

# SCOTONOMICS

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A Just Transition:  
An unlikely  
destination for the  
Scottish Economy

REPORT

# SCOTLAND'S JUST TRANSITION ECONOMY

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# NON-CUSTOMER PROBLEMS

The Scottish Government's Just Transition is a broad and ambitious plan to transform Scotland's economy, environment and society in a way that tackles poverty, levels up communities and regions across the country and leaves no one behind. However, this admirable and grand ambition is unlikely to be achieved for structural reasons outlined in this report.

Primarily, as part of the United Kingdom, the Scottish Government is a currency user, not a currency issuer, and therefore, does not possess the necessary fiscal options or monetary tools to transition the economy. In sum, the Scottish Government has given itself all the responsibility but has little authority.

Secondly, the Scottish Government must choose between competing factors which ensure that it is impossible to achieve its definition of a Just Transition. This is demonstrated most acutely by a desire to 'significantly' increase Scotland's GDP while at the same time reducing inequality and achieving legally binding climate targets.

Finally, in the areas where the Scottish Government have a significant amount of control, a specific Scottish form of neoliberalism, which we call Cask Strength Capitalism, leads inexorably to market-based solutions that bog down progress towards a Just Transition.

# DEFINING A JUST TRANSITION

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A Just Transition is a process to facilitate a socially just transition to a post-carbon society (Velicu & Barca, 2020). A Just Transition is based on the three pillars of sustainable development; the environment, the economy, and society. Policies underpinning a Just Transition tend to focus on jobs, the environment or society (Krawchenko & Gordon, 2021). The European Bank for Reconstruction and Development (2019) suggests that a Just Transition is mainly based on environmental considerations. A Just Transition has a region-specific aspect at its heart, as seen by the large Just Transition planned by the European Union, which promises to focus on the most carbon-intensive regions and other regions that support people working in fossil fuels (European Commission, 2019). The concept of a Just Transition appears in the Paris Climate Agreement (UN, 2015), which links a Just Transition that considers workers and the creation of quality jobs within an overall framework for tackling climate change. The Climate Justice Alliance take a broad view of a Just Transition, suggesting that racial justice and a move towards local consumption and production form part of the transition (Climate Justice Alliance, 2022).

According to the Scottish Government, a Just Transition covers a variety of social interventions to support jobs and livelihoods especially focused on carbon-intensive regions and industries (Scottish Government, 2020a). Despite this relatively narrow definition, the Scottish Government has taken a much broader approach to Just Transition within many of its strategy papers, covering the whole country, economy, and much of society. It also includes elements of international social justice.

# THE SCOTTISH GOVERNMENT'S APPROACH TO A JUST TRANSITION

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The Scottish Government, in 2019, established an independent Just Transition Commission (JTC) to advise Scottish Government Ministers on applying the principles of a Just Transition. The JTC (Scottish Government, 2021g) promised to:

*“provide practical, affordable, actionable recommendations”*

The Scottish Government's Just Transition (Scottish Government 2021j) is a detailed response to the report from the JTC. The report acknowledges that Scotland has:

*“a carbon-intensive economy that, in common with other economies, operates beyond what our planetary boundaries can sustain. This cannot continue.”*

Within the report, the Government's response to the JTC is structured into four broad themes:

1. Planning a managed transition
2. Building a skills and knowledge base with adequate safety nets to ensure no one is left behind
3. Involving the people who will be affected, and
4. Spreading the benefits of the transition widely and fairly.

Together they highlight the redistributive nature of Scotland's Just Transition that will ensure:

*“the benefits of our transition are felt regardless of where you live, who you are and what you do’ and ‘Building infrastructure, transport and communities’, ‘to support the decarbonisation of the economy.’”*

From a detailed analysis of Scottish Government strategy papers that mention a Just Transition, it has been possible to draw out eleven themes that can be considered the underlying principles of the Scottish Government's Just Transition:

