

Draft note of business dinner between First Minister, Humza Yousaf, and energy business leaders, hosted by True North, on 7 September 2023

Attendees:

Humza Yousaf, First Minister

Colin McAllister, Special Adviser

Susie Townend, Interim DD, Energy Industries Division, SG

True North

ETZ Ltd

Aker Offshore Wind

MoorEast

BP

SSE

Bluewater Private Equity

Spirit Energy

Ithaca

UK and Ireland Equinor

Apache

Aberdeen & Grampian Chamber of Commerce

Proserv

OEUK

Peterson

Shell

The dinner was organised and chaired by True North and operated under the Chatham House rule.

Guests spoke about their investment plans for the UK, with much of it destined for Scotland. However, they also indicated that, as primarily international companies facing competing demands for capital, they were finding it difficult to persuade their Boards and financial backers to invest in the UK. Political risk had increased and confidence was low.

Guests emphasised their commitment to the energy transition and the important role they believed companies in the energy business would play in the transition, using their resources (capital and people) and expertise. One guest suggested 80% of the global transition would be funded through private finance and that they would like to go faster in the transition. However they felt the language in the draft ESJTP of a presumption against oil and gas was damaging [note it is a presumption against new exploration for oil and gas].

Some guests spoke about their investment in renewables and the frustration they felt with the process. There is global capital to invest but this is frustrated by slow processes for consenting and grid expansion that are putting at risk the supply chain and Scotland retaining its place as a global leader. The industry needs a steady pipeline of projects to build up the supply chain and employment opportunities and maintain them over decades.

Guests welcomed much of the Programme for Government published earlier in the week, with the onshore wind deal and Green Industrial Strategy particularly highlighted.

Guests asked Scottish Government to give visible support to the energy industry and requested that this extend not just to their work in renewables but to oil and gas production too.

Some guests suggested that the nature of their own businesses meant they did not have sufficient capital to expand beyond oil and gas, this was in part attributed to the UK taxation regime, including the Energy Profits Levy, which they suggested had caused investors to withdraw. They emphasised that a disorderly exit from oil and gas production would result in the taxpayer facing more costly decommissioning costs and potential environmental impacts.

Several guests spoke about workforce and the need to attract skilled labour into the energy industry now in order to support a transition over time. One guest emphasised the importance of STEM learning in schools.

Some guests spoke about the integrated nature of much of the industry, operating both in traditional fossil fuels and in renewable energy. One guest suggested a narrative that divided “us and them”, or demonised part of the energy sector was not helpful. Some guests suggested that if the supply chain did not have an oil and gas industry to support it would not pivot to renewables but would disappear. Others emphasised the urgency of the transition to renewables, one guest suggested that 2025/26 was the crossover point if the supply chain was to retain workload.

The First Minister recognised the role the sector has played since Offshore Europe began 50 years ago, and said that Scottish Government recognised the contribution it can make to the transition. It was unfortunate the debate was so polarised and toxic, overshadowing the investments by energy companies into renewable energy. However he emphasised the reality of the climate emergency pointing to drought, flooding, wild fires and extreme heat this summer.

The First Minister noted that he was looking to develop a nuanced position, where his starting point on any new license was, “convince us” and that is why Scottish Government is calling for a robust and transparent climate compatibility checkpoint.

The First Minister noted the demographic challenge Scotland faces and said he wanted it to be seen as a land of opportunity, attracting talent, made more difficult in the context of UK Government migration policy.

He emphasised the priority he placed on a Just Transition, and his commitment to avoid the type of harm done in the 1980s by a Conservative Government to the mining communities as we now move from oil and gas. The First Minister suggested that while guests said they were committed to a Just Transition the wider public were not convinced.

The First Minister recognised the importance of attracting investment and was frustrated the UK Government is not using the levers it has to attract investment. He

was looking to build political consensus round a Just Transition, to provide a route map for the next 20-30 years. **The Scottish Government could play a convening role in bringing people together and he asked officials to consider how to take this forward.**

The First Minister concluded by saying he had heard clearly the message guests had given on the supply chain. He wanted a vocal and visible partnership to support a Just Transition.