

TECHNICAL APPENDIX 15.1: POLICY AND STRATEGY OVERVIEW

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1. POLICY AND STRATEGY OVERVIEW

1.1 Legislation and Guidance

- 1.1.1 There is no relevant legislation or guidance available on the methods that should be used to assess the socio-economic effects specifically for grid enhancement projects as part of an Environmental Impact Assessment (EIA).
- 1.1.2 Similarly, there is no formal guidance on the methods that should be used to assess the effects that a grid infrastructure investment may have on tourism and recreation interests. Therefore, this assessment is based on best practice and draws on experience of the author in assessing the socio-economic, tourism and recreational impacts of renewable energy developments across Scotland.

1.2 National Planning Framework 4

- 1.2.1 The Scottish Government recently adopted new national planning guidance in the form of National Planning Framework 4 (NPF4)¹. NPF4 supersedes Scottish Planning Policy². NPF4 has an increasing importance on supporting the development of new renewable energy technologies, as the overarching energy policy (Policy 11) it states:

'To encourage, promote and facilitate all forms of renewable energy development onshore and offshore. This includes energy generation, storage, new and replacement transmission and distribution infrastructure and emerging low-carbon and zero emissions technologies including hydrogen and carbon capture utilisation and storage (CCUS).'

- 1.2.2 There is specific reference in relation to 'net economic impact' for renewable energy proposals at Policy 11(C) of NPF4, which states:

'Development proposals will only be supported where they maximise net economic impact, including local and community socio-economic benefits such as employment, associated business and supply chain opportunities.'

- 1.2.3 This new policy around net economic impact, builds on the previous Net Economic Benefit and Planning (Scottish Government, 2016), which stated:

'...assessing the additional benefit from a proposal will usually involve making some assumptions, and is therefore not an exact science. It is important that the level of detail of any assessment is kept proportionate to the likely scale of the net economic benefit, and that assumptions made are completely transparent, evidence-based and as accurate as possible'.

- 1.2.4 NPF4 has a regional focus including the 'North', and has three key themes which are 'sustainable places', 'liveable places' and 'productive places'. For the north these themes have the following priorities as set out in Annex C – Spatial Planning Policies (North):

'To deliver sustainable places, Regional Spatial Strategies and Local Development Plans in this area should protect environmental assets and stimulate investment in natural and engineered solutions to climate change and nature restoration, whilst decarbonising transport and building resilient connections.'

'To deliver liveable places, Regional Spatial Strategies and Local Development Plans in this area should maintain and help to grow the population by taking a positive approach to rural development that strengthens networks of communities.'

¹ Scottish Government (2023). National Planning Framework 4

² Scottish Government (2014). Scottish Planning Policy

'To deliver productive places, Regional Spatial Strategies and Local Development Plans in this area should support local economic development by making sustainable use of the area's world-class environmental assets to innovate and lead greener growth.'

- 1.2.5 NPF4 is clear in its desire to rebalance the North of Scotland economy to enable it to make a strong contribution towards meeting the country's ambition for a net zero and nature positive country by demonstrating how natural assets can be managed and used to secure a more sustainable future. It seeks to protect environmental assets and stimulate investment in natural and engineered solutions to climate change and nature restoration, whilst decarbonising transport and building resilient connections. Importantly for North Scotland NPF4 seeks to maintain and help to grow the population by taking a positive approach to rural development that strengthens networks of communities. Importantly it also sets out the importance of supporting local economic development by making sustainable use of the areas' world class environmental assets to innovate and lead greener growth.
- 1.2.6 The new national planning framework, which was adopted in February 2023, mirrors the aim of National Strategy for Economic Transformation³ to focus on green growth to foster economic wellbeing and prosperity and this assessment will directly focus on this aspect and present an independent assessment of the economic development role which the proposal will bring to the area.

1.3 National Performance Framework

- 1.3.1 Scotland's National Performance Framework (NPerF)⁴, first published in 2018, sets out the ambitions of the Scottish Government to provide a vision for national wellbeing across a range of economic, social and environmental factors. The framework includes 'increased well-being' as part of its purpose and combines measurement of how well Scotland is doing in economic terms with a broader range of well-being measures.
- 1.3.2 The NPerF is designed to give a more rounded view of economic performance and progress towards achieving sustainable and inclusive economic growth and well-being across Scotland. The aims for Scotland set out in the NPerF are to:
- Create a more successful country;
 - Give opportunities to all people living in Scotland;
 - Increase the well-being of people living in Scotland;
 - Create sustainable and inclusive growth; and
 - Reduce inequalities and give equal importance to economic, environmental and social progress.
- 1.3.3 It sets out and reports against outcomes and indicators which illustrate the progress Scotland is making in achieving the aims of the NPerF. The Proposed Development has potential to support the achievement of the national outcomes, making a contribution to advancing the development of a competitive, inclusive and sustainable economy in Scotland.

