



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 20 March 2013

Session 4

---

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - [www.scottish.parliament.uk](http://www.scottish.parliament.uk) or by contacting Public Information on 0131 348 5000

---

**Wednesday 20 March 2013**

**CONTENTS**

	<b>Col.</b>
<b>DECISION ON TAKING BUSINESS IN PRIVATE .....</b>	<b>2677</b>
<b>SUBORDINATE LEGISLATION.....</b>	<b>2678</b>
Renewables Obligation (Scotland) Amendments Order 2013 [Draft].....	2678
Electricity (Applications for Consent) Amendment (Scotland) Regulations 2013 (SSI 2013/58) .....	2693
Fees in the Register of Scotland (Consequential Provisions) Amendment Order 2013 (SSI 2013/59) .	2693

---

**ECONOMY, ENERGY AND TOURISM COMMITTEE**

**10<sup>th</sup> Meeting 2013, Session 4**

**CONVENER**

\*Murdo Fraser (Mid Scotland and Fife) (Con)

**DEPUTY CONVENER**

\*Dennis Robertson (Aberdeenshire West) (SNP)

**COMMITTEE MEMBERS**

Marco Biagi (Edinburgh Central) (SNP)

\*Chic Brodie (South Scotland) (SNP)

\*Rhoda Grant (Highlands and Islands) (Lab)

Alison Johnstone (Lothian) (Green)

\*Mike MacKenzie (Highlands and Islands) (SNP)

\*Margaret McDougall (West Scotland) (Lab)

David Torrance (Kirkcaldy) (SNP)

**COMMITTEE SUBSTITUTES**

\*Joan McAlpine (South Scotland) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Fergus Ewing (Minister for Energy, Enterprise and Tourism)

Cameron Maxwell (Scottish Government)

David Wilson (Scottish Government)

**CLERK TO THE COMMITTEE**

Jane Williams

**LOCATION**

Committee Room 4



## Scottish Parliament

### Economy, Energy and Tourism Committee

Wednesday 20 March 2013

*[The Convener opened the meeting at 09:00]*

10:01

*Meeting continued in public.*

### Decision on Taking Business in Private

**The Convener (Murdo Fraser):** Good morning and welcome to the 10th meeting in 2013 of the Economy, Energy and Tourism Committee. We have received apologies from Marco Biagi, David Torrance and Alison Johnstone, and I note that Joan McAlpine has joined us as Mr Biagi's substitute. I remind everyone to turn off their mobile phones and other electronic devices.

Agenda item 2 is to seek members' agreement to take item 6 in private and to agree whether consideration of our draft report on the Renewables Obligation (Scotland) Amendment Order 2013 should be taken in private at future meetings. Are members agreed?

**Members indicated agreement.**

## Subordinate Legislation

### Renewables Obligation (Scotland) Amendments Order 2013 [Draft]

**The Convener:** The next item on the agenda is consideration of subordinate legislation. For our evidence-taking session we are joined by Fergus Ewing, the Minister for Energy, Enterprise and Tourism, who is accompanied by Emma Thomson, from the Scottish Government's legal directorate; David Wilson, director of energy at the Scottish Government; and Cameron Maxwell, from Forestry Commission Scotland. I thank everyone for their attendance and welcome them to the meeting.

Before we get into questions, I invite the minister to make some introductory remarks.

**The Minister for Energy, Enterprise and Tourism (Fergus Ewing):** Thank you very much indeed, convener, and good morning to all.

The renewables obligation drives investment in renewable electricity capacity across Scotland. Since the obligation's introduction in 2002, renewable electricity capacity across Scotland has almost quadrupled. Indeed, the final figures for 2011 show that renewable generation accounted for an equivalent 36 per cent of gross Scottish electricity demand, which is well ahead of our interim target of 31 per cent.

We must ensure that that upward trend continues. Given that we want more generation from offshore wind, wave and tidal energy—sources in which Scotland has a huge competitive advantage and can create world-leading industries—it is vital that we keep the legislation fit for purpose and that we maintain its ability to continue attracting investment in new technologies and developments across Scotland in a cost-effective and sustainable way.

