

Shetland Forward





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Introduction

Shetland is a special place. Our culture, our history, our geography and many other special characteristics make us a truly unique part of Scotland and the UK.

Our place names and street names, as well as much of the rest of our culture, owe more to our Norse heritage than they do to our Scottish or British links. Our dialect is an ancient mix of Scots and Norse, and our flag is a more modern fusion of both.

Our geography is much the same. We are closer to the Faroe Islands than we are to Edinburgh; closer to Oslo than to London.

We Shetlanders have a unique relationship with the water, more so than any other Scottish island group. Most Scottish islands are a matter of minutes or a few hours on the ferry from the Scottish mainland; Shetland is more than half-a-day away by water. Our water is as much a part of Shetland as is our land.

With this uniqueness comes a series of advantages and disadvantages.

We are blessed with natural resources, with the power of yesterday and today, oil and gas, and the power of today and tomorrow, wind and wave. This advantage has energised Scotland and the UK, but that silver lining has been attached to the cloud of a higher proportion of Shetlanders being in fuel poverty than anywhere else in the country.

Shetland is a globally significant place for bird migration and colonies. From Sumburgh Head and Fair Isle to Foula and Fetlar, visitors come from all over the globe. The world also has its eyes on the SaxaVord Spaceport in Unst. However, we would be able to attract many more visitors and investment if these remote islands were not reliant on an unresilient and ageing fleet of ferries.

Our nearly 3,000km of coastline gives us an advantage in the fisheries and aquaculture sector, from farmed salmon and mussels closer to our shores, to whitefish and mackerel further out to sea. But our digital disadvantage can make life unnecessarily difficult for these increasingly tech-dependent industries, as well as erecting another barrier for young workers to live and work here.

However Shetland's advantages are Scotland's and the UK's advantages. Shetland's success is Scotland's success, and the UK's success. They're not just Shetland's mussels and salmon and whitefish and mackerel - from oil to fish, the whole country benefits from the fact that the economic impact extends well beyond these islands.

Our special islands need a special relationship with our partners in the Scottish and UK Governments. A partnership based on fairness and equality. This document contains the ideas to cement that partnership.



Cllr. Emma Macdonald
Leader of Shetland
Islands Council



Maggie Sandison
Chief Executive of
Shetland Islands Council

Too much cost, and too little benefit



The people of the Shetland Islands pay more to heat their homes than people in any other part of the United Kingdom. Not just more - the average energy cost per Shetland household is more than double the average in the rest of the UK. Under the current price cap, the average annual bill for a UK household is estimated at £2,074; in Shetland it is £4,738.

The reasons are easy to understand. Shetland's average annual maximum temperature is nearly three degrees colder than the UK, we have no gas network and our housing stock is relatively poorly insulated. The average household in Shetland uses 21,000 kWh of electricity, compared to an average of less than 15,000 kWh across the country. The impact is difficult to overestimate.

Without the price cap, we estimate that a household in Shetland would have to earn over £47,000 per year to escape fuel poverty. Very few Shetlanders earn this amount of money:

66% would be in fuel poverty,

compared to the Scottish Government target of 5%

33% would be in extreme fuel poverty,

compared to the Scottish Government target of 1%

This is compounded by the cost of living being 20%-65% higher than the UK mainland.

On the mainland, in Edinburgh and in London, it is often presumed that Shetland has done uniquely well as a result of its natural energy resources. Sadly, that is not a feeling shared by Shetlanders.

It is not easy to tell our people that oil and gas has made them rich when they are choosing between heating and eating. It is not easy to tell our people that they are lucky to have these natural energy resources on their doorsteps when they see all the benefits heading south.

And so it is not easy to tell our people that they should welcome onshore and offshore wind, and other renewables. They are deeply sceptical. They look out of their front door at a wind turbine, then look down to their kitchen table at the energy bill, and they ask: "what's in it for us?"

Shetlanders don't want to keep all the proceeds of our natural resources. We are part of a Scottish and UK family and we want to share our good fortune. But the balance is wrong. We need to see more of the benefit, and less of the cost. We deserve to see more of the benefit, and less of the cost.



The average annual bill for **UK households** is estimated at

£2,074

Shetland households is estimated at

£4,738

Energising Shetland



Shetland, Scotland and the UK now have the chance to forge a new and fairer partnership.

A new partnership centred on creating a net zero future, which both energises Shetland and propels the country's renewables revolution.

A new partnership which balances fairness for Shetlanders, shared benefits for mainlanders, and energy security for everyone.

A new partnership which allows Shetland to energise its housing stock so that, as well as Shetland having cheaper energy, Shetland uses less energy.

