

Gordon Lindhurst
Convener
Economy, Jobs and Fair Work Committee
Scottish Parliament
Edinburgh
EH99 1SP

9th October 2020

Dear Convener,

Following the recent Committee session, we agreed to provide some further information on **SDI's ongoing support for oil and gas technology exports**. We also thought it would be helpful to provide information on the following areas which we didn't cover fully in the session due to time constraints and some of the technology challenges experienced on the day:

- **Budget**
- **How City and Region Deals complement our activities;**
- **Collaboration with the other agencies during the pandemic;**
- **The impact of the pandemic on Brexit preparations;**
- **Carbon reductions tracking and savings that come as a result of our business interventions.**

SDI Support for Oil and Gas Technology Exports

Scotland's energy supply chain has, increasingly, become integrated rather than being split into separate components e.g. oil and gas, renewables. and more and more of the companies we are working with in this field service a range of energy sectors. This is reflected in the wider market and flagship events, such as ONS in Stavanger and Offshore Europe in Aberdeen, which are now coming together as 'energy' events, rather than just 'oil and gas'.

This does mean we will continue to work with companies operating in the oil and gas space in the short to medium term. This will ensure they can, in the current circumstances, continue to operate, evolve and be better able to take advantage of the emerging opportunities from energy transition.

'Energy' is identified in A Trading Nation as a key sector for exports and energy transition is at the heart of work on tackling climate change. Supporting energy transition is aligned both to tackling climate change and ensuring that jobs and investment for one of Scotland's most successful sectors continues to be supported.

This change is reflected in SE/SDI structure and plans, with both teams restructured to reflect the energy transition agenda. We are, for example, supporting work, led jointly by OGTC and the Offshore Renewable Energy Catapult, to develop an integrated energy strategy for the North Sea in support of the net zero transition ambition.

Budget

We will invest a total of £529.2m in the Scottish economy in 2020/21 - an increase of more than 55% on our original budget and increase of 55% from last year (based on the published 19/20 plan), reflecting additional funding from the Scottish Government to deliver part of its £2.3bn package of Covid-19 business support. However, in recent years, our budget has been set on an annual basis and this presents challenges, particularly where many of the projects we support are often multi-year, sometimes stretching over 3-4 years or even longer.

19/20 was a particularly strong performance year for Scottish Enterprise, driving up demand and investment and with all our five performance measures being achieved. Applications for large grant funding from Scottish Enterprise – Environmental Aid, RSA, SMART and large R&D – has risen to unprecedented levels and these projects are often multi-year, stretching over 2-3 years or longer. For example, the number of applications for R&D support has increased by almost 300% since 2014. Similarly, the number of RSA applications has doubled over the past three years.

This level of demand is a positive indicator as it highlights the volume of companies looking to invest in their future to Scotland's economic benefit. We are currently looking at how we can fulfil as much of that demand as possible, while considering new models that will enable finite grant monies to go even further in future.

How City and Region Deals Complement Our Activity

Scottish Enterprise is involved in a variety of ways across a series of City and Regional Growth Deals, primarily in relation to strategic leadership and project development/delivery.

Where relevant, we provide expertise to support the development of business cases and the delivery of projects, drawing upon our extensive networks to ensure their success. In other instances, our focus is around maximising the value that Deal projects delivered by others can bring to Scotland's economy. This ensures complementarity between the Deal projects and SE activity. For example:

- in Stirling & Clackmannanshire we have provided people resource to support the development of a proposal for Scotland's International Environment Centre; if progressed, this will complement our focus on stimulating innovation and adoption by business of low carbon solutions;
- in Edinburgh & the South East we provided people resource to support development of a proposal focused on Data Driven Innovation; complementing our focus on accelerating the growth of start-ups to become businesses of scale through digital opportunities;
- in Tay Cities, the Culture and Tourism Investment Programme business case was led and co-ordinated by SE. The Programme management and delivery is a collaboration of industry, the four Tay Cities local authorities, Scottish Enterprise, Creative Scotland, Historic Environment Scotland, and VisitScotland, with the support of the Scottish and UK Governments. Dedicated project management resource has been further provided by SE to enable projects included in the programme to attain full business case. By

helping deliver the Programme's ambition of a world class region with world class culture and visitor experiences, this plays directly into SE's role in supporting economic diversification, sector growth, and importantly an outward-looking country positioned in a global marketplace;