The amendments in the order before the committee today are designed to do just that. We have, as is customary, lodged the same amendments as will apply across the rest of the United Kingdom. Such an approach, which is favoured by a majority, is fundamental to the mechanism's successful and effective operation. However, as has been the case on previous occasions, there are some very important exceptions to that approach, the most prominent of which is our decision to restrict support for large-scale biomass stations.

The Scottish Government has taken a careful and distinct position on biomass over the past couple of years. Biomass energy can make a

distinct and important contribution to our renewables targets; indeed, it already contributes more than 90 per cent of the renewable heat generated in Scotland. Certain of its attributes, such as the ability to control output, separate it from other renewables technologies and make it strategically valuable. However, it also has certain differences, including the finite nature of the resource, the importance of the resource to other existing sectors—for example, the timber, sawmilling and panel products sectors—and jobs, and the need to ensure that the biomass that is used is sustainably sourced. Those differences have prompted us to revisit the role of biomass and the support that we should make available for it.

We believe that there should be a greater focus on biomass in smaller energy projects and in generating stations that either are heat only or capture and use heat alongside the electricity generated. That is why we have included an amendment that will apply to biomass stations that have installed capacities above 15MW and which do not provide good-quality combined heat and power.

That ceiling is slightly higher than we had originally proposed, partly because our forecasts for additional supplies of wood in the marketplace mean that any new capacity that might be built will not be likely to affect other users and indeed will create opportunities for businesses in the forest supply sector. The higher ceiling will also enable investment to take place, subject to planning permission, in sustainable developments of a reasonable scale, and those investments could be vital to the continuation of existing businesses and associated jobs.

Although I am aware that the decision has prompted questions from some stakeholders, I believe that it is fully consistent with our desire to promote renewable heat and that it will not have an adverse impact on existing users of biomass material. I also believe that the proposed new changes to the combined heat and power criteria that the obligation relies upon will ensure that stations operate to sufficiently high energy efficiency standards. Moreover, over the coming months and following a recent consultation, we will be considering the introduction of tighter sustainability standards under the obligation to ensure that biomass material is sourced responsibly and in a way that minimises and eliminates any adverse impacts.

The second key difference in our order is the retention of the band for hydro generation at its current level of one renewables obligation certificate. We believe that certain risk and site-specific factors in Scotland support our decision

not to reduce the band in the same way as the rest of the UK.

Finally, we have proposed an amendment to the definition of “microgenerator” in the Scottish order to ensure that wave and tidal projects of up to 50KW remain eligible for the enhanced band of five ROCs.

The remaining changes set out in our amending order are matched across the UK. Most notable among them are proposed reductions to the solar photovoltaic, landfill gas and onshore wind ROC bands.

To sum up, I believe that the changes will improve the obligation’s efficiency and sustainability. They are designed to maintain confidence in the system; to continue attracting investment in the right kind of projects; and to help continue our progress towards our very important renewable electricity targets while seeking to keep costs for consumers to a minimum.

Before I formally move the motion recommending the order, I am of course happy to respond to any questions that you and committee members might have, convener.

**The Convener:** Thank you. Before I bring in other members, I want to raise an issue that was raised in evidence with the committee. A concern has been expressed in some quarters that a market will be created for the importation of woodchips or pellets from countries that might not have the sustainable forestry standards that we have in this country. Has the Scottish Government examined that issue to find out whether such a market might be created and whether enough measures are being put in place to avoid imports of such materials?

**Fergus Ewing:** As I pointed out, there has been a consultation in the UK on sustainability criteria that will, we believe, lead to the adoption, perhaps through the UK, of tighter standards. The legislation that we think is likely to be introduced next year will cover issues such as an independent audit, greenhouse gas emissions and the further development of forestry certification and other methods of ensuring the sustainability of the timber that is used. On the one hand, therefore, the issue will be addressed in the next phase of work that is being undertaken.

You might well ask why all that is not being done or implemented right now. Our belief, which I think is shared across the UK, is that it is better to get it right instead of simply rushing something out. These complex issues are being looked at carefully across the UK, which is why there has been a separate consultation on the matter.

