

## Getting regulation right for Scotland's future infrastructure

By Sara Thiam, Chief Executive SCDI

Infrastructure touches on every single aspect of our lives. From running water and sanitation, to how we keep ourselves warm and dry and get from A to B, good infrastructure underpins our quality of life and the success of our economy.

Gaining an understanding of the full breadth of our infrastructure assets, taking in multiple sectors including transport, energy, telecoms, water, waste, flood defences, housing, education and health was a vital first step for the Infrastructure Commission for Scotland (the Commission) in developing a systems-wide approach to infrastructure investment and prioritisation.

### **Significant investment required over next 10-15 years**

While a large part of our infrastructure is publicly owned, many of the assets on which we depend, including energy and telecoms are owned and operated by the private sector. If Scotland's ambitions for an inclusive net zero carbon economy are to be realised, significant investment will be required over the next 10 to 15 years.

### **Getting regulation right is critical**

Because these network assets are regulated – for example by Ofgem or Ofcom and in the case of Scottish Water, by the Water Industry Commission for Scotland (WICS) – 'getting regulation right' is crucial to incentivising that investment at scale and pace. In short, we need to create the opportunity for business, governments and regulators to collaborate more effectively in order to achieve the investment in infrastructure that Scotland needs.

One example which illustrates the challenge we face is our dependence on road vehicles fueled by either petrol or diesel which account for more than 30% of our total greenhouse gas emissions. Greater take up of electric vehicles is dependent on an adequate and appropriate network of charging points and the ability to meet an increased demand for electricity – the full take up of electric vehicles in Scotland would increase electricity demand by around 25%. In short, this increased capacity needs to be in place to be able to meet the likely future increased demand. However, this will require a significant level of investment in anticipatory infrastructure, something which the current regulatory regime does not permit at the scale and pace required.

### **Regulators need to change to respond to new challenges**

While the current regulatory system has ensured investment in our utilities in the past, it needs a reset to enable it to respond to new challenges that it was not originally designed to address.

For example, there should be an obligation on regulators to consider investment needed to deliver inclusive economic growth and net zero carbon outcomes. The recent WICS draft determination for 2021-2027 allows Scottish Water to invest up to £4.5bn in infrastructure to meet these outcomes, an uplift of nearly a third on the previous determination period.

### **Governments to work together to develop devolved regulatory and pricing framework**

Such challenges are not unique to Scotland. The National Infrastructure Commission (NIC) has drawn similar conclusions. The NIC also concluded that a UK “one-size fits all” approach to energy and telecoms regulation may not lead to the best outcomes for Scotland. The Commission was clear there was an urgent need for both the Scottish and UK Governments to work together to develop an appropriately devolved regulatory and pricing framework that enables energy and telecoms infrastructure to be planned and delivered to meet the future needs of Scotland.

### **Heat and transport decarbonisation route map**

In order to better establish the balance of long-term infrastructure needs, the Commission also recommended that a combined decarbonisation route map, across the two major carbon contributors – heat and transport – should be developed to enable the combined energy and technology mix across both to be jointly considered, planned and invested in over the next 25 years.

### **Concluding remarks**

These are the foundations upon which Scotland’s future infrastructure will be built – and on which our social and economic recovery depends. The challenge we face is not only getting these foundations right but ensuring they are in place at the right time to enable the public and private investment necessary to achieve the Government’s ambitions for an inclusive net-zero carbon economy before 2050.

Our social and economic recovery depends on ensuring the right foundations are in place to enable public and private investment.

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*As the CEO of SCDI, Sara is focusing on the opportunities that climate change and digital transformation can deliver for Scotland’s economy. As Director for the Institution of Civil Engineers (ICE) in Scotland Sara led membership growth, lifelong learning, thought leadership and STEM activity. She is a member of the Infrastructure Commission for Scotland and Board Member for the Construction Scotland Innovation Centre.*

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