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I am aware that the Committee is currently undertaking a call for evidence on the Scottish Government's ambitions to create a public energy company. I, therefore, thought it timely to inform the Committee on recent steps taken by the Scottish Government to deliver on this ambition.

As you will be aware, in April the Scottish Government published a strategic outline case for our energy company that was, produced by our consultants, EY. Since then, we have been considering the approaches set out by EY in their report and the consultants' recommendations. We have also established a dedicated team of policy officials within the Scottish Government to take this work forward.

I have now written to COSLA to invite COSLA and its members to work alongside the Scottish Government to take this work forward and, in partnership, to develop a Local Authority based approach. Our ambition is to realise the significant potential opportunities to deliver against fuel poverty and economic development objectives that could be achieved through developing a public energy company that is involved in generation and supply. This is a tremendous opportunity to capitalise on Scotland's natural advantage in renewable energy resources.

You may recall that in Scotland's Energy Strategy, which I published last December, we set out our aspirations regarding local energy systems and solutions. I am keen that we build on the work undertaken by Local Authorities such as Aberdeen City Council and the Comhairle nan Eilean Siar.

The EY report highlighted that the development of such an approach is best managed on a phased basis to maximise the benefits. As such we are proposing that the focus of the first phase, to be delivered by the end of this session of the Scottish Parliament, will be to explore

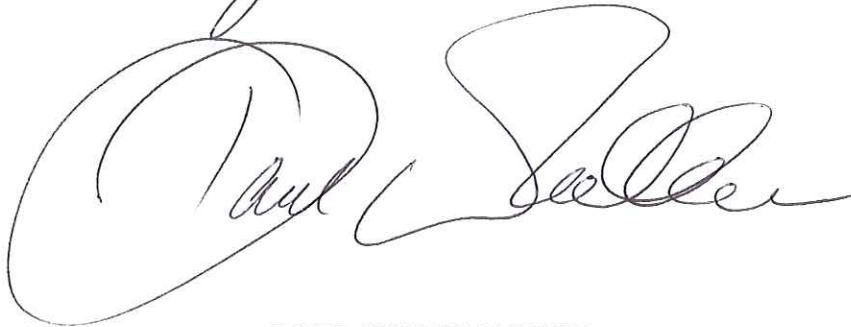
ways in which Local Authorities, individually or collectively, may be able to put in place white label arrangements or other arrangements with one or more existing energy companies to supply electricity and gas at a fair price. This would provide valuable impetus to our shared ambition to tackle fuel poverty.

Ultimately we would wish to see this, potentially, developed further through direct renewable generation and the purchase and supply of energy, delivering further economic development opportunities locally and nationally.

As a next step in delivering this ambition, I have initiated procurement of an outline business case to investigate these proposals further and to develop the practical details. This is an important step to ensure that a public energy company delivers the valuable outcomes we believe it can deliver, e.g. around tackling fuel poverty, and that it represents value for money.

I hope this is helpful in updating the Committee on our ongoing work to fulfil our ambition regarding development of a public energy company.

Kindest regards



PAUL WHEELHOUSE