Secondly—Cameron Maxwell will be able to give technical details on this—commercial market

cost issues, such as the cost of transporting wood and the market for wood, restrict the theoretical likelihood of mass importation of wood from other countries. However, unlike south of the border, we do not believe that it is sensible for unrestricted ROCs to apply to new large-scale biomass-only stations. We do not think that that is the right route, so we have taken a different approach from that which applies south of the border.

With your permission, convener, I ask Mr Maxwell whether he can provide some more information on the issue that you raise.

**Cameron Maxwell (Scottish Government):**

One key thing that we have done with the UK Government is to ensure that the proposed biomass sustainability criteria, which will be tight, follow sustainable forest management principles that are already internationally agreed. Those should become the benchmark, to ensure that only sustainably harvested and forested material goes round the world. A lot of material already comes into the UK, which is around the fourth largest importer of timber in the world, so we are not unused to the issue. The new European Union timber regulation requires all material to demonstrate legality to start with. That rule, together with the biomass sustainability criteria for the renewable heat incentive and the renewables obligation, as well as the UK Government's procurement policy of allowing only legal and sustainable material, should all fit together to ensure that only sustainable material comes into the country.

**The Convener:** I have one follow-up question. Will the legislation that the minister talked about as forthcoming next year be UK wide?

**Fergus Ewing:** Yes. It is a UK consultation, so we anticipate that the legislation will be UK wide.

**Rhoda Grant (Highlands and Islands) (Lab):**

It has always been stated Government policy that biomass plant should be small scale, off gas grid and sustainable. We have had evidence that the move from 10MW to 15MW flies in the face of that stated policy. What steps will you take to ensure that biomass is small scale, off gas grid and sustainable?

**Fergus Ewing:** Rhoda Grant is right that we have always supported small-scale biomass. In various parts of Scotland, such as Argyll, which I visited on Monday, there are probably not enough potential users of heat for CHP schemes to go ahead, but small-scale biomass is increasingly being adopted. On Monday, I met a business that provides and installs small-scale biomass schemes in the Highlands, and I was delighted to hear that it is now finding considerable uptake of such schemes by the public sector. That policy objective is shared across all parties.

As Rhoda Grant rightly says, we are slightly increasing the thresholds, from 10MW to 15MW. My recollection is that, in the submissions that we received to the consultation, nine respondents said that that was a good thing. In taking the decision, we took into account a number of factors. First, there is enormous potential to increase the output of low-grade wood, particularly in the north of Scotland, which will support better forest management, improve forest health and stimulate production of higher-quality saw logs. Biomass CHP plants will provide a new market for low-grade wood, which would be highly beneficial and would allow the forestry growing industry to grow.

Secondly, our judgment was that, were we to set the threshold too low, particular schemes would not have been able to go ahead. We did not think that that would be prudent, because we want those schemes to go ahead. Two schemes in the north-east of Scotland now have planning permission and are likely to secure a large number of jobs should they go ahead, which we welcome.

Thirdly, these are matters of balancing the sustainability of energy policy and the sourcing of the biomass material with the need to stimulate investment and secure and protect jobs. We think that the decision was the right one. Had we stuck with 10MW, a lot of jobs in Scotland would not be created or would be put at risk.

10:15

**Rhoda Grant:** That does not really answer my question, which was about how you will prevent the building of biomass plant that lies outwith your stated aim of being small scale, off the gas grid and sustainable as a result of the change to the megawatt output. The change is not a small one: it is a 50 per cent change, from 10MW to 15MW for biomass stations. How will you prevent that? How will you monitor it? How will you make sure that we are not using wood unsustainably?

**Fergus Ewing:** Generators are required to provide annual sustainability information on the biomass feedstocks that they use. In fact, that information, which includes tonnage, biomass type and format, country of origin, details of environmental certification and greenhouse gas life cycle assessment, is published on the Office of the Gas and Electricity Markets website for transparency. Therefore, there are requirements for enforcement and monitoring, which is what Rhoda Grant asked about. All that information is provided; it is available and transparent.

The real answer to the question is that we have set a 15MW threshold. There is no threshold down south. My understanding of the evidence that was received on 6 March is that some witnesses

acknowledged that it is better to have a threshold than not, even if they would prefer it to be set at a slightly lower level. Those are all matters of judgment. The 15MW threshold will prevent the unconstrained use of biomass for new electricity-only generation. We did not think that such use of biomass would be appropriate, which is why we took a different approach in Scotland.