- in Ayrshire, SE is a member of the Ayrshire Growth Deal Steering group and have provided expertise and support into the development of the project business cases. In addition, we are also engaged in identifying the wider contribution that these projects make to the Ayrshire economy and how we leverage these for further investment to capitalise on the growth deal. For example, we are supporting the wider aerospace and space investment of £80m at Prestwick from the Ayrshire Growth Deal through our sector expertise, our land holding and through engagement in our national and international networks;
- in Glasgow City Region, whilst the projects are more of a capital nature, SE is engaged in leveraging this investment and working collaboratively with regional partners. For example, we are working closely with partners on the Advanced Manufacturing Innovation District for Scotland which has city deal investment for infrastructure but will also now host the National Manufacturing Institute for Scotland and the Medicine Manufacturing Innovation Centre;
- in Aberdeen City & Shire, we have provided business case development support to City Region Deal projects such as BioHub, and SeedPod – which will contribute to the delivery of regional ambitions to diversify and build a sustainable economy. SE teams have played an instrumental role in ensuring that business cases have been developed robustly and thus approved by both the Scottish and UK governments enabling city deal funding to be activated;
- in Falkirk we have provided financial support to help develop the detailed business cases for what was the Grangemouth Investment Zone, and which has now expanded scope and geography to become the Falkirk Inclusive Growth Deal. We continue to provide ongoing staff support to the project, particularly around the further development of the Grangemouth site. A key element of this will be the recently announced Grangemouth Future Industries Board, a collaboration across Scottish Government, Falkirk Council and SE, in pursuit of long-term sustainable economic success for Scotland's core manufacturing cluster, in recognition that Grangemouth must remain an internationally competitive industrial complex.

Agency Collaboration

SE, HIE and SoSE quickly aligned our Covid-19 response with the Scottish Government and stakeholders to provide a coherent and coordinated approach across Scotland. As mentioned by other panellists during the session, the agencies came together with SDS, SFC, BG, LAs, SG, Public Health Scotland and the Healthy Working Lives initiative, to form the **Covid-19 Response Steering Group**. The Group set out clear plans to help companies through the 'respond' and 'restart' phases and is now focussed on supporting business resilience.

SE collaborated with HIE, SOSE, Visit Scotland and Creative Scotland, to develop and administer the specific **Covid-19 funds** (Pivotal Enterprise Resilience Fund, Creative, Tourism & Hospitality Enterprise Hardship Fund, Early Stage High Growth Support & Pre-Seed Fund and the Hotel Recovery Programme), all which were designed using insights gathered directly from businesses.

SE and the other agencies have been involved with the **Advisory Group on Economic Recovery (AGER)** which is providing expert advice on Scotland's economic recovery now that the immediate public health emergency has subsided. Lord Smith led the engagement with the

business community on behalf of AGER, which consulted with 150 senior business leaders/influencers, business associations, industry groups and a cohort of SMEs.

SE continues to coordinate the enterprise agency (SE/SDS/HIE) **sector response**. The level of intensity of activity is currently highest in sectors most impacted. As such, we are currently working closely with the following groups:

- Aerospace Response Group
- Rolls Royce Working Group
- Arjo Wiggins Common Purpose Group
- Oil and Gas Response Group

We also sit alongside VisitScotland, the Scottish Tourism Alliance, HIE, SoSE, SDS, Business Gateway and SG Tourism Policy colleagues on the **Scottish Tourism Emergency Response Group**. This Group meets weekly in order to capture intelligence and agree required action to support the rescue and recovery of the Tourism sector

Impact of the pandemic on Brexit preparations

The COVID-19 Response Steering Group evolved from the collaborative work we did in preparation for a potential no deal scenario at the end of 2019. Having further developed and deepened our partnership working, we are even more prepared to be able to respond to the end of the transition period, whatever the outcome of the future relationship negotiations. A joint Covid-19/Brexit action plan will provide direction to our collaborative response over coming months, helping businesses respond to changes following the end of the transition period.

Carbon reductions tracking

As mentioned during the session, SE has been tracking the carbon reductions from our business interventions. In the last three full financial years, we have quantified the following CO² savings from SE interventions:

2017/18	259,443 tonnes of CO ²
2018/19	229,944 tonnes of CO ²
2019/20	203,000 tonnes of CO ²

These reductions have been captured through SE's support to companies in relation to business efficiency. We are now considering how to develop a model that better captures our overall performance in this area as part of Scotland's net zero mission.

I hope this additional information is helpful to the Committee. Should you require any further information please do get in touch.

Yours sincerely



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