



## **Roundtable with Stakeholders of Green Industries in Scotland, Edinburgh, 19 June 2023**

### **Introduction**

The Green Purposes Company (GPC) is a not-for-profit company limited by guarantee. Its primary purpose is to safeguard the green mission of the Green Investment Bank (GIB). This mission is to make only investments which contribute to the GIB's Green Objective, as defined with reference to five Green Purposes set out in the legislation that created the GIB and in the GIB's articles of association. The GPC was established by the UK Government, though act independently of it, when the GIB was privatised in August 2017 through the sale to Macquarie. The GIB is now a part of Macquarie Asset Management, and trades as the Green Investment Group (GIG).

The purpose of the roundtable was to explore informally, with a select group of experts, how well investment is flowing in Scotland to sectors relevant to the five green purposes. The discussion covered the policy frameworks, or specific policies, that are facilitating investment flow and what are the barriers or opportunities. Participants included senior representatives from government, relevant government sponsored or funded bodies, the Climate Change Committee, academia and business. A full list is below, but remarks are not attributed to individuals because the discussion was held under the Chatham House Rule. Also, while there was a remarkable degree of consensus during much of the discussion, this paper is not to be interpreted as signifying agreement by individual participants to all or any of its content.

### **Nature Based Solutions**

The discussion took as its starting point the 2021 report on Nature Based Solutions commissioned by GPC, which looked at how to bridge the considerable gap between current and needed investment to protect and conserve natural capital. It identified actions for investors looking at this sizeable emerging asset class, the need to develop appropriate market governance, and how policymakers could help accelerate the scale up of investment.

The meeting heard about investment being driven by Scottish Water. Although still fully in public ownership, Scottish Water was free to draw in private sector investment via joint ventures and special purpose vehicles in areas such as renewable electricity and heat from waste. Consideration was being given to the potential for investment in hydrogen production, with the valuable by product of oxygen able to be used for aeration of water in waterways.

It was noted that long term action to restore waterways would help to reduce risks from the impact of climate change; and that restoration of degraded agricultural land could reduce the need for artificial fertilisers. As with peatlands restoration this could contribute to sequestration of large amounts of carbon. The application of Nature Based Solutions to the marine environment was considered a gap, as was monitoring, reporting and verification.

## **Circular Economy**

This discussion was based on the report published in February 2023 by GPC about the need to act now to avoid a possible tsunami of waste from the current and forecast build out of renewable energy capacity. It identified actions to ensure longevity of the assets and suitability for recycling by i) manufacturers (including design and quality standards); ii) policymakers, such as publicly funded R&D, product standards, data exchange, asset passports and producer responsibility; and iii) investors, who should consider downstream issues like battery recyclability and the need to rate portfolios on relevant issues such as resilience and the use of critical minerals.

The discussion ranged wider than just the renewable energy sector. It noted that regulation of investment was designed for a linear, not a circular economy. Policy actions were needed to create the market for circular approaches (for example that a percentage of wind turbine blades had to be from recycled material); to facilitate the move away from a narrow interpretation of efficiency so as to give room for the cost of externalities to be captured; and on the transparency of supply chains, in order to understand, and where necessary reduce, dependence on critical minerals or other scarce inputs. The cost of circularity should be priced into support mechanisms such as CfD's.

As with Nature Based Solutions, fragmentation and the need for scalability (including through project aggregation) had to be addressed. Taking a place-based approach might help, but the issue of local authority powers and resources would need to be addressed.

The Offshore Catapult should have a role. Had it yet identified the potential investable proposition in terms of repurposing for the low carbon energy transition the stock of steel becoming available from decommissioning of oil and gas assets in the North Sea? What is the role of the Scottish Investment Bank in this regard?

## **General themes emerging from the discussions**

These included:

- the need for reform to align the regulatory framework with the needs of a circular economy, especially as regards large scale asset management;
- the importance of acquiring data to evaluate the potential for Nature Based Solutions, and to manage risks such as the increasing risk posed by wildfires. The science and technology in this area was fast moving, with the power and affordability of sensors, satellites and computational power increasing

- massively, not only to enhance informational input but also the ability to track and monitor outputs such as emissions from point sources;
- other exciting developments included a discussion on the potential recovery of pharmaceuticals from wastewater, also the recovery of low level heat from the same.
  - the potential in the utility sector of public/private sector partnerships, to help underpin access to investor capital. By assisting in managing the political context, including regulatory risk, public acceptance, and how to ensure appropriate levels of community benefit, this could help reduce the cost of capital;
  - the value of producing high integrity carbon offsets (it was noted that if a project in the relevant sectors comprised more than 20% of a company's carbon footprint, the avoided emissions would have to satisfy the SbTI criteria for additionality);
  - the challenge of scalability. Scalable exemplars should be developed, perhaps such as the production of green hydrogen from farming. For more local investments of typically modest size, ways of aggregating projects cost effectively should be explored. But it was not clear what or who would push this forward, whether private sector action or a specific policy initiative; and
  - investment would be helped if the co-benefits of projects were properly valued, as was not the case yet. Examples included the ability to adapt to the impact of climate change and the benefits to the marine environment of better management of onshore waterways and of land restoration;
  - the costs of externalities, including the social costs, should also be captured and better communicated as there was little public understanding that the impacts of climate change were already being born by consumers and that these would far outweigh the costs of mitigation over time.

The attendees of the roundtable were:

1. Mike Thornton - Energy Saving Trust
2. Keith Bell - University of Strathclyde and Member CCC
3. Sam Gardner - Scottish Power
4. Eleanor Kay - Scottish Land & Estates
5. Jon Rathjen - Scottish Government
6. Colin Campbell - James Hutton Institute
7. Graham Burnside - Global Ethical Finance
8. Ciaran McGuigan -Director of Finance & Corporate Services, Zero Waste Scotland
9. Trevor Hutchings - GPC
10. Joan MacNaughton CB HonFEI (Lady Jeffrey) - GPC
11. Tushita Ranchan - GPC
12. Robin (Lord) Teverson - GPC
13. Professor Paul Ekins OBE - GPC