strategy, Marine Scotland, and Andrew Hogg, Deputy Director for Energy Industries, Scottish Government.

3. BiFab, the offshore wind energy sector and the Scottish supply chain (in private): The Committee considered the evidence heard at today's meeting.

21st Meeting, Tuesday 23 June 2020

BiFab, the offshore wind energy sector and the Scottish supply chain (in private): The Committee considered next steps in relation to BiFab, the offshore wind energy sector and the Scottish supply chain. The Committee agreed to seek further information and to hold a further evidence session when time allows.

36th Meeting, Tuesday 24 November 2020

3. BiFab, the offshore wind sector and Scottish supply chain: The Committee took evidence from—

- Jim Smith, Managing Director, SSE Renewables;

- Nick Sharpe, Director of Communications and Strategy, Scottish Renewables;
- Matthieu Hue, Chief Executive Officer, EDF Renewables UK;
- Allan MacAskill, Director, Kincardine Offshore Wind Limited (KOWL).

4. BiFab, the offshore wind sector and Scottish supply chain (in private): The

Committee considered the evidence heard at today's meeting.

37th Meeting, Tuesday 1 December 2020

2. BiFab, the offshore wind sector and Scottish supply chain: The Committee took evidence from—

- Sean Power, Vice President, and Jason Fudge, President, DF Barnes;
- Hazel Nolan, Organiser, GMB Scotland.

6. BiFab, the offshore wind sector and Scottish supply chain (in private): The Committee considered the evidence heard at today's meeting.

38th Meeting, Tuesday 8 December 2020

5. BiFab, the offshore wind sector and Scottish supply chain: The Committee took evidence from—

Simon Hodge, Chief Executive, Crown Estate Scotland; David Pratt, Head of Planning & Strategy, Marine Scotland; Andrew Hogg, Deputy Director, Energy Industries Division, Scottish Government.

7. BiFab, the offshore wind sector and Scottish supply chain (in private): The Committee considered the evidence heard at today's meeting.

39th Meeting, Tuesday 15 December 2020

2. BiFab, the offshore wind sector and Scottish supply chain: The Committee took evidence from—

Fiona Hyslop, Cabinet Secretary for Economy, Fair Work and Culture, and David Stevenson, Head of Energy Supply Chain, Scottish Government.

Maurice Golden indicated that he had been employed as Circular Economy Programme Manager by Zero Waste Scotland.

3. BiFab, the offshore wind sector and Scottish supply chain (in private): The Committee considered the evidence heard at today's meeting and agreed to consider an issue paper and draft report in private at future meetings.

40th Meeting, Monday 21 December 2020

BiFab, the offshore wind sector and Scottish supply chain: The Committee took evidence from—

Rt Hon Kwasi Kwarteng MP, Minister of State for Business, Energy and Clean Growth, and Sarah Redwood, Director Renewable Energy Deployment at Department for Business,

Energy and Industrial Strategy, UK Government.

41st Meeting, Tuesday 22 December 2020

BiFab, the offshore wind sector and Scottish supply chain (in private): The Committee considered evidence received and issues for its draft report.

1st Meeting, Tuesday 12 January 2021

BiFab, the offshore wind sector and Scottish supply chain (in private): The Committee considered a draft report; various changes were agreed to, and the Committee agreed to consider a revised draft in private at a future meeting.

2nd Meeting, Tuesday 19 January 2021

BiFab, the offshore wind sector and Scottish supply chain (in private): The Committee considered and agreed a revised draft report and agreed arrangements for its publication.