- 01 Community wealth building
- 02 Just Transition and new skills
- 03 A transparent Just Transition with an enhanced role for communities in decision-making
- 04 Regional element of the Just Transition
- 05 The role of land in a Just Transition
- 06 A coordinated approach is fundamental to delivering a Just Transition
- 07 A fair and poverty-alleviating Just Transition
- 08 The Just Transition and the impact on communities
- 09 A Circular Economy in a Just Transition
- 10 A Wellbeing Economy emerging from a Just Transition
- 11 An environmentally sound Just Transition

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Although the Scottish Government's Just Transition - A Fairer, Greener Scotland, is the main response to the JTC, it has placed a Just Transition at the heart of many of its strategy reports. By analysing the Scottish Government strategy papers that mention a Just Transition, it is possible to separate these four areas into eleven specific themes.

### Community Wealth Building

Community Wealth Building is an approach to local economic development that takes a people-centred perspective, which focuses on wealth and control in local hands (Scotland's Centre for Regional Economic Growth, 2019). The climate change plan 2018–2032 (Scottish Government, 2020a) is the principal climate report. It suggests that a Just Transition is central to the Scottish Government's focus on jobs and Community Wealth Building. The Interim Principles for Responsible Investment in Natural Capital (Scottish Government, 2022h) state that any investment and decisions in Scotland's natural capital should support Community Wealth Building.

### Just Transition and new skills

The Draft Hydrogen Action Plan 2020 (Scottish Government 2020d) supports a growing skills-led hydrogen sector that the Scottish Government hope can generate new, high-quality green jobs, especially for those currently employed in industries reliant on fossil fuels. Making Scotland's future (Scottish Government, 2021f) states that the Scottish Government will work with businesses to support a refocusing of skills and training for a Just Transition to create a more resilient manufacturing sector.

### A transparent Just Transition with an enhanced role in decision making

The Heat in Buildings Strategy (Scottish Government, 2021b) and The Draft Hydrogen Action Plan 2020 (Scottish Government, 2021d) both outline their support in working with businesses, people and communities to ensure they have "a clear role in decision making". Scotland's third land strategy (Scottish Government, 2021c) supports urban communities to influence the decisions that affect them.

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### Regional element of the Just Transition

The regional element of a Just Transition is central to Scottish Government plans. During the decarbonising of the economy, the region most in need of direct support is the North East of Scotland, the home of the oil and gas sector. Other areas of significant interest are the area around the Grangemouth Chemicals plant and highlands and islands communities. The Draft Hydrogen Action Plan 2020 (Scottish Government, 2021d) states that the Scottish Government will work to protect specific at-risk regions from a net zero transition.

### The role of land in a Just Transition

Scotland's third land use strategy 2021 - 2026 (Scottish Government, 2021c) highlights the importance of Scotland's land in a Just Transition; it states, "it is essential that we understand where the costs and benefits from the way we own and use our land lie". The report highlights the need to change the attitude and approach to derelict land. A task force has already delivered its recommendations in 2020. A £10 million per year programme over five years aims to transform Scotland's vacant and derelict land as part of a Just Transition (Scottish Government, 2021c). The report highlights a core concern with land, highlighting the variety of demands needed for land use in a Just Transition and suggests "tough choices to tackle the tensions and trade-offs between competing demands", are likely in a Just Transition.

The Scottish Land Commission published advice to Scottish Ministers (Scottish Land Commission, 2022) concerning fair use and allocation of benefits from natural capital and land in a Just Transition. New Regional Land Use Partnerships (RLUP), comprised of various stakeholders, including government agencies and local authorities, are key in ensuring a Just Transition. The Scottish Government's National Development Plan for Crofting (Scottish Government, 2021e) states that Scotland's land can help deliver the emissions reduction targets whilst supporting a Just Transition.

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### A coordinated approach is fundamental to delivering a Just Transition

The Emerging Energy Technologies Fund (EETF) is a cross-sector £180m package for low-carbon infrastructure projects (Scottish Government, 2021c). Considering the depth and scope of the transformation, The Climate Change Plan 2018–2032 (Scottish Government, 2020a) suggests that a coordinated approach is fundamental to delivering a Just Transition. The Energy Just Transition Plan published in January 2023 will take a whole-system view of a Just Transition (Scottish Government, 2021e). An example of a wider societal approach is given in The Retail Strategy for Scotland (Scottish Government, 2022b), which suggests that retailers are already working to decarbonise their supply chains, with the sector also setting its targets for net zero emissions as well as encouraging consumers to lead lower carbon lifestyles.