**Rhoda Grant:** That still does not answer my question. How will you prevent large-scale biomass from being put in place? You say that your stated policy is for small-scale, off-gas-grid and sustainable biomass plant. How will the order make sure that that happens?

**Fergus Ewing:** From my perspective, and with all respect, I have answered the question by saying that we have set a threshold of 15MW for the use of biomass for the generation of electricity only. Above that threshold, ROCs will be available only for CHP plant—namely plant in which electricity and heat are generated and the heat is used. CHP plant has to be of good-quality CHP status and produce significant levels of heat.

The question of the efficiency of such plant is another issue to which, I suspect, we will come. However, I also suspect that the basic answer is that, in Scotland, unlike in England, we have a twofold measure: a threshold of 15MW for electricity-only generation and, above that, a requirement that good-quality CHP plant will receive ROCs only if it meets rigorous standards.

**Chic Brodie (South Scotland) (SNP):** Minister, you mentioned the discussions with the UK Government. I want to bring you back to a comment that you made in evidence to the committee on 6 March about European involvement and whether the qualification for CHP plant above 15MW accords with the European renewable energy directive. The directive states:

“In the case of biomass, Member States shall promote conversion technologies that achieve a conversion efficiency of at least 85% for residential and commercial applications and at least 70% for industrial applications.”

Have we had any conversation with Europe? Have we written to Europe or has it written to us about whether your policy complies with the directive?

**Fergus Ewing:** There is no question but that the RO is fully in line with the requirements of the relevant European directive. I have looked at the issue in reasonable detail along with my officials, especially because it was raised by a number of committee members and some of the witnesses from whom the committee has heard. I am therefore aware that the committee has heard about concerns over the minimum efficiency requirement of 35 per cent that stations must meet if they are to be considered to be good-quality CHP stations under the RO. The committee

should be aware that qualification as a CHP station under the RO has always depended on that efficiency level. The requirement is not new; it is a continuation of existing good practice. I think that the witness from Estover Energy who gave evidence to the committee on 6 March pointed out that 35 per cent is a minimum, and it is important to remember that. That does not mean that plants do not exceed that—that they are not more efficient than that—because in some cases they do.

On a very basic level, those of us who use firewood know that it has various degrees of moisture in it, from soaking wet wood that is not much use to anybody, to kiln-dried wood that will burn almost instantaneously. We must take account of the reality that the need for stations to process and dry biomass fuel means that it would be wholly impractical to set arbitrarily a higher minimum level than the fairly high level that is already set.

Finally, I understand—I am not an expert on this but I have been advised to this effect—that the standards in the UK are among the highest in the EU in relation to sustainability.

**Dennis Robertson (Aberdeenshire West) (SNP):** Can you put the 15MW threshold in context and give us an example? For instance, I understand that the Arjowiggins and Macallan plants in the north-east may not have been viable if the threshold had been lower. Would there have been a significant impact on those companies if the threshold had been lower?

**Fergus Ewing:** We took account of all the representations that we received from developers, industry and the timber and panel products sectors. In a sense, our decision was always going to be a balance, as I said in my opening remarks.

There were two clear projects, which I am told have now got planning permission. One is for a major, successful, world-renowned whisky distillery and the other is for Arjowiggins, which is a very significant employer in the north-east. In both cases, we were advised that the capacity of plant that the applicants wanted was reasonably sizable and we took the view that it would be reasonable to encourage rather than discourage such investment. Dennis Robertson is absolutely right: had we stuck with the 10MW level, we believe that the prospect of that plant proceeding would have been vastly reduced.

We did not want to threaten jobs; we want to see jobs created. The constituency MSP, Brian Adam, lobbied strongly for the Arjowiggins plant—it was appropriate and quite right for him to do so—as did the company. We took the view that a balanced decision should allow those projects to go ahead. They are not mega projects à la Drax;



they are on an appropriate scale. We also took the view, as I said in my opening statement, that the decision could be taken without jeopardising supply for existing users whose needs are extremely important. They include companies such as Norbord, BSW and James Jones that have committed to and served rural Scotland and have created secure jobs for decades or longer. We had to take account of their needs.