Annex B – Correspondence

- [Letter from Tony Mackay](#), 23 April 2019
- [Letter from JV Driver/DF Barnes](#), 24 April 2019
- [Letter to Minister of State for Energy and Clean Growth](#), 26 April 2019
- [Letter to Cabinet Secretary for Finance, Economy and Fair Work](#), 30 April 2019
- [Letter from Cabinet Secretary for Finance, Economy and Fair Work](#), 1 May 2019
- [Offshore Wind Supply Chain Summit, Note of Meeting](#), 2 May 2019
- [Letter from Cabinet Secretary for Finance, Economy and Fair Work](#), 16 May 2019
- [Letter from the Minister of State for Universities, Science, Research and Innovation](#), 26 June 2019
- [Letter from Scottish Enterprise](#), 27 June 2019
- [Letter to Cabinet Secretary for Finance, Economy and Fair Work](#), 27 June 2019
- [Letter to Crown Estate Scotland](#), 30 June 2020
- [Letter to DF Barnes](#), 30 June 2020
- [Letter to Highlands and Islands Enterprise](#), 30 June 2020
- [Letter to Scottish Enterprise](#), 30 June 2020
- [Letter to Cabinet Secretary for Economy, Fair Work and Culture](#), 30 June 2020
- [Response from Crown Estate Scotland](#), 16 July 2020
- [Response from Cabinet Secretary for Economy, Fair Work and Culture](#), 22 July 2020
- [Scottish Government - Sectoral Marine Plan for Offshore Wind Energy](#)
- [Response from Highlands and Islands Enterprise](#), 29 July 2020
- [Response from Scottish Enterprise](#), 21 August 2020
- [Response from DF Barnes](#), 11 September 2020
- [Letter from Darren Jones MP, Business, Energy and Industrial Strategy Committee to Gordon Brown](#), 4 November 2020
- [Letter to Secretary of State for Business, Energy and Industrial Strategy \(BEIS\)](#), 5 November 2020
- [Letter to DF Barnes](#), 5 November 2020
- [Letter to Cabinet Secretary for Economy, Fair Work and Culture](#), 5 November 2020

- [Response from Cabinet Secretary for Economy, Fair Work and Culture](#), 10 November 2020
- [Economic Impact of Beatrice Offshore Windfarm Limited](#), Biggar Economics report, submitted by SSE following meeting on 24 November 2020
- [Letter from EDF Renewables](#) in response to 24 November 2020 meeting
- [BiFab Media Statement](#), DF Barnes, 25 November 2020
- [Letter to Secretary of State for BEIS](#), 27 November 2020
- [Response from Secretary of State for BEIS](#), 29 November 2020
- [Lord Davidson QC's Opinion to GMB Scotland](#), submitted following meeting on 1 December 2020
- [Letter to Cabinet Secretary for Economy, Culture and Fair Work](#), 3 December 2020
- [Letter to Business, Energy and Industrial Strategy Committee](#), 7 December 2020
- [Response from Cabinet Secretary for Economy, Culture and Fair Work](#), 8 December 2020
- [Letter from Marine Scotland](#) in response to 8 December meeting
- [Letter to the Secretary of State for BEIS](#), 11 December 2020
- [Letter from Cabinet Secretary for Economy, Fair Work and Culture](#), 14 December 2020
- [An overview of Market Economy Operator Principle and State Aid](#), included with 14 December letter
- [BiFab – Update to MSPs & Local Representatives](#), included with 14 December letter
- [Letter from Energy Industries Division, Scottish Government](#), 14 December
- [Letter from Crown Estate Scotland](#), 14 December 2020
- [Letter to Cabinet Secretary for Economy, Fair Work and Culture](#), 16 December 2020
- [Letter to the Minister of State for Business, Energy and Clean Growth](#), 16 December 2020
- [Letter to DF Barnes](#), 16 December 2020
- [Letter from Scottish Renewables](#), 17 December 2020
- [Scottish Renewables Briefing to the Committee](#), sent with 17 December letter
- [Transmission Network Use of System \(TNUoS\) charges](#), sent by Scottish Renewables, 17 December
- [Response from Cabinet Secretary for Economy, Fair Work and Culture](#), 21 December 2020

- [Letter to the Minister of State for Business, Energy and Clean Growth](#), 22 December 2020
- [Details of the SOWEC Strategic Investment Assessment](#), forwarded by the Cabinet Secretary on 23 December
- [Letter to UKG from the Scottish Government regarding the CFD consultation](#), June 2020, forwarded to the Committee on 23 December 2020
- [Scottish Government response to June 2020 CFD consultation](#), forwarded to the Committee for information
- [Response from Minister of State for Business, Energy and Clean Growth](#), 8 January 2021
- [DF Barnes statement](#), 8 January 2021