### A fair and poverty-alleviating Just Transition

The Scottish Government's decade-long ambition is for a Just Transition to significantly reduce poverty, focusing on child poverty. The overarching economic paper National Strategy for Economic Transformation (Scottish Government, 2022c) includes poverty reduction as one of its five main aims. By improving insulation, central to a decarbonised nation, the Scottish Government hopes to reduce or eradicate fuel poverty (Scottish Government, 2021b). Transport has a role in poverty reduction, as noted by the National Transport Strategy (Scottish Government, 2020c). Not only do Scottish Government strategy papers discuss the Just Transition as a way to reduce inequalities in Scotland, but the Environment Strategy for Scotland (Scottish Government, 2020b) mentions the need to reduce inequality between the rich developed world and poorer countries, highlighting the social justice concern that poorer nations are the first to suffer the effects of climate change and collapsing ecosystems. The report notes that Scotland has a "moral obligation" to play its part in rebalancing the global economy.

### The Just Transition and the impact on communities

Scotland's third land use strategy 2021 - 2026 (Scottish Government, 2021c) states that the Scottish Government "understand that investing in our coastal communities is vital to support a green recovery and a just transition". A Just Transition places communities at the heart of the Scottish Government's approach to climate change action in several strategy reports, including The Heat in Buildings Strategy (Scottish Government, 2021b) and The climate change plan 2018–2032 (Scottish Government, 2020a). The Interim Principles for Responsible Investment in Natural Capital (Scottish Government, 2022a) strongly suggests that investment and management of Scotland's natural resources should support and benefit local communities.

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### A circular economy in a Just Transition

A Retail Strategy for Scotland (Scottish Government, 2022b) suggests that the sector has to move towards a circular economy model as part of a Just Transition. The Scottish Government has announced plans to introduce market restrictions on certain single-use plastics and has created legislation for a deposit return scheme on certain drinks containers from August 2023. An enhanced Zero Waste Scotland's service to support a Circular Economy is mentioned in Delivering Scotland's circular economy - route map to 2025 and beyond: consultation (Scottish Government, 2022d). The Environmental Strategy for Scotland (Scottish Government, 2020b) states that the outcome of a Just Transition will be a net zero circular economy. The ministerial introduction to the report highlights Scotland's role as a leader in developing a circular economy, including a list of government legislation and their circular economy strategy, Making Things Last, the Food Waste Reduction Action Plan and plans for a Circular Economy Bill. The Scottish government launched a consultation on the Bill in May 2022 that states that a circular economy is essential in tackling the climate and nature crisis.

### A Wellbeing economy emerging from a Just Transition

The climate change plan 2018–2032 (Scottish Government, 2020c) places a Wellbeing economy that “prioritises society’s wellbeing as the core aim of our economy”. Scotland’s contribution to the Paris Agreement – an indicative NDC (Scottish Government, 2021f) considers wellbeing in its summary of a Just Transition to net-zero emissions. Scotland's Inward Investment Plan (Scottish Government, 2020d) states that Covid-19 has highlighted the close relationship between health, wellbeing and the economy and has accelerated the need to transition to a Wellbeing economy.

### An environmentally sound Just Transition

Scottish Government’s climate change plan (Scottish Government, 2020a), stretching to the year 2032, notes the importance of a Just Transition and that its principles will impact decisions on the climate and that “Nature and biodiversity will also have benefitted significantly” from a Just Transition.

# SUMMARY OF THE SCOTTISH GOVERNMENT'S JUST TRANSITION

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The Scottish Government considers a Just Transition as a framework to achieve a systematically different, fairer and greener Scotland, supporting the Scottish Government to achieve a wide set of policy goals. For example, Scotland's National Strategy for Economic Transformation (Scottish Government, 2022c) states that progress towards a Just Transition in a 'decisive decade' will see Scotland 'significantly outperform the last decade' in terms of GDP growth. From 2009 to 2019, Scotland's GDP growth averaged 1.66% (Statista, 2022). The global average over the same period was 3% (World Bank, 2022). A likely target, therefore, for the Scottish Government in 2022 would have to be between 2% - 3%.