1.4 National Strategy for Economic Transformation

- 1.4.1 This is the Scottish Government's statement of ambition for economic recovery following the Covid-19 pandemic⁵.
- 1.4.2 It sets the ambition of the next ten years as a time of huge change and; '*...extraordinary opportunity...*' and promotes Scotland as a nation with competitive advantages in the new industries generated by technological change, scientific advance and our response to the climate and nature crises.

³ Scottish Government (2022). National Strategy for Economic Transformation

⁴ Scottish Government (2018). National Performance Framework.

⁵ Scottish Government (2022). National Strategy for Economic Transformation

1.4.3 The strategy deliberately focuses is on five policy programmes with the greatest potential benefit, including to; *'...strengthen Scotland's position in new markets and industries, generating new, well-paid jobs from a just transition to net zero'*.

1.4.4 The transition to net zero is seen not just an environmental imperative but an economic opportunity - one where Scotland will become world leading. The identified opportunities for this competitive advantage include the construction and development of on- and off-shore energy generating technologies.

1.5 Action Plan for Economic Development in Highland

1.5.1 The Highland Economic Forum has created an Action Plan for Economic Development in Highland⁶. The main thrust of the Action Plan is to generate new employment in the private sector and social economy to compensate for employment and earnings reductions through national public sector cuts, whose impacts are particularly severe in Highland, which has a relatively high dependence on public sector employment and spending.

1.5.2 The principal themes of the Action Plan are:

- To stimulate and support indigenous business growth (including new business formation, diversification, internationalisation and collaborations);
- To help maximise the impacts of the University of the Highlands and Islands (UHI) and attract national and international research funding into the area;
- To ensure that the workforce, sector by sector, has the skills to enable the region and its businesses to capitalise on opportunities;
- To address the growing problem, shared with other parts of the UK, of youth unemployment, and to attract back those with family connections with the region to help fill new job opportunities in renewables, tourism, life sciences and information technology;
- To focus on job creation that will help raise the region's relatively low average earnings in the private sector; and

1.5.3 Whilst creating jobs in the short-term to compensate for public sector cuts and maintain the region's growth momentum, to take a long-term strategic approach to growing the business base and creating career opportunities.

1.6 Inverness and Highlands City Deal

1.6.1 The Highland Council has developed a new City-Region Deal vision for Highlands, with the aim of 'Transforming the Highland Economy'⁷. The 'City-Region Deal' is to position the Highlands as a region of digital opportunity. This vision was turned into reality in 2017 when the Inverness and Highland City Region Deal was approved.

1.6.2 This formalised the commitment of £315 million worth of funding - £135 million from the Scottish Government, supported by £127 million from THC and its partners, and another £53m from the UK Government. The City-Region Deal is designed to deliver the following outcomes:

1.6.3 Over 1,000 direct jobs as a result of City-Region Deal projects with a further 2,200 additional jobs in the construction sector;

- A skilled labour market moving towards a high skilled high wage economy;
- A centre of excellence in rural and digital healthcare with sufficient mass to attract research and investment and fully exploit the commercial opportunities;

⁶ Highland Economic Forum (2012). Action Plan for Economic Development in Highland

⁷ Highland Council (2016). Inverness and Highland City Region Deal

- Business growth through effective digital connectivity and promotion of innovation;
- Improved productivity and real wages, which are estimated to increase by almost 1.3% and bring £100 million per annum to the regional economy;
- A rebalanced population with the aim of retaining and/or attracting 1,500 young people in the 18-29 age group over the initial 10-year deal period;
- 6,000 new houses over 20 years of which 1,800 will be affordable homes; and
- Private sector leverage from housing building and, through opening up land for commercial development, would see a return over a 20-year period of around £800 million being invested in the economy of the city and region.

1.7 Highlands and Islands Enterprise Strategy

1.7.1 Highlands and Islands Enterprise's (HIE) Strategy⁸ sets out a vision for Highland and Islands to be a successful, inclusive and prosperous region with a growing population.

1.7.2 Particularly important to HIE is to:

- Attract major investments;
- Retain young people and prevent out-migration;
- Support local communities to meet their needs through a place-based approach; and
- Address the climate emergency through decarbonising the economy.

1.7.3 Energy has been identified as one of the main regional opportunities in the area, with opportunities in the renewable energy sector, and its supply chain.

1.8 Climate Change Plan Update – Covid-19 Economic Recovery

1.8.1 The COVID-19 Pandemic has had a major detrimental impact on the local, regional and national economy. It will be some time until the longer-term consequences have become apparent, although it is already clear that the pandemic has resulted in structural economic changes.

1.8.2 The need for policies to promote economic recovery will therefore need to take account of specific needs of areas where the economy has been affected, as well as local opportunities for recovery.