- 1 [Scottish Government, Scottish Energy Strategy: The future of energy in Scotland, December 2017](#)
- 2 [UK Government, Offshore Wind Industrial Strategy, August 2013](#)
- 3 [UK Government Department for Business, Energy and Industrial Strategy, Policy paper: Offshore wind Sector Deal, updated March 2020](#)
- 4 [Marine Scotland, Sectoral Marine Plan for Offshore Wind Energy \(encompassing Deep Water Plan Options\), June 2018](#)
- 5 [Joint letter from GMB and Unite to the Economy, Energy and Fair Work Committee \(EEFW\), 7 March 2019](#)
- 6 [Letter from the Scottish Government to GMB Scotland and Unite the Union, 9 March 2019](#)
- 7 [EEFW Committee, Official Report, 23 April 2019](#)
- 8 [Note of meeting from the Offshore Wind Supply Chain Summit, 2 May 2019](#)
- 9 [UK Government Department for Business, Energy and Industrial Strategy, Policy paper: Offshore wind Sector Deal, updated March 2020](#)
- 10 [Letter from the Secretary of State for Business, Energy and Industrial Strategy to the EEFW Committee, 29 November 2020](#)
- 11 [EEFW Committee, Official Report, 24 November 2020, col 31](#)
- 12 [EEFW Committee, Official Report, 21 December 2020, col 1](#)
- 13 [EEFW Committee, Official Report, 15 December 2020, col 33](#)
- 14 [Scottish Government update on BiFab, 17 April 2018](#)
- 15 [Question S5W-27000, lodged 17 January 2020](#)
- 16 [Letter from DF Barnes to the EEFW Committee, 10 September 2020](#)
- 17 [Letter from the Cabinet Secretary for Economy, Fair Work and Culture to the EEFW Committee, 14 December 2020](#)
- 18 [Letter from the Cabinet Secretary for Economy, Fair Work and Culture to the EEFW Committee, 14 December 2020](#)
- 19 [Letter from the Cabinet Secretary for Economy, Culture and Fair Work to the EEFW Committee, 14 December 2020](#)
- 20 [Letter from the Cabinet Secretary for Economy, Culture and Fair Work to the EEFW Committee, 14 December 2020](#)
- 21 [Letter from the Cabinet Secretary for Economy, Fair Work and Culture to the EEFW Committee, 22 July 2020](#)
- 22 [EEFW Committee, Official Report, 15 December 2020, col 14](#)

- 23 [EEFW Committee, Official Report, 15 December 2020, col 6](#)
- 24 [EEFW Committee, Official Report, 15 December 2020, col 13](#)
- 25 [Letter to the EEFW Committee from DF Barnes, 10 September 2020](#)
- 26 [Meeting of the Parliament \(Hybrid\), Official Report, 3 November 2020](#)
- 27 [EEFW Committee, Official Report, 1 December 2020, col 7](#)
- 28 [EEFW Committee, Official Report, 1 December 2020, col 4](#)
- 29 [EEFW Committee, Official Report, 15 December 2020, col 15](#)
- 30 [Letter from the Cabinet Secretary for Economy, Fair Work and Culture to the EEFW Committee, 21 December 2020](#)
- 31 [DF Barnes media statement, November 2020](#)
- 32 [EEFW Committee, Official Report, 1 December 2020, col 12](#)
- 33 [EEFW Committee, Official Report, 1 December 2020, col 6](#)
- 34 [EEFW Committee, Official Report, 1 December 2020, col 12](#)
- 35 [EEFW Committee, Official Report, 1 December 2020, col 15](#)
- 36 [EEFW Committee, Official Report, 15 December 2020, col 14](#)
- 37 [EDF Renewables, written evidence](#)
- 38 [EEFW Committee, Official Report, 24 November 2020, col 38](#)
- 39 [EEFW Committee, Official Report, 15 December 2020, col 24](#)
- 40 [Meeting of the Parliament \(hybrid\), Official Report, 16 December 2020, col 34](#)
- 41 [Statement from the Scottish and UK Governments, BiFab Working Group, 24 November 2020](#)
- 42 [Meeting of the Parliament \(Hybrid\), Official Report, 16 December 2020, col 30](#)
- 43 [EEFW Committee, Official Report, 1 December 2020, col 9](#)
- 44 [EEFW Committee, Official Report, 1 December 2020, col 10](#)
- 45 [Meeting of the Parliament \(Hybrid\), Official Report, 16 December 2020, col 30](#)
- 46 [Letter from the Cabinet Secretary for Economy, fair Work and Culture to the EEFW Committee, 10 November 2020](#)
- 47 [Letter from Crown Estate Scotland to the EEFW Committee, 14 December 2020](#)
- 48 [EEFW Committee, Official Report, 1 December 2020, col 6](#)