The Heat in Buildings Strategy (Scottish Government, 2021b) suggests that the overall impact of a Just Transition is a forecasted increase in jobs and that a well-managed Just Transition can ensure Scotland benefits from the opportunities of a decarbonised economy. The climate change plan 2018–2032 (Scottish Government, 2020a) suggests that Scotland will benefit from and capture the "opportunities of net zero". Individual strategies as varied as Scotland's Retail Strategy (Scottish Government, 2022b) suggest that the shared net zero goals will ensure the sector's future success. The Draft Hydrogen Action Plan 2020 (Scottish Government, 2020d) maintains that "Scotland has the opportunity and ability to benefit from a just transition" by becoming an exporter of hydrogen, and by doing so, will create and protect new jobs and "generate significant economic opportunities for communities across Scotland". The Ministerial foreword by Scotland's Cabinet Secretary for Finance and the Economy, in Making Scotland's Future - a recovery plan for manufacturing (Scottish Government 2021d), states that:

*"digital transformation and low carbon production" will boost companies' productivity and profitability"*

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To further appreciate the Scottish Government's vision for a Just Transition, it is usual to look at the description of the Scottish economy in three of its most important strategy papers.

Scotland's National Strategy for Economic Transformation (Scottish Government, 2022c) lists five policy goals for the Scottish economy as it makes a Just Transition. The economic strategy is designed to: establish Scotland as a world-class entrepreneurial nation, build new markets, strengthen its position in current markets that create new, well-paid roles, increase productivity across the economy, and support career and skills development driven by employee investment in their staff. The strategy includes a vision for the economy:

*“wellbeing and fair work, to deliver higher rates of employment and wage growth, to significantly reduce structural poverty, particularly child poverty, and improve health, cultural and social outcomes for disadvantaged families and communities”*

The Environment strategy for Scotland (Scottish Government, 2021b) also paints a picture of a new economy that is:

*“fairer, boosting workers’ pay and voices, and directing support to those who may be at greatest risk of poverty or discrimination; and inclusive, ensuring we invest in and support our local communities.”*

The Climate Change Plan (Scottish Government, 2020a) aims to create an economy that delivers green jobs, improves the environment, and creates a healthy, wellbeing-focused economy focusing on the role of a transformed energy system:

*“The process of developing this world leading, sustainable energy system will have created secure and well paid jobs, and supported sustainable economic growth across all regions of Scotland.”*

As highlighted earlier but worth repeating here, the above gains occur while significantly growing the Scottish economy using the traditional output-based measurements contained in GDP figures.

# REVIEW OF THE SCOTTISH GOVERNMENT'S JUST TRANSITION

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There are four specific concerns when analysing the Scottish Government Just Transition strategy papers. Firstly, the Scottish Government do not take a balanced approach to a Just Transition, focusing disproportionately on the possible positive outcomes of a Just Transition, ignoring much of the evidence and lived experience from previous economic transitions under neoliberalism. The Scottish economy has undergone similar transitions in the last half a century, including major economic and social upheaval as Scotland deindustrialised in the 1980s and 1990s. The more recent digital transformation of the economy continues at pace, increasing precarious work and inequality. During those transformations, Scotland and the UK, as a whole, have seen income and wealth inequality increase, the number of well-paying 'good jobs' reduce, and significant damage to the environment.

The Scottish Government strategy papers leave a most pressing question unanswered: how will this transition achieve goals that proved elusive during previous economic transformations?

The JTC report provides a more balanced summary of the opportunities and challenges of a Just Transition. Across the many strategy papers that address a Just Transition, the Scottish Government has focussed mainly on the opportunities of a Just Transition. This is in contrast to the JTC, which includes challenging statements, for example:

*"an increased push for decarbonisation without a supportive policy framework risks a decline in domestic manufacturing and job losses"*

The report suggests that building a low-carbon transport system must be well managed to improve social inclusion, adding:

*"equally, the changes might simply deepen existing inequalities"*

The JTC also highlight that change does not always bring rewards and that the structure of any future energy system could become a source of injustice.