We proceeded only after very careful analysis—which Mr Maxwell is a bit of an expert on—that led us to conclude that there may be an additional 700,000 to 1 million tonnes of timber available each year. In other words, there is enough for everybody, to put it crudely—perhaps overcrudely—and bluntly.

Had we not done that, we would not be stimulating the market for timber growers and contractors. I know that Mr MacKenzie is well aware of the difficulties faced by timber growers and contractors in rural Scotland. It is a tough job to make the sector viable, and it has been littered with cases of people losing their jobs. I do not want them to lose their jobs; I want those jobs to be secure. We thought that we should take a balanced decision in order to give a stimulus to timber growers; to provide new markets and new opportunities for revenue; and to provide the growers with an opportunity to be more profitable and to use those profits to plant more trees, which I think is a good thing.

To answer the question, I think that we have made the right decision, and I hope that, when the committee debates the issue later, it will come to the same conclusion.

**Dennis Robertson:** Perhaps a slightly tangential point is about the carbon footprint of a lot of the companies supplying fuel from the forest to the plants. Has a cap been set on the distance that wood can travel to the plants, to ensure that the carbon footprint is suitable? For instance, on the Ardnamurchan peninsula, the distance to one of the whisky companies is less than 10km. I understand that there is a 50km cap. Is that the case?

**Fergus Ewing:** I am not aware of such a cap, but I will ask Mr Maxwell to clarify the position. We want to see sustainable management of our forestry, and we think that the decision that we have taken will contribute to that by making more profitable and more viable the various industries contracting, felling and growing that depend on that decision. I am not aware of any specific fixed limit.

**Cameron Maxwell:** I am not aware of any cap. Estover Energy, which has been mentioned, indicated in its planning documentation that it was looking at an average distance of around 50 miles.

When transporting a low-value commodity, it makes a lot more sense to transport it as little as possible. That is seen as one of the benefits of local plants—they will attract the local low-grade wood, which will not have to travel long distances. Simply put, the further your wood supply travels, the more expensive it becomes, so companies will try to focus on getting material locally. The bigger the company, the further it will have to go for wood, depending on how well forested the area is.

**Rhoda Grant:** I understand that the examples mentioned by Dennis Robertson are of combined heat and power, and that the projects would qualify for ROCs for combined heat and power. There is also a built-in five-year leeway: if the company can provide only electricity, it is allowed to do that for five years over the term of the agreement. It seems to me that that mitigates the effect of any of the disadvantages, and that therefore there is no requirement to change the limit from 10MW to 15MW. Those projects would have gone ahead with a fair amount of leeway if circumstances had changed for them.

**Fergus Ewing:** We do not agree, because we have set the five-year provision that if a heat client or customer is lost, there needs to be a time within which the generator can find another customer. One of the impediments to the take-up of CHP schemes is the lack of customers for the heat, especially in rural areas. Not many customers need heat in the volume that is sufficient to make viable a 10MW or 15MW station.

As Rhoda Grant knows, many distilleries are looking at biomass stations. They tend to be in the range of a few megawatts—up to 10MW—and that is a good thing. However, we do not want to inhibit those who have larger needs simply because, for the purposes of investing in a new plant, they cannot be confident that the return will be there. Who will invest in a plant unless they know that there is a reasonable likelihood that the return will be as promised? For that reason we must acknowledge, as we have done with the five-year provision, that time needs to be available for an alternative heat customer to be found. These are difficult practical issues.

Without this provision, we believe that although in theory the plants could be built, the lack of confidence for investors would mean in practice that they would not be built. With respect, the projects and the jobs would not go ahead if the approach was taken that Rhoda Grant seems to be advocating—or perhaps she is just interrogating me, which is entirely appropriate. That is the decision for each member to weigh up when they decide on the matter today.

**Rhoda Grant:** I am trying to tease out the issues. The five-year leeway allows someone to have electricity only when they have a heat and

power plant, because of the very problem that the minister alludes to. The minister seems to be taking a belt-and-braces approach, because there is the five-year period plus the 15MW limit. A plant could be getting ROCs and churning out electricity for the five years at a much larger scale and with increased megawatts.