- 49 [Statement from the Scottish and UK Governments, BiFab Working Group, 24 November 2020](#)
- 50 [Letter from the Cabinet Secretary for Economy, fair Work and Culture to the EEFW Committee, 10 November 2020](#)
- 51 [Lord Davidson QC, note of legal opinion provided to GMB and Unite unions](#)
- 52 [Lord Davidson QC, note of legal opinion provided to GMB and Unite unions](#)
- 53 [Letter from the Cabinet Secretary for Economy, Fair Work and Culture to the EEFW Committee, 10 November 2020](#)
- 54 [Letter from the Cabinet Secretary for Economy, Fair Work and Culture to the EEFW Committee, 8 December 2020](#)
- 55 [EEFW Committee, Official Report, 15 December 2020, col 22](#)
- 56 [Meeting of the Parliament \(hybrid\), Official Report, 16 December 2020, col 41](#)
- 57 [House of Commons Library Briefing, The UK-EU Trade and Cooperation Agreement: summary and implementation, Briefing Paper 09106, 30 December 2020, p21](#)
- 58 [European Commission press release, EU-UK Trade and Cooperation Agreement: protecting European interests, ensuring fair competition, and continued cooperation in areas of mutual interest, 24 December 2020](#)
- 59 [EEFW Committee, Official Report, 1 December 2020, col 3](#)
- 60 [EEFW Committee, Official Report, 1 December 2020, col 17](#)
- 61 [EEFW Committee, Official Report, 1 December 2020, col 12](#)
- 62 [EEFW Committee, Official Report, 15 December 2020, col 13](#)
- 63 [EEFW Committee, Official Report, 1 December 2020, col 4](#)
- 64 [EEFW Committee, Official Report, 15 December 2020, col 16](#)
- 65 [EEFW Committee, Official Report, 15 December 2020, col 16-17](#)
- 66 [EEFW Committee, Official Report, 21 December 2020, col 12](#)
- 67 [EEFW Committee, Official Report, 8 December 2020, col 38](#)
- 68 [EEFW Committee, Official Report, 15 December 2020, col 35](#)
- 69 [Letter from Scottish Enterprise to the EEFW Committee, July 2020](#)
- 70 [Letter from Scottish Enterprise to the EEFW Committee, July 2020](#)
- 71 [Letter from Highland and Islands Enterprise to the EEFW Committee, July 2020](#)
- 72 [EEFW Committee, Official Report, 1 December 2020, col 14-15](#)
- 73 [EEFW Committee, Official Report, 8 December 2020, col 4](#)