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## BOX 1

The ability and success of carbon sequestration in a Just Transition are affected by areas outside the Scottish Government's control. Many areas of legislative oversight remain under the UK government. It is, therefore, useful to highlight the areas as either devolved (controlled by the Scottish Government) or retained (controlled by the UK Government) under the current constitutional arrangement. Reserved matters include:

- benefits (some aspects)
- betting and gambling
- broadcasting
- constitution (some aspects)
- consumer protection policy
- currency
- data protection
- defence and national security
- equality legislation (most aspects)
- energy (most aspects)
- elections to the UK Parliament
- employment law and industrial relations
- financial services
- foreign affairs
- immigration, asylum and visas
- nationality and citizenship
- postal services
- taxation (some aspects)
- telecommunications
- trade and industry
- transport (some aspects)

(source Scottish Government 2022c)

The JTC warn that the Scottish Government and other stakeholders must increase the speed of their plans to secure a larger share of global manufacturing in renewable energy to realise the benefits contained in the Scottish Government strategy reports. Manufacturing in renewables would have to play a significant role in improving Scotland's trade balance as the contribution of fossil fuels is reduced. Manufacturing will be of the utmost importance to the Scottish economy during and after a Just Transition, and we can look at manufacturing in detail.

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Making Scotland's future - a recovery plan for manufacturing (Scottish Government, 2021a) considers a Just Transition but almost exclusively concerns skills within manufacturing and pays little attention to many of the other areas of crucial importance to the manufacturing sector highlighted as key themes of a Just Transition, such as a circular economy, the environmental impact via emissions, enhanced democratic involvement of workers, or poverty reduction. Scotland's Vision for Trade (Scottish Government 2021i) is the strategy paper released in 2021 that pays the least attention to a Just Transition.

The JTC highlights that Scotland lacks a competitive manufacturing base or local supply chain for renewables. This was not addressed in the later manufacturing strategy document (Scottish Government, 2021f). Scotland's National Strategy for Economic Transformation (Scottish Government, 2022c) mentions capital investment to support renewable hydrogen production but does not highlight the wider renewable manufacturing supply chain. Although Crown Estate Scotland mentioned the supply chain as part of the ScotWind auction, which auctioned parts of the Scottish seabed to energy companies, the winning contractors have committed to but are not legally bound (Crown Estate Scotland, 2022a) to invest at least £1bn in a local supply chain for each GW of capacity (Crown Estate Scotland, 2022b). The need for Scotland to invest in the renewables supply chain was also mentioned by the Economy and Fair Work Committee, which suggested that the government proceeds from the ScotWind auction, of an estimated £700 million, should be invested in supporting supply chains in the renewable energy sector (Scottish Government, 2022j). The current Government strategy places the vital investment in Scotland's renewable energy supply chain in the hands of private companies. This is far from a one-off policy choice.

In Scotland's Global Capital Investment Plan (Scottish Government, 2021h), The Scottish Government is after the "right kind of capital" to match the economic realities of a Just Transition; however, even when operating under strong Environment, Social and Corporate Governance (ESG) principles, it is the investor that ultimately decides where to invest, rather than the country deciding on the investor. The Global Capital Investment Plan does not explain how Scotland would attract only the *right kind of* investment. Neither does it discuss if the Scottish Government would refuse the wrong kind of investment, again demonstrating a rosier outlook. When the JTC consider international investment, it warns that:

*"the distribution of costs and benefits is unlikely to be equitable or fair without careful attention"*

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Secondly, the Scottish Government have placed the market at the heart of the Just Transition, relying on the same market forces and international capital which have served Scotland so poorly over the last few decades. Scotland's central and local governments must be allowed to play a more significant role in the Just Transition, and there must be a more meaningful role for communities across Scotland.