10:30

**Fergus Ewing:** No. The provision of ROCs is for combined heat and power. Heat must be produced, otherwise ROCs will not be awarded. The five-year provision applies if the customer for the heat is lost, which will result in the need to find another customer. I do not accept that criticism.

**Mike MacKenzie (Highlands and Islands) (SNP):** I want to move on to another area that the order covers. The minister is probably aware of the proposal on Yell for what appears to be the world's first community-owned tidal generator. I am sure that he is also aware of the LIMPET—land-installed marine power energy transmitter—on Islay. I am glad to see enhanced ROCs for smaller-scale wave and tide machines. Do you anticipate that the change will give rise to more such schemes throughout Scotland or create the opportunity for them?

**Fergus Ewing:** That is really for the industry to deliver. We need to provide the right incentives and investment framework and, as I just said, the confidence that those who pursue small-scale wave and tidal projects need to be able to proceed. Even at a small scale, major investment is required in those nascent technologies. I am aware of the LIMPET scheme; in fact, I saw a presentation on it when I was at a recent conference on wave and tidal power in London, at which I spoke.

We are keen for smaller-scale wave and tidal projects to proceed, which is why we have introduced the 50kW measure, to preserve the required level of incentive. The success of those devices will depend on their technical development and efficacy, but there has already been effective trialling of devices, which are producing electricity. We now want that to move on to prototypes and demonstration arrays in Scotland. Scotland has a relative lead in those areas, but that particular measure will, I think, encourage smaller-scale entrants to continue their development, which is a good thing.

**The Convener:** I have a couple of questions to clarify matters that came up in evidence. First, when we took evidence from the Wood Panel Industries Federation, it raised the prospect that, because the restriction on biomass plants—the 15MW cap—is being introduced in Scotland but not south of the border, that might create a market

for Scottish wood to be transported down south. Has the Scottish Government considered that?

**Fergus Ewing:** Yes, it has. I am aware that the witnesses from whom you heard raised that issue, with a greater or lesser degree of emphasis. Plainly, the Government at Westminster has decided that new biomass stations should continue to receive ROCs without restriction. Clearly, we disagree. However, as I understand it, under the current arrangements we cannot commercially prevent those operators from purchasing wood in Scotland—at any rate, that is the view that I believe Westminster takes.

My understanding is that the plans that have been mooted so far are for existing coal-fired power stations to co-fire—in other words, for biomass and coal. Drax is one company that has been mentioned in that respect. My understanding is that its intention is to have long-term supply arrangements for the importation of wood in pelletised form, perhaps from countries such as the USA. One can understand that, if a company is investing in that kind of project, its investors need the comfort of long-term supply contracts, otherwise why would they invest? Commercially or from an economic point of view, that approach has a certain sense behind it, although it is opposed by the environmental lobby on environmental grounds.

Again, Mr Maxwell knows a great deal more than I do about the issue. However, my understanding is that it is expected that companies such as Drax that operate existing coal-fired power stations that convert to co-firing are likely to source their material from imports and to import it in the form of pellets. It would be shipped from the USA to ports. It is likely that practical arrangements will be made for pelletised material to be used rather than whole logs. I think that the committee has already heard evidence that whole logs will not find their way into Drax's ovens. That is not feasible. However, it is possible that there will be predation on the Scottish market.

As Mr Maxwell has alluded to, transportation costs are a key factor here. It does not make economic sense for Norboard to obtain woody material from some of the more inaccessible parts of the north-west Highlands or from southern Argyll. The cost of transporting wood that distance, even in Scotland, makes that uneconomic. That is just one of the factors of the industry as I understand it. The likelihood of wood from the north and north-east of Scotland going to England is reduced because of the reality of the transport costs. I am not saying that there are no risks, but the risks should be seen from that perspective.

It might be useful if Mr Maxwell could add to my general remarks.

**Cameron Maxwell:** I have just a couple of points. There is a history of a general trade in exporting timber from Scotland to the north of England. The bulk of Scottish timber is processed in Scotland. However, there is a big sawmill in Carlisle owned by BSW and a big paperboard plant at Workington. Traditionally, the latter has looked to parts of the south-west and west of Scotland. Increasingly, it is making use of the significant resources available in Mull. Sea shipping has helped that along.