- 74 [EEFW Committee, Official Report, 15 December 2020, col 5](#)
- 75 [Letter from Scottish Enterprise to the EEFW Committee, July 2020](#)
- 76 [Letter from Highland and Islands Enterprise to the EEFW Committee, July 2020](#)
- 77 [Letter from Crown Estate Scotland to the EEFW Committee, 14 December 2020](#)
- 78 [EEFW Committee, Official Report, 21 December 2020, col 6](#)
- 79 [EEFW Committee, Official Report, 24 November 2020, col 30](#)
- 80 [EEFW Committee, Official Report, 24 November 2020, col 42](#)
- 81 [EEFW Committee, Official Report, 24 November 2020, col 36](#)
- 82 [Letter to the EEFW Committee from DF Barnes, 10 September 2020](#)
- 83 [Meeting of the Parliament \(Hybrid\), Official Report, 3 November 2020](#)
- 84 [EEFW Committee, Official Report, 24 November 2020, col 36-37 and col 44](#)
- 85 [EEFW Committee, Official Report, 24 November 2020, col 42](#)
- 86 [DF Barnes media statement, November 2020](#)
- 87 [Meeting of the Parliament \(Hybrid\), Official Report, 3 November 2020](#)
- 88 [EEFW Committee, Official Report, 24 November 2020, col. 22](#)
- 89 [EEFW Committee, Official Report, 24 November 2020, col 41](#)
- 90 [EEFW Committee, Official Report, 24 November 2020, col 41](#)
- 91 [EEFW Committee, Official Report, 24 November 2020, col 37](#)
- 92 [EEFW Committee, Official Report, 24 November 2020, col 34](#)
- 93 [EEFW Committee, Official Report, 1 December 2020, col 5](#)
- 94 [EEFW Committee, Official Report, 23 April 2019](#)
- 95 [EEFW Committee, Official Report, 24 November 2020, col 33](#)
- 96 [EEFW Committee, Official Report, 24 November 2020, col 34-35](#)
- 97 [EEFW Committee, Official Report, 24 November 2020, col 35](#)
- 98 [EEFW Committee, Official Report, 1 December 2020, col 16](#)
- 99 [EEFW Committee, Official Report, 21 December 2020, col 2](#)
- 100 [EEFW Committee, Official Report, 21 December 2020, col 11](#)
- 101 [EEFW Committee, Official Report, 24 November 2020, col 33](#)
- 102 [Letter from Crown Estate Scotland to the EEFW Committee, 14 December 2020](#)

- 103 [EEFW Committee, Official Report, 21 December 2020, col 3-4](#)
- 104 [EEFW Committee, Official Report, 1 December 2020, col 3](#)
- 105 [EEFW Committee, Official Report, 24 November 2020, col 28](#)
- 106 [EEFW Committee, Official Report, 21 December 2020, col 2](#)
- 107 [EEFW Committee, Official Report, 24 November 2020, col 27](#)
- 108 [EEFW Committee, Official Report, 24 November 2020, col 24](#)
- 109 [EEFW Committee, Official Report, 24 November 2020, col 27](#)
- 110 [EEFW Committee, Official Report, 24 November 2020, col 31](#)
- 111 [EEFW Committee, Official Report, 1 December 2020, col 21](#)
- 112 [EEFW Committee, Official Report, 1 December 2020, col 4-5](#)
- 113 [Letter from the Secretary of State for Business, Energy and Industrial Strategy to the EEFW Committee, 29 November 2020](#)
- 114 [Department for Business, Energy and Industrial Strategy, Contracts for Difference for low carbon electricity generation: Consultation on changes to Supply Chain Plans and the CfD contract, closing date 18 January 2021](#)
- 115 [Department for Business, Energy and Industrial Strategy, Contracts for Difference for low carbon electricity generation: Consultation on changes to Supply Chain Plans and the CfD contract, closing date 18 January 2021](#)
- 116 [EEFW Committee, Official Report, 8 December 2020, col 32](#)
- 117 [EEFW Committee, Official Report, 21 December 2020, col 2](#)
- 118 [EEFW Committee, Official Report, 21 December 2020, col 17](#)
- 119 [Letter from the Minister for Energy, Connectivity and the Islands to the Minister for Business, Energy and Clean Growth, December 2020](#)
- 120 [Department for Business, Energy and Industrial Strategy, Supply Chain Plan Final Guidance: For projects of 300MW or more applying for a Contract for Difference, November 2016](#)
- 121 [Seagreen Offshore Wind Farm Supply Chain Plan](#)
- 122 [Seagreen economic impact assessment study](#)
- 123 [EEFW Committee, Official Report, 1 December 2020, col 12](#)
- 124 [EEFW Committee, Official Report, 24 November 2020, col 40-41](#)
- 125 [EEFW Committee, Official Report, 21 December 2020, col 2](#)
- 126 [Meeting of the Parliament \(hybrid\), Official Report, 16 December 2020, col 40](#)