A new partnership which ensures that Scotland and the UK's just transition is also Shetland's just transition; a jobs transition to put the unparalleled expertise of our oil and gas workforce to use in the renewables revolution.

And a new partnership which allows the Shetland Islands to move from depopulation to repopulation. These islands are special. These islands are a place to live like no other. However there are too many barriers to putting down roots in Shetland. Our physical connectivity needs strengthened. Our digital connectivity needs strengthened. And, perhaps most of all, we need to see a little more benefit and a little less cost. Watching our natural resources helping people in the mainland would be significantly more palatable were we allowed to keep a little more for ourselves.

Shetland is far from the only region of the country which sees itself as a special case. But it may be the only region of the country which actually is one. Shetland is a special case.



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The Shetland Tariff



A special case needs a special tariff - the Shetland Tariff. The Shetland Tariff is an outcome rather than a process, and it can come about through a combination of negotiated changes.

Shetland Islands Council wishes to enter discussions with the Scottish Government, the UK Government and with industry stakeholders, with a view to negotiating a new settlement.

In our **discussions with the Scottish Government**, we will ask for Shetland to be given a share of the income from Shetland's offshore wind.

Last year, three developers agreed to pay £56m in option fees to build windfarms in Shetland's NE1 area. All of it will go to Edinburgh; none to Shetland.

After development, the windfarms are expected to generate enough electricity to pay fees of almost £12m per annum; all to Edinburgh, and none to Shetland.

Everyone has their own definition of 'fairness', but surely few would have this definition. The NE1 Auction was lauded as "a fantastic result for Shetland and for Scotland", but the benefits for Shetland are far from clear.

Shetland is not asking for everything, but we are asking for something.

A reasonable outcome to these discussions would form part of the Shetland Tariff.

If the government in Edinburgh permits us to share the benefit of our offshore wind potential, we will hold direct **discussions with the developers** who create the energy from Shetland's resources. We will start new, innovative conversations about what 'community benefit' means today, and how it can contribute to our strategic aims. Shetland needs a circular approach to community benefit; if we can negotiate with our energy developers to fund infrastructure investment, we want it to assist Shetland's people, promote growth in Shetland's economy and mitigate Shetland's carbon footprint, all at once.

That means reimagining what 'community benefit' means, from insulating domestic housing stock to

building electrolyzers for hydrogen production; from building more electric vehicle charging infrastructure to funding a new all-electric local bus network; everything from funding fibre broadband to building local business hubs.

These are all part of the Shetland Tariff.

For our Shetland Tariff outcome to be viable, we also need to engage in **discussions with the UK Government and Ofgem**.

Shetland is ripe for the creation of a publicly owned energy company; one with real power, and the ability to strike deals with energy producers rather than only with energy retailers. The creation of a publicly owned energy company for Shetland could prevent Shetland's energy potential, and production, being wasted.