1.8.3 In December 2020, the Scottish Government published an update to its 2018-2032 Climate Change Plan⁹ to set out its pathway to the new targets set in the Climate Change Act 2019¹⁰. The strategic document, which outlines plans for Scotland's green recovery from the Covid-19 pandemic, demonstrates the commitment to a recovery which develops the transition to a carbon neutral economy.

1.9 Just Transition

1.9.1 On 07 September 2021 the Scottish Government provided an initial response to the final report of the Just Transition Commission. It sets out their long-term vision for just transition and provides details on their National Just Transition Planning Framework¹¹. The Just Transition has been published alongside the economic strategy. The ministerial foreword states that a just transition means:

- Skills training and education that helps to secure good, high value jobs in green industries like low-carbon manufacturing, renewables, and tech;

⁸ Highlands and Islands Enterprise (2019). HIE Strategy 2019 – 2022

⁹ Scottish Government (2020). Climate Change Plan Update 2018 – 2032

¹⁰ Scottish Government (2019). Climate Change Act 2019

¹¹ Just Transition Commission (2021). National Just Transition Framework

- Job security for those in industries that will play the biggest part in the transition - at every level - from those working in petrol stations to those on oil platforms.
- Homes that are energy efficient and help to reduce fuel poverty.

1.9.2 The Scottish Government is currently consulting on a Draft Energy Strategy and Just Transition Plan¹². This sets out how the Scottish Government seeks to realise climate change ambitions, and the need to transform the way Scotland generates, transports and uses energy.

1.9.3 The Draft Energy Strategy and Just Transition Plan sets out the scale of that opportunity and provides clarity on how Scotland will prepare for a Just Energy Transition. The draft Energy Strategy and Just Transition Plan sets a vision for Scotland's energy system to 2045 and a route map of ambitions and actions that, coupled with detailed sectoral plans and the forthcoming Climate Change Plan, will guide decision-making and policy support over the course of this decade.

1.9.4 Specifically related to renewable energy, the vision for a fairer, greener 2045 includes all energy needs being met by renewable sources.

1.10 Renewable Energy and Economic Recovery

1.10.1 Prior to the COVID-19 pandemic, the growth of the renewable energy sector was a priority for the Scottish Government in both the transition to a net zero economy and the growth of the Scottish economy. As the Government works to recover from the pandemic, the importance of the renewable energy sector as a driver of growth remains.

1.10.2 In 2020, the Advisory Group on Economic Recovery¹³ (AGER) to the Scottish Government, published a report outlining recommendations on how Scotland could best recover following the Covid-19 pandemic (AGER, 2020). The report highlighted four significant areas of focus; business, education and skills, equalities and the environment, with recommendations including the prioritisation and delivery of green investment, enabling the creation of a more circular economy which would reduce negative impacts on the environment while leveraging Scotland's natural advantages, such as the availability of renewable energy from various sources.

1.10.3 In the response published by the Scottish Government, it outlines how it intends to apply the AGER's recommendations, supporting a recovery from the pandemic which supports Scotland's economy and develops the transition to an economy which meets environment objectives¹⁴.

1.10.4 The actions the Scottish Government are taking is divided across six main themes to secure a jobs-focused and socially-just economic recovery, these being:

- Protecting jobs by supporting business recovery and sustainable, green growth;
- Creating jobs through business engagement and a partnership approach;
- Supporting access to good quality jobs through employment, skills and training;
- Boosting local job creation through resilient people, communities and places;
- Creating jobs and a just transition through investment-led sustainable growth; and
- Monitoring our progress and outcomes.

1.10.5 It is noted in the plan that 'better planning and regulation' is required to support the economic recovery. The plan recognises that planning and regulatory systems will be crucial in supporting investment and growth as part of the economic recovery, while maintaining high standards. The Scottish Government is currently taking

¹² Scottish Government (2023): Draft Energy Strategy and Just Transition Plan

¹³ Advisory Group on Economic Recovery (AGER) (2020). Towards a robust, resilient wellbeing economy for Scotland.

¹⁴ Scottish Government (2020). Economic Recovery Implementation Plan

forward the changes introduced by the Planning (Scotland) Act 2019¹⁵, which has been ratified in the newly adopted NPF4.

1.10.6 This focus on implementation of the changes already introduced alongside improved practice, is seen as the most immediate way of improving the planning service and ensuring that it supports recovery effectively. In the case of the Proposed Development, planning policy is already supportive of the principal of development.

1.11 Fuel Poverty and Cost of Living Crisis

1.11.1 The 2019 Scottish House Condition Survey¹⁶ identified that in 2019, 24.6% of all households in Scotland were in fuel poverty which is defined as at least 10% of income is spent on heating. In the same year, 12.4% were in extreme fuel poverty. Between 2018 and 2019, fuel poverty increased in remote rural areas from 33% up to 43%. The Highland Council was one of seven local authority areas which had significantly higher fuel poverty rates than the national average at 32%.