- 127 [Scottish Government response, Contracts for Difference: proposed amendments to the scheme 2020, June 2020](#)
- 128 [Letter from Crown Estate Scotland to the EEFW Committee, 16 July 2020](#)
- 129 [Letter from Crown Estate Scotland to the EEFW Committee, 14 December 2020](#)
- 130 [Letter from the Cabinet Secretary for Economy, Fair Work and Culture to the EEFW Committee, 22 July 2020](#)
- 131 [Letter from Crown Estate Scotland to the EEFW Committee, 14 December 2020](#)
- 132 [Letter from Crown Estate Scotland to the EEFW Committee, 14 December 2020](#)
- 133 [Letter from Crown Estate Scotland to the EEFW Committee, 14 December 2020](#)
- 134 [EEFW Committee, Official Report, 24 November 2020, col 24](#)
- 135 [EEFW Committee, Official Report, 24 November 2020, col 26](#)
- 136 [EEFW Committee, Official Report, 24 November 2020, col 24](#)
- 137 [EEFW Committee, Official Report, 24 November 2020, col 36](#)
- 138 [EEFW Committee, Official Report, 24 November 2020, col 36](#)
- 139 [EEFW Committee, Official Report, 1 December 2020, col 15](#)
- 140 [EEFW Committee, Official Report, 8 December 2020, col 40](#)
- 141 [EEFW Committee, Official Report, 8 December 2020, col 38](#)
- 142 [EEFW Committee, Official Report, 24 November 2020, col 39](#)
- 143 [EDF Renewables, written evidence](#)
- 144 [EEFW Committee, Official Report, 1 December 2020, col 17](#)
- 145 [EEFW Committee, Official Report, 24 November 2020, col 40](#)
- 146 [EEFW Committee, Official Report, 8 December 2020, col 39](#)
- 147 [EEFW Committee, Official Report, 15 December 2020, col 11](#)
- 148 [EEFW Committee, Official Report, 24 November 2020, col 41](#)
- 149 [EEFW Committee, Official Report, 1 December 2020, col 16-17](#)
- 150 [EEFW Committee, Official Report, 1 December 2020, col 17](#)
- 151 [EEFW Committee, Official Report, 24 November 2020, col 23](#)
- 152 [EEFW Committee, Official Report, 24 November 2020, col 25](#)
- 153 [EEFW Committee, Official Report, 15 December 2020, col 38-39](#)

- 154 [Institute for Government, Support for business during the coronavirus crisis: An international comparison, October 2020](#)
- 155 [Letter to the EEFW Committee from Crown Estate Scotland, 14 December 2020](#)
- 156 [EEFW Committee, Official Report, 24 November, col 23](#)
- 157 [EEFW Committee, Official Report, 15 December 2020, col 3](#)
- 158 [EEFW Committee, Official Report, 15 December 2020, col 9](#)
- 159 [SOWEC, Scottish Offshore Wind Strategic Investment Assessment: Terms of Reference](#)
- 160 [SOWEC, Scottish Offshore Wind Strategic Investment Assessment: Terms of Reference](#)
- 161 [Letter from the Cabinet Secretary for Economy, Fair Work and Culture to the EEFW Committee, 14 December 2020](#)
- 162 [EEFW Committee, Official Report, 24 November 2020, col 32](#)
- 163 [Letter from the Secretary of State for Business, Energy and Industrial Strategy to the EEFW Committee, 29 November 2020](#)
- 164 [EEFW Committee, Official Report, 24 November 2020, col 48](#)
- 165 [EEFW Committee, Official Report, 8 December 2020, col 33](#)
- 166 [Letter from the Minister for Energy, Connectivity and the Islands to the Minister for Business, Energy and Clean Growth, December 2020](#)
- 167 [Skills Development Scotland, Climate Emergency Skills Action Plan 2020-2025: Key issues and priority actions, December 2020](#)
- 168 [EEFW Committee, Official Report, 1 December 2020, col 20-21](#)
- 169 [EEFW Committee, Official Report, 24 November 2020, col 24-25](#)
- 170 [EEFW Committee, Official Report, 1 December 2020, col 3](#)
- 171 [EEFW Committee, Official Report, 15 December 2020, col 11](#)
- 172 [EEFW Committee, Official Report, 15 December 2020, col 11](#)
- 173 [EEFW Committee, Official Report, 24 November 2020, col 31](#)
- 174 [EEFW Committee, Official Report, 24 November 2020, col 42](#)
- 175 [EEFW Committee, Official Report, 24 November 2020, col 42](#)
- 176 [EEFW Committee, Official Report, 24 November 2020, col 43](#)

