

RE-ENERGISING SCOTLAND'S MANUFACTURING INDUSTRY

**SCOTTISH
GREEN
NEW
DEAL**

October 2019

Introduction

The Scottish Greens are calling for a Scottish Green New Deal that uses every lever available to the Scottish Government to deliver massive reductions in our emissions and refocus our economy so that it works for people and planet. The transition to a zero-carbon economy is a major opportunity to re-energise manufacturing in Scotland and to create thousands of well-paid, lasting and unionised jobs. This paper by Patrick Harvie MSP puts forward a series of policy proposals to ensure Scotland takes this opportunity. It is based on a report by the New Economics Foundation that is available [here](#).

A Scottish Green New Deal

The Scottish Greens are calling for a Scottish Green New Deal that aims to use all the levers available to the Scottish Government to deliver a broad and ambitious package of policies, incentives and investment that transforms our economy and builds a more just, sustainable and prosperous Scotland. It should:

1. Tackle the climate emergency by accelerating the transition to a low carbon economy.
2. Create thousands of good quality, unionised jobs throughout Scotland.
3. Improve wellbeing and build an equal Scotland.

Our members are leading the call for a Scottish Green New Deal, and we are working together – our politicians, members and stakeholders – to develop our proposals. Re-energising Scotland's manufacturing industry is just one component of a Scottish Green New Deal. You can read more about our wider proposals [here](#).

Creating green manufacturing jobs

An estimated 190,000 people are employed in manufacturing in Scotland and it produces half of the nation's exports, but as with the rest of the UK the sector is in historic decline. In 1973, 29% of Scotland's economic activity was accounted for by manufacturing. This fell to 11% by 2018, largely thanks to decades of neglect from successive Tory and Labour Governments, who have shunned calls for a proactive industrial strategy.

Approximately 4,500 manufacturing jobs are in the low carbon and renewable energy sector. However, overall the low carbon and renewable energy (LCRE) sector shows a significant trade deficit because although construction is creating jobs, manufacturing for the supply chain or

for exports remains limited in Scotland. Supply chains are instead largely dependent on imports. For example, wind turbines installed in Scotland are largely produced in Denmark and Germany, which have benefited from historical and sustained support from their national governments.

The national and global transition to a zero-carbon economy is a major opportunity to re-energise manufacturing in Scotland, and to create lasting green manufacturing jobs. To do this, we must learn from the past, and invest now in supporting and developing a green manufacturing industry that supplies Scottish industry and produces exports to fuel the global transition to zero-carbon energy. This effort should focus particularly on emerging technologies where Scotland has a comparative advantage thanks to our geography and workforce, namely tidal energy and floating wind turbines.

An ambitious policy agency to re-energise manufacturing

Set ambitious new short-term targets for renewables

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In 2018, 75% of Scotland's electricity capacity was renewable. The Scottish Greens believe Scotland should continue to expand this sector rapidly to both meet growing demand from the transport and heat sectors, and to become a major exporter of renewable electricity to the rest of the UK and EU. We are calling for Scotland to generate twice as much electricity as it consumes by 2030, all from renewables. Scotland has a competitive advantage in tidal energy, and Government investment now will yield big economic and environmental dividends for Scotland and the world.

Create empowered public agencies to support and deliver our goals

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The Scottish Government should create a Scottish Energy Development Agency (SEDA) to support the transition to zero-carbon energy, the growth of the renewables industry and its supply chains, and to help implement a Scottish Green New Deal.

The SEDA would be the lead Government agency responsible for delivering the Scotland's 2030 renewable energy targets, taking an interventionist approach to nurturing and growing the industry. The SEDA would achieve this by supporting and investing in skills development, administering grant schemes, working with the Scottish National Investment Bank to align financial support behind the sector, guiding other public bodies with a delivery responsibility such as the national energy company, advising and supporting public bodies in the procurement of renewable energy, and ensuring this transition delivers well-paid, lasting and unionised jobs.

The Scottish Government should act on its pledge to establish a publicly owned energy company, and strengthen and extend its remit. The Company should look to support local energy cooperatives and smaller public energy companies and provide a level playing field for energy pricing and investment. In addition, the Company should be directed by the SEDA and be established as both an energy supplier as well as a developer and manager of energy generation, distribution and fuel supply assets.

Support domestic demand for renewables

Energy policy is largely reserved, including subsidies for renewables. The schemes that successfully supported the rapid expansion of small-scale renewables (feed-in tariffs) and onshore wind (the Renewables Obligation) have been abandoned and the latter has been replaced by Contracts for Difference (CfDs).