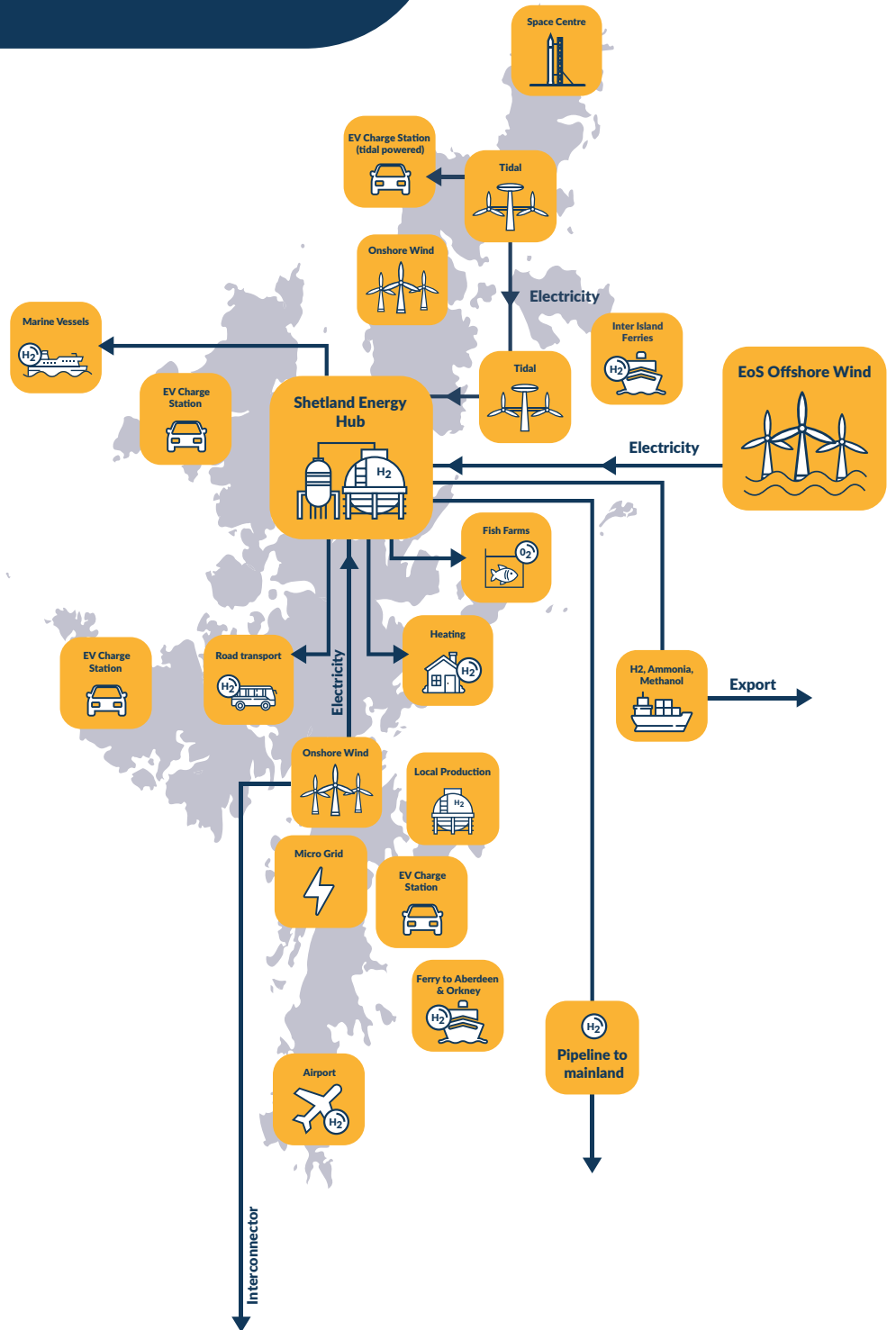
Powering Shetland requires a peak capacity of around 50MW. The proposed HVDC interconnector will be able to carry 600MW, opening the opportunity for a huge volume of Shetland's energy production to be exported to the UK's National Grid, and beyond.

However, based only on current onshore wind and tidal developments, Shetland will produce up to 750MW. Even after accounting for the power required for oil and gas assets both on and offshore, there is spare capacity in Shetland, and as offshore wind develops this reinforces the need for a holistic power solution, ensuring there is a joined up energy eco system for Shetland and that energy is put to the most appropriate use.

Any capacity to produce electricity beyond that which the HVDC interconnector can cope with, and that which can be used on the island is, in essence, at risk of being curtailed. It needn't be. A publicly owned energy company for Shetland could buy otherwise curtailed energy from producers, store it, and retail it to residents. The ability to strike deals with onshore wind, offshore wind, tidal and hydrogen producers, for the purpose of giving Shetlanders control over their energy supply, along with a reduced cost, would go far to redress the unfairness and imbalance inherent in heating Shetland.

This is the Shetland Tariff. This is Energising Shetland.

How we're energising Shetland



The **very definition** of a lifeline service



The importance of the inter-island transport network to life in Shetland cannot be overestimated. The ferry service, as part of that network, is the social and economic backbone of these islands. The ferries take commuters to work and essentials to community shops. The ferries take patients to hospital and children to school, as well as being essential for those delivering public services. They are a lifeline in the truest sense of the word.

What's more, the ferry service is the key to facilitating economic success not just for Shetland, but for all of Scotland and the UK. The ferries take the fish from the country's biggest food export - farmed salmon - to their destination. The ferries are taking the parts and the people to Unst to build the first vertical satellite launch site. And they'll take workers to sites all over the islands as we transition from oil and gas to renewables production.

Shetland Islands Council's ferry fleet consists of 12 vessels, which sail around 70,000 times annually to nine islands, carrying roughly 750,000 passengers.

However, the fleet is old - it averages 30.2 years. In addition to the unreliability of a fleet of this age, it is also a major contributor to the Council's carbon emissions, and an inhibitor to Shetland's ambition to become net zero islands (Shetland Islands Council transport accounts for over 50% of emissions).

We have reached a point of no return. There are a handful of vessels which are already operating past their intended life; if they are not replaced now either by tunnels or new ferries, then there is a material risk to the lifeline services to Shetland's islands.



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CMAL target average age



24.5

CMAL current average age



30.2

SIC current average age

Shetland Short Crossings Project



Shetland Islands Council understands that any project to replace ageing ferries with new vessels, or with tunnels, cannot be expected to be solely the responsibility of central government. Just as our islands' incredible energy resources should be a shared benefit between Shetