

**Friends of The Earth Scotland response to the
Department for Business, Energy and Industrial Strategy
Consultation on changes to Supply Chain Plans and
the CfD contract**



January 2021

Friends of the Earth Scotland (FoES) welcomes the consultation on proposed revisions to the Contracts for Difference process as a necessary step to ensuring developers adhere to their Supply Chain Plan commitments. FoES has actively campaigned for a Just Transition to zero-carbon economy in a way that is fair to workers and communities for a number of years. This has included calling for policy changes to ensure the creation of decent green jobs through the growth of renewable energy. Tackling the climate emergency by delivering a Just Transition requires ending our dependence on fossil fuels while creating thousands of secure and sustainable jobs in renewables and energy efficiency¹, and protecting workers and communities dependent on fossil fuel industries.

However, we are concerned by the failure to secure substantial domestic benefits within the renewables supply chain to date. As STUC research has demonstrated, despite promises of tens of thousands of low-carbon jobs and continued growth of renewable generation, job figures in Scotland have remained largely stagnant between 2014 and 2018.² The new UK Government target to reach 40GW of offshore wind capacity by 2030 is an opportunity to address this failure. While revising the CfD Supply Chain Plan process is an essential component of doing so, further action is needed to ensure progress including through investment in ports and infrastructure as well as skills training and redeployment.

There is a need for greater intervention by the Government to guarantee the creation of decent jobs in green energy and routes into this new employment for those currently working in fossil fuel industries. In a survey of 1,383 offshore oil and gas workers, 82% said they would consider moving industries as they expressed deep concern with job insecurity in their current roles, however they also highlighted a lack of opportunities available and barriers to retraining.³ These workers possess the skills and knowledge needed to make a transition to renewables possible and must have clear routes into secure employment, including support to retrain. Changes proposed to the CfD process do not tackle these wider considerations. We are concerned that continuing with a 'lowest-price bid' approach within the CfD will undermine the delivery of a Just Transition. We would recommend that developers' bids to the CfD are assessed across a wider

¹ Friends of the Earth Scotland, Platform and Oil Change International (2019), 'Sea Change: Climate Emergency, Jobs and Managing the Phase-out of Oil and Gas Extraction' <https://foe.scot/wp-content/uploads/2019/05/SeaChange-final-r3.pdf>

² Stuart, F (2020) STUC 'The Renewables Jobs Crisis and Covid-19' http://www.stuc.org.uk/files/Policy/Research_Briefings/Broken%20promises%20and%20offshored%20jobs%20report.pdf

³ Friends of the Earth Scotland, Platform and Greenpeace (2020), 'Offshore: Oil and Gas Workers' Views on Industry Conditions and the Energy Transition' <https://foe.scot/wp-content/uploads/2020/09/Oil-Gas-Workers-Report-Final.pdf>

range of factors than merely price, including for example their environmental impact, employment opportunities or the inclusion of community benefit clauses.

We welcome many of the proposed changes to the Supply Chain Plan process but remain concerned that they will be ineffective in addressing the problems identified without clear, specific and enforceable local content requirements.

We have focused our responses primarily to the questions concerning the Supply Chain Plan process given the importance of this aspect of the Contracts for Difference mechanism in creating decent jobs in green energy thereby making progress towards a Just Transition.

1. The government welcomes views on whether the Supply Chain Plan guidance document is clear in setting out what is required of applicants to support the drafting and submission of their Supply Chain Plan, Updated Supply Chain Plan and Supply Chain Implementation Report. Please provide information on what could improve the clarity of the guidance if applicable.

We support the introduction of new stages in the process for developers to submit an Updated Supply Chain Plan during the project and a requirement to pass a Supply Chain Implementation Report.

These new stages should ensure developers are more closely monitored for their performance against their initial Supply Chain Plans, creating greater accountability through this scrutiny. It is essential that developers who wish to benefit from the security offered by the Contracts for Difference mechanism see their Supply Chain Plans as compulsory components of the process and a requirement to receive an Implementation Report is an important step.

Nevertheless, enabling the process to be 'developer-led' risks undermining the opportunity provided by closer and more frequent oversight. The Supply Chain Plan should include enforceable local content requirements - as opposed to voluntary targets - to determine whether a developer will pass or fail their Supply Chain Implementation Report. Such approaches are common in many other countries including Spain, Canada and Turkey.⁴ It is vital that developers are not encouraged to justify a failure to ensure local content through other sections of their Supply Chain Plan if the process is to address industry failures to date.

Ultimately whether the revised Supply Chain Plan process can support the delivery of governments objectives in relation to growing the renewables supply chain and securing employment will depend upon the basis of the Plans themselves and consequently the monitoring and assessment. The Supply Chain Plan must contain clear requirements for local content, which BEIS must enforce if a developer wishes to benefit from CfD payments.

⁴ UNCTAD (2014) 'Local Content Requirements and the Green Economy'
https://unctad.org/en/PublicationsLibrary/ditcted2013d7_en.pdf

4. The government welcomes views on introducing new powers in legislation for the Secretary of State to assess and pass or fail a Supply Chain Implementation Report.

We welcome the introduction of new powers in legislation for the Secretary of State to assess and pass or fail a Supply Chain Implementation Report.

5. The government welcomes views on introducing a new Operational Condition Precedent with the potential consequence of CfD contract termination if a Supply Chain Implementation Report certificate is not provided to the LCCC before the Longstop Date. Please include views on possible impacts, including on financing arrangements, and evidence where applicable.

We welcome the introduction of an OCP with potential CfD contract termination for failure to receive a Supply Chain Implementation Report. It is crucial that Supply Chain Plan commitments are seen as compulsory components of the contract, and a pass or fail approach is therefore appropriate. The introduction of an Updated Supply Chain Plan stage as well as the opportunity to assess progress on an ongoing basis in coordination with BEIS means that developers will have ample clarity in advance of their compliance to their Plan.

7. The government welcomes views on whether it is more appropriate for BEIS or the LCCC (given the private law nature of the CfD) to undertake the monitoring and assessment of the implementation of Supply Chain Plans.

We believe it is more appropriate for BEIS to retain the monitoring and assessment of the implementation of Supply Chain Plans. Given the focus on ensuring the growth of the domestic supply chain, and the importance of a Just Transition, it is vital that there are clear lines of political accountability to decisions taken about compliance with a Supply Chain Plan.

Irrespective of the body undertaking the monitoring and assessment of Supply Chain Plans, we believe it must be independent of industry. We would further support the calls for a role for trade unions in this process, particularly in the monitoring and assessment of the Supply Chain Plan, Updated Supply Chain Plan and the Supply Chain Implementation Report.

8. The government welcomes views on the extent to which the proposed revised Supply Chain Plan process will support the government's objectives to encourage the growth of sustainable, efficient supply chains and support regional growth, skills, and productivity.

The revised Supply Chain Plan process represents improvement through the enhanced reporting by developers, monitoring by BEIS as well as the additional penalty powers for the Secretary of State. This process can support the growth of supply chains while supporting regional growth, skills and productivity subject to the content that is being monitored and

assessed. It must not be possible for developers to produce loosely detailed Supply Chain Plans in the areas of local content which it is subsequently possible to justify through other details. It is imperative that the new Supply Chain Plan questionnaire includes concrete local content requirements with monitoring and oversight supported by trade unions if it is to fully support the UK Government's wider industrial objectives.

16. The government welcomes views on the proposed drafting changes to the CfD contract to give effect to the government's decision to exclude new biomass conversions from future CfD allocation rounds.

We support the decision to exclude new biomass conversions from future CfD allocation rounds.