3 CfDs are limiting the growth of renewables in Scotland and are largely failing to create supply chain jobs. They are restricted in availability and they force Scottish developers to compete with others across the UK, with decisions made predominantly on cost. This has resulted in a failure to encourage innovation, Scottish supply chains, and higher-quality projects. To make matters worse, CfDs are regressive as they are funded by higher bills rather than taxation. Tidal and wave technology, which Scotland should be leading the world in, has in particular been failed by this approach, with industry leaders warning it will collapse without urgent action. Independence would best allow Scotland to grow and invest in the green industries we need, but in the meantime the Scottish Greens are calling for urgent devolution of energy subsidies. Until this happens, the Scottish Government must accept that Westminster will fail, and act unilaterally by putting incentives in place by establishing grant funding, combined with low-interest loans from the Scottish National Investment Bank, for pioneer renewables, particularly tidal energy. Specific requirements for local content should be central to any such programme. We estimate that a Scottish grant scheme that supports the delivery of 1GW of tidal power by 2030 could start with a budget of £50m in 2022/3, rising to £200m per annum from 2030/31 onwards.

In addition, the Scottish Government should require all public sector power consumers to support renewable schemes that meet particular criteria. For example, Scottish Renewables have proposed an innovative new form of Power Purchase Agreement (PPA) specifically to support frontier technologies such as tidal power.

Stimulate Scottish supply chains for the renewables industry

4 There is currently little or no conditionality for Government support that requires supply chains to be met with local content, though the UK government's Offshore Wind Sector Deal (March 2019) has set a target of 60% lifetime UK content in domestic offshore wind projects by 2030. The Scottish Government can and must set conditions for local content where it can – particularly via the leasing process. The operation of the Crown Estate is devolved, giving the Scottish Government considerable influence over conditions that could be attached to the granting of offshore wind leases. This should include the embedded carbon emissions included within international travel as part of the overall assessment of proposed consents.

Training and developing the workforce is also crucial. The Scottish Government should establish a centre of excellence technical skills programme for manufacturing to train young people and those in need of reskilling as a result of industrial transition. A grant funding pot should be provided for manufacturing firms that wish to retrain or upskill their workforce in line with the potential opportunities in renewables supply chains, as this may require people stepping away from production during this process. It should follow from an overall skills strategy coordinated by SEDA which should identify the skills that are needed within renewables manufacturing, what institutions should be involved and how they will work together, what the timelines are, and what funding is needed.

Regional industrial strategies

Industrial strategy must be localised, with more powers given to regions and localities to set out their own industrial plans, and which can connect directly to funding, including from the Scottish National Investment Bank. The process of drawing up these strategies should be more democratic than those led by Local Economic Partnerships (LEPs) by involving unions, firms, community groups, reformed job centres and local education institutions along with local and central government representatives, to develop coherent, local and regional plans for industrial transformation. These local strategies should:

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- ▶ Include skills and business support plans that focus on foundational sectors such as health care, as well as the manufacturing sector, developed through the genuine and active participation not only of education institutions and of employers, but of unions, workforces, community based businesses and young people.
- ▶ Seek to channel investment through business models that generate a return that is anchored in the local community: for example through local ownership, developing locally anchored lending institutions, and incentivising the re-investment of profits into the local economy, with an explicit move away from types of inward investment which extract wealth from the local economy.
- ▶ Lead on the renegotiation of City Region Deals, with the aim of ensuring investment in infrastructure and sector development is aligned with overall industrial strategy goals, and that gross value added (GVA) growth targets are connected clearly to targets in living standards, job quality and environmental resilience.

A Just Transition fund

One of the central issues with the historic decline in manufacturing – and the threats to its long-term survival as a cornerstone of the Scottish and UK economy – is that jobs in manufacturing are usually relatively well paid, unionised, and ‘high-quality’. It is essential that as we invest in and support the transition to a zero-carbon economy, this is maintained and reinforced. Unions have a key role to play in achieving this goal, and in managing the challenges and opportunities presented by decarbonization more generally. Their engagement is critical to ensure that jobs are not just ‘green’ but also ‘good’. However, research by the New Economic Foundation has found that capacity is a key issue both for trade union representatives themselves, and also within firms for whom reskilling for renewables supply chains may carry a significant short-term opportunity cost.

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The Scottish Greens are therefore supporting calls for a Just Transition Fund to provide the time and resources workers need to proactively engage with the realities of transition. Employers and local authorities would bid into the fund, as key parts of place-based industrial strategies, to allow workers to retrain and reskill for the transition. Trade unions could also bid into the fund to support the time for elected representatives of affected workforces to engage with the processes and policies needed to hold employers – and indeed the government itself – to account. For the latter, one model is the UK Union Modernisation Fund, which ran from 2005-2010 and awarded £7million to unions to support internal projects to improve union ‘effectiveness’.