On pellet markets and large-scale power stations such as Drax, I understand that Drax is looking to build two pellet plants in the United States. Companies such as Drax are looking for millions of tonnes of material in pellet form, which is simply not available in Scotland. Our pellet producers are all having quite a lean time. The small-scale commercial and domestic pellet market has not yet picked up, although that is starting to happen. I understand that that market does not particularly want to get into bed with companies such as Drax, partly because it does not have the volume to give to such companies and partly because the margins are not very good. Drax wants wafer-thin margins for relatively low-quality pellets. Principally, though, it needs volume, and Scotland's pellet producers do not have volume. Drax tends to use pellets because they are easy to handle and move, and easy to use in its furnaces.

**Chic Brodie:** When I did company turnarounds, I got involved with a timber felling company up in Argyll. We are talking about transportation costs and we discussed communities earlier. If I may ask a naive question, what is the restriction on having variable ROCs, depending on geography?

**Fergus Ewing:** That is not something that I have considered. I think that it would be somewhat difficult. To do something somewhat dangerous, which is to think out loud—

**The Convener:** Oh please, go on.

**Fergus Ewing:** I thought that you might say that. How would you set out a variable ROC for mainland areas where the difference in cost is a matter of degree? It might be difficult, if not impossible, to administer such a system.

**Chic Brodie:** I was thinking more of areas such as the Highlands and Islands. Clearly, customers would be needed. However, would it be possible if things like regional development funds were applied in terms of enterprise? Is it even worth considering?

**Fergus Ewing:** First, a considerable amount of work goes on to try to tackle the problems of transportation of timber. There are timber transport consultation groups in the north of Scotland and other parts of Scotland that look at various issues.

One plea has been that timber lorries driving in forests should not have to pay tax on fuel when they are not using the public highways. That plea has got precisely nowhere in the UK Government, but there is a certain common sense behind it.

Secondly, the measures that I have announced will be welcomed by timber growers precisely because they will allow timber growers to open up some areas of forestry in the north-west Highlands, in remote areas and areas that were—until now—relatively inaccessible geographically as well as to the economy. In other words, the increased incentives to biomass use will create a bigger market and potentially more customers for timber growers. That will allow the development of some forestry that is currently inaccessible, although we will keep under close review the extent to which it happens.

Not for the first time, in throwing a googly, Mr Brodie has opened an interesting area of inquiry that might merit further consideration in due course. We want the most rural parts of the country, and its foresters, farmers, landowners, and tree growers to have a fair crack of the whip, and to be able to market and sell their product. If they cannot do that, they cannot grow more trees, can they? We see the unfortunate situation in which a lot of trees have been blown down by the wind and they cannot be harvested because the economics do not stack up.

I hope that the measure will make a contribution to solving the problem and I will welcome the committee's input on the significance of that contribution as time goes on.

**Rhoda Grant:** Minister, you rightly said that the UK Government is consulting and might legislate on the quality assurance scheme. If that legislation does not bring the scheme more into line with what the European commissioners state is good quality, will the Scottish Government consider legislating separately on what should be termed good quality?

**Fergus Ewing:** The member has asked me to answer a hypothetical question and, almost on principle, I am reluctant to do that. To be fair to the UK Government, we should look at the consultation responses and then consider what measures will be appropriate. Once we have formulated a viewpoint on the matter, by all means, let the committee question me at that point. That would be perfectly reasonable.

I repeat that there is no question but that the existing RO is fully in line with the requirements of the European directive. The member's question presupposes that we are out of step, out of line, and illegal. We are not. We are in step, in line, and have among the highest sustainability standards. As we have already heard, the 35 per cent

minimum is just that. It is a minimum that applies to larger stations and it is, in practice, often exceeded. We look forward to proposing further sustainability standards, but there are existing sustainability criteria that are very important. We are considering our responses to the consultation and we will make further announcements in due course.

**The Convener:** I have one final technical question. The Subordinate Legislation Committee has given us the shocking news that there is an error in article 7 of the order. Appallingly, there is an incorrect reference in two places. What is stated as being a

“qualifying combined heat and power station”

should in fact be a

“qualifying combined heat and power generating station”.