Within Scottish Government strategy papers, there is a recognition and acceptance of certain unchallengeable market-led factors for a Just Transition. Among them:

01 Normal market conditions for natural capital, including carbon sequestration and renewable energy

02 The Scottish Government's role is to 'crowd in' private sector investment with government money

03 Taxation plays no significant role in redistributing the benefits from a Just Transition

04 Private companies have a significant role to play where other similar countries, currency-issuing and currency-using, engage the state and include more involvement from local governments and communities

05 Guidance, self-regulation, recommendations, and 'leading by example' are enough to ensure a Just Transition.

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This is Cask Strength Capitalism, a neoliberal capitalist market-led response placing Scotland's natural and renewable resources at its core. Overall, the Scottish Government's belief in the market is strikingly similar to the market-led support offered by the Conservative government during the deindustrialisation transition from the early-1980s to the mid-1990s.

The JTC demonstrate less confidence in self-regulation, market forces and shareholder primacy to deliver a Just Transition. The JTC suggests that, for example, "developing new business models that keep costs down and avoid high installation charges", during a Just Transition. This can be seen as the committee's view that energy businesses must adapt to a life of lower profitability. Similarly, in what can be seen as rounding on the exceptionally high profits generated by energy companies in the United Kingdom, with £50bn in profits split between the world's five biggest oil companies (The Guardian, 2022), the JTC suggest that there is support for:

*"finding a better way of paying for and delivering the energy system we need" as part of a Just Transition.*

In contrast, the Scottish Government in September 2021 formally dropped their previous pledge to create a National Energy Company for Scotland that would compete in the market to significantly reduce energy bills. Cask Strength Capitalism at work.

Critical of the construction industry, the JTC suggests that a Just Transition may be an opportunity to embed fair work and suggest that the Scottish Government become more involved in working practices, hinting at the need for regulation. The JTC reference the Centre for Sustainable Energy, stating that:

*"if left to the market, such innovation comes with potential for new injustice, and possibly even higher costs for some' and that "protection is needed for those who may be left behind".*

The JTC also directly mentions the role of regulation, a topic surprisingly missing from many Scottish Government strategy documents discussing a Just Transition. For example, the JTC highlight that difficult regulatory decisions will have to be made to achieve a 20% reduction in car miles travelled in Scotland by 2030; however, there is no mention of regulation in the National Transport Strategy (Scottish Government, 2020c).

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In the Ministerial overview (Scottish Government, 2022e) of The Interim Principles for Responsible Investment in Natural Capital, the Minister highlights that the National Strategy for Economic Transformation (NSET) plans to:

*“develop new market infrastructure, rules and governance for responsible private investment in natural capital”*

However, there is no mention of "rules or governance" within the (NSET); the report states only that the Scottish Government is planning a:

*“high-integrity market for responsible private investment in natural capital”, and is ‘committed to ensuring that local communities are empowered and benefit from investment in natural capital”*

The Scottish Government Just Transition strategy papers discuss fairer distribution but must explain how that will be achieved. There is little discussion on progressive re-distribution. Here we find a very strong correlation with both Margaret Thatcher’s trickle-down economics and Boris Johnson’s levelling up.

To ensure a Just Transition, wealth and the entitlement of wealth, such as the above-average carbon use of the wealthiest in society, must be redistributed more fairly (Nielsen et al., 2021). In a country like Scotland that is not monetary sovereign, the main policy levers available to the government are redistribution via legislation or a progressive tax system. Neither of these policy areas plays more than a minor role in the Scottish Government’s Just Transition.

As outlined in BOX 2, the current loose regulatory approach demonstrates two significant issues with the Scottish Government’s current approach to self-regulating natural capital, a vital area for Scotland’s Just Transition. Firstly it allows developers to ignore local communities. Perhaps more worryingly, it demonstrates that the Scottish Government views developers' payments as compensation for communities' lack of control and engagement rather than as a way to share the benefits of the Just Transition.