1.11.2 Since 2019 when the data was collected, there have been considerable surges in the costs associated with heating and power, which is expected to increase the proportion of the population in fuel poverty. Prices have been increasing rapidly since mid-2021 for a number of reasons including the Russian invasion of Ukraine which is contributing to a cost-of-living crisis.

1.11.3 On 01 April 2022, the energy price cap rose by over 50%, and now many more households are struggling to heat their homes since the above data was collected. Furthermore, the State of Ageing Report 2022¹⁷ has concluded that pensioners are being hit hard by the big increases in energy prices. More than 200,000 pensioners are now living in relative poverty in the UK. In October 2022 it was announced that the energy price cap would be reviewed every three months instead of every six months meaning customers will experience changing market prices more quickly.

1.11.4 On 08 September 2022, the government announced changes to how energy bills will be charged to help reduce the severity of the October price cap. The then Prime Minister, Liz Truss, said that average bills will be held at £2,500, under the Energy Price Guarantee (EPG), for the next two years. On 17 October 2022 the new Chancellor, Jeremy Hunt, reduced the length of the EPG scheme saying that it would run until April 2023 and not the originally proposed 'two years'. On 17 November 2022 the Chancellor said that the EPG would be extended from 01 April 2023 for a further 12 months but the level would be raised to an average of £3,000.

1.11.5 There is a drive to take the UK off of fossil fuels and boost the sources of homegrown energy for better energy security in the long-term which is set out within the British Energy Security Strategy¹⁸.

1.11.6 The Scottish Government is currently consulting on a Draft Energy Strategy and Just Transition Plan¹⁹. This sets out how the Scottish Government seeks to realise climate change ambitions, and the need to transform the way Scotland generates, transports and uses energy. The Draft Energy and Just Transition Plan has an ambition to increase targets to 20GW of additional renewable electricity on- and offshore by 2030.

1.12 Scotland Outlook 2030

1.12.1 Scotland Outlook 2030²⁰ has been developed by Scottish Tourism Alliance, the Scottish Government, VisitScotland, Scottish Enterprise, Highlands and Islands Enterprise (HIE), and Skills Development Scotland. Over 2500 tourism leaders and stakeholders from the Scottish tourism industry have contributed to its development.

¹⁵ Scottish Government (2019). Planning (Scotland) Act

¹⁶ Scottish Government (2019). Scottish House Condition Survey

¹⁷ Centre of Ageing Better (2022). The State of Ageing

¹⁸ Department of Business, Energy and Industrial Strategy (2022). British Energy Security Strategy

¹⁹ Scottish Government (2023): Draft Energy Strategy and Just Transition Plan

²⁰ Scottish Tourism Alliance (2020). Scotland Outlook 2030

1.12.2 The four key priorities of Scotland Outlook 2030 are:

- Our Passionate People - We will attract, develop and retain a skilled, committed, diverse and valued workforce;
- Our Thriving Places - We will create and develop a sustainable destination together;
- Our Memorable Experiences - We will provide the very best, authentic and memorable experiences; and
- Our Diverse Businesses - We will build business resilience, sustainability and profitability.

1.13 Highland Tourism Action Plan

1.13.1 In terms of regional tourism policy, The Highland Area Tourism Partnership (ATP) comprises representatives from the tourist industry and key public bodies involved in delivering tourism in the Highlands, including Visit Scotland, THC, HIE, NatureScot, Scottish Forestry, Cairngorms National Park Authority and Hi-Trans.

1.13.2 The Highland ATP developed a Highland Area Tourism Action Plan²¹ to replace the previous Area Tourism Strategy. The Action Plan describes some of the key issues that need to be addressed in order to grow tourism in the Highlands, and to contribute to the national vision and aspiration.

1.13.3 The overarching vision of growing the visitor economy across the Highlands is: 'The Highlands will be a destination of first choice for a high quality, value for money and memorable customer experience, delivered by skilled and passionate people.'

1.13.4 The Highlands is recognised as one of Scotland's strongest tourism products and as such can reasonably be expected to equal or exceed the national growth rate if the actions in the strategy and this plan are delivered.

1.13.5 Based on the National Strategy, the growth ambitions could mean that the value of tourism could grow from a level of £738m in 2012 to between £900m and £1.07bn by 2020. To unlock this level of growth will require a range of strategic actions to be delivered, and these are structured around the key target markets of:

- Nature, Heritage & Activities;
- Destinations, Towns & Cities;
- Events & Festivals; and
- Business Tourism.

1.13.6 To achieve this growth the Action Plan recognises both the effort and investment by individual businesses across the tourism sector and investment by public sector partners in areas such as infrastructure and services.

²¹ Highland Area Tourism Partnership (2020). Highland Area Tourism Action Plan