Minister, I am sure that you were as shocked as we were to discover that appalling error in the order. What steps will the Scottish Government take to remedy it?

**Fergus Ewing:** I think that we will keep the Subordinate Legislation Committee and thank goodness for its work. Mr Wilson is the expert in errors and the correction thereof.

**David Wilson (Scottish Government):** I can confirm that it is an error and it will be rectified. The word “generating” should be included, although I do not think that the error has any more significance than that. We will follow the usual procedures and make that amendment.

**The Convener:** As members have no further questions, we move to the next item of business. I invite the minister to speak to and move motion S4M-05912, on the approval of a Scottish statutory instrument.

**Fergus Ewing:** I have already made fairly extensive remarks, so I adopt those remarks and simply move the motion in my name.

I move,

That the Economy, Energy and Tourism Committee recommends that the Renewables Obligation (Scotland) Amendment Order 2013 [draft] be approved.

10:45

**The Convener:** Do any members wish to speak on the order?

**Rhoda Grant:** Obviously, some aspects of the order are very welcome. However, we have concerns about the change of the ceiling from 10MW to 15MW, and about the quality aspects of emissions. I understand that the UK Government has consulted and legislated on that. With those concerns in mind, we will support the order at this

stage if the minister is able to reassure us that he will keep the situation under review and monitor it.

**Mike MacKenzie:** The order strikes a careful balance between the needs of industry and investors on the one hand, and the concerns of the environmental community on the other hand. I welcome the fact that the Scottish Government is taking a different approach from that of the UK Government. I particularly welcome the increase in the ROCs designation for small-scale tidal and wave generation to support those exciting new technologies. Considering it in the round, the order is to be welcomed and I hope that the committee goes along with my view.

**Chic Brodie:** I agree with Mike MacKenzie. After the extensive consultation, the minister and his team should be congratulated on a more than reasonable order. My only request is that, in dealing with state aid, we should ensure that the Department of Energy and Climate Change pursues Europe as quickly as possible so that we can get the show on the road as quickly as we can, and that DECC is not dragging its heels.

**The Convener:** As there are no other questions, I invite the minister to wind up and respond to the points that have been made.

**Fergus Ewing:** First, I am happy to assure Rhoda Grant that we will keep these matters closely under review. I think that I made that clear when I was making my remarks, but I am happy to provide an assurance that we will keep under specific review sustainability in relation to CHP schemes. Secondly, we work very closely with the ministers in DECC and we will continue to do that.

With those two replies, I welcome the committee’s support for the measure.

*Motion agreed to,*

That the Economy, Energy and Tourism Committee recommends that the Renewables Obligation (Scotland) Amendment Order 2013 [draft] be approved.

**The Convener:** I thank the minister and his officials.

10:48

*Meeting suspended.*

10:51

*On resuming—*

**Electricity (Applications for Consent)  
Amendment (Scotland) Regulations 2013  
(SSI 2013/58)**

**Fees in the Register of Scotland  
(Consequential Provisions) Amendment  
Order 2013 (SSI 2013/59)**

**The Convener:** I remind members that we are still in public session. Item 5 is consideration of two negative instruments. Members have a paper explaining the background to the instruments.

It is fair to say that the instruments are fairly uncontroversial. As there do not seem to be any questions, are members content to make no recommendation on the instruments?

**Members indicated agreement.**

**The Convener:** I close the public part of the meeting and we move into private session.

10:52

*Meeting continued in private until 11:58.*



Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice to SPICe.

---

Available in e-format only. Printed Scottish Parliament documentation is published in Edinburgh by APS Group Scotland.

All documents are available on  
the Scottish Parliament website at:

[www.scottish.parliament.uk](http://www.scottish.parliament.uk)

For details of documents available to  
order in hard copy format, please contact:  
APS Scottish Parliament Publications on 0131 629 9941.

For information on the Scottish Parliament contact  
Public Information on:

Telephone: 0131 348 5000  
Textphone: 0800 092 7100  
Email: [sp.info@scottish.parliament.uk](mailto:sp.info@scottish.parliament.uk)

e-format first available  
ISBN 978-1-78307-646-8

Revised e-format available  
ISBN 978-1-78307-662-8