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## BOX 2

To consider the likelihood that reliance on self-regulation will deliver a Just Transition, we consider community payments made by onshore and offshore wind providers. This is a practical example of how a Just Transition may extend to other areas, such as land use for carbon sequestration. The Scottish Land Commission notes that other forms of natural capital have used community benefit funds to distribute wealth (Scottish Land Commission, 2022). In the UK, voluntary payments are provided by a developer to the community hosting, or in some way affected by green infrastructure, for example, an onshore wind farm (Glasson, 2021). The Scottish Government recommends that developers pay £5000 per installed MWh to the local community annually for onshore wind farms. A recent investigation by the Scottish investigative media organisation The Ferret discovered that it is likely that payments of half of one percent of the value of the electricity produced in their communities in 2022 is likely to be paid in community benefits, an amount that a member of the Scottish Parliament referred to as "loose change" (The Ferret, 2022a). The story of offshore wind is even more worrying.

The Scottish Government suggest that developers' voluntary contributions to a community are an important part of community engagement (Scottish Government, 2018); however, unlike onshore wind, no amount is suggested by the Scottish Government. In 2018 The Crown Estate, which owns Scotland's seabed, said in their Offshore Wind Operational Report that engagement with offshore communities was voluntary but was now standard practice (Crown Estate, 2018). However, in 2021, only £150,000 was paid into community funds by Scotland's offshore wind farms. The same year, 2.7 TWh was generated via offshore wind (Scottish Government, 2022f). The trade body, Scottish Renewables, admitted that not all of the projects granted a license from the Scottish Government / Crown Estate ScotWind offshore sea bed sale have committed to paying into a community benefit fund (The Ferret, 2022b), proving that without regulation some private companies will choose to ignore their responsibilities.

Thirdly, there is an inherent contradiction at the heart of Scotland's Just Transition: a thriving consumption-led economy driven by market forces that will reduce inequalities while Scotland achieves its legally binding climate targets. The Scottish maintain that the environment will be enhanced during a Just Transition (Scottish Government, 2020a) states. a Just Transition will lead to:

*"enhanced biodiversity, improved air and water quality, and landscapes and ecosystems that are more resilient to climate change"*

This will take place while the Scottish Government, tackle inequalities, provide good jobs, and support a thriving, wellbeing economy that "significantly" outperforms the last decade's GDP.

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There are certainly clear environmental benefits of a Just Transition in Scotland, in terms of reduced air pollution as seen in California (Wang et al., 2020), which, similar to Scotland, is a significant producer of fossil fuels and petrochemicals. A successful Just Transition would increase woodlands likely to build local climate change resilience, including protection from flooding. Woodlands that sequestered carbon would support *“food and nutritional security, positively affect hydro cycles, improve biodiversity, and strengthen the recycling of elements* (Lal et al., 2015).

The Scottish Government’s economic approach can be summarised as a belief in market-led *green growth* of between 2% and 3% per year. It can only achieve this *green growth* by decoupling greenhouse gas emissions. The evidence from Scotland suggests that while absolute decoupling of GDP from emissions is possible, it is highly unlikely to happen fast enough to achieve 1.5°C or 2°C pathways (Hickle & Kallis, 2020), especially against a background of continued consumption-led economic growth. This places the key environmental element of the Just Transition out of reach for Scotland.

Finally and most importantly, the chances of success under the current devolution settlement ensure that the Scottish Government lacks many significant levers to manage a Just Transition. It also lacks a willing partner in the UK Government. Westminster does not consider a Just Transition in any significant or serious policy proposals or strategy papers. As host of COP 26 Climate Change Conference (UN, 2022), the UK Government signalled that is was:

*“Supporting the conditions for a just transition internationally”*

The UK Government’s first use of the term Just Transition, concerning policy was in setting up a narrow task force in August 2022 to report on a Just Transition concerning UK financial institutions and corporates (Responsible Investor, 2022). The UK Government is not as definitive in its support for the widely understood principles of a Just Transition. There is clear evidence that the policy support for a Just Transition is significantly greater in Holyrood than in Westminster.

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The Scottish Government faces significant challenges in achieving its aim of a Just Transition as part of its legally binding climate targets of Net Zero emissions by 2045. The global pandemic, followed by a cost of living crisis, driven mainly by a significant increase in the wholesale price of gas used in the UK to price electricity (Ofgem, 2016), has highlighted the huge external factors that can buffer Scotland's Just Transition. Consider what powers the Scottish Government has to significantly lessen the societal and economic impacts of the current increase in energy prices, estimated to lead to 1m more Scots in fuel poverty (University of York, 2022) over the winter of 2022/23?

The Scottish Government's economic approach can be summarised as a belief in market-led green growth of between 2% and 3% per year. It would have to achieve this green growth by decoupling greenhouse gas emissions. The evidence from Scotland suggests that while absolute decoupling of GDP from emissions is possible, it is highly unlikely to happen fast enough to achieve 1.5°C or 2°C pathways (Hickle and Kallis 2020), especially against a background of continued consumption-led economic growth. This places the key environmental element of the Just Transition out of reach for Scotland.

The Scottish Government's acknowledgement that the powers and resources needed to tackle the cost of living crisis rest with the UK Government (The Herald, 2022) and demonstrates the brittle structure underpinning the Scottish Government's Just Transition. The JTC highlights that a managed transition is made more difficult because many of the policy levers are held by the UK Government (Scottish Government, 2021c). It is, therefore, incongruous to read Scottish Government statements such as:

*“Our approach to the mass roll-out of heat decarbonisation and energy efficiency will have removed poor energy efficiency as a driver of fuel poverty and wider actions to tackle the other drivers of fuel poverty will ensure we have eradicated it entirely. Our actions will also have contributed towards the eradication of child poverty”*

The question that the Scottish Government must answer is, how can the above be achieved with the current powers available to the Scottish Government?

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Other areas outwith the control of the Scottish Government that are likely to impact Scotland's chances of achieving a Just Transition include the Scottish Government's lack of involvement in negotiating trade deals. The Scottish Government desires the right trading partners to complete a Just Transition. It has the desire but cannot achieve it in the same way it has given itself huge responsibility without authority. The Scottish Government and Parliament have no formal role in signing trade deals or any significant input into trade negotiations. Despite the UK Government's, at best, loose commitments, to the principles of a Just Transition, the Scottish Government relies entirely on the UK Government to implement these principles into any trade relationships or agreements.

The Scottish Government's inability to borrow significant amounts for public investment is another area that stymies progress towards a Just Transition. The UK Government controls monetary policy over Scotland and significant other areas (see BOX 1). As part of the United Kingdom, the Scottish Government is a currency user and not a currency issuer; therefore, it cannot invest by directing an increase in the money supply in Scotland. Public investment for extensive infrastructure must therefore come from either an increase in taxation or a reallocation of current funds. The Scottish Government does not have regulatory oversight of employment rules and regulations. Professor Skea, Lead Commissioner of Scotland's Just Transition Commission, stated that Scotland could successfully tackle its carbon reduction targets; however, it "is the social justice aspects underpinning a Just Transition that will prove harder to achieve" (A.B Skea, personal communication, August 2022).

# CONCLUSION

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The Scottish Government faces significant challenges outlined above in achieving its aim of a Just Transition. The Scottish Government is a currency user, not a currency issuer, and does not possess the necessary fiscal options or monetary tools to transform the economy. This may partly explain the desire to greatly involve the private sector and market forces in transforming the economy. Still, it leaves the Scottish Government open to claims that it has developed a Cask Strength Capitalism approach to a Just Transition placing Scotland's natural resources in the hands of the corporates and multinationals. The Scottish Government has committed to significantly increasing GDP and unrealistic net zero targets. The Scottish Government seems unwilling to acknowledge the need to choose between an environmentally sound Just Transition and increased consumption levels. Finally, the Scottish government has taken on much of the responsibility for a Just Transition without a commensurate level of authority to deliver the Just Transition in Scotland.

Unless Scotland achieves more control of economic levers under the devolved settlement, makes a significant move towards becoming a monetary sovereign independent state or works with a significantly more pro-environment UK administration, the work by the Scottish Government will have played only a small role in a transformation that will fail to bring about an economic transformation that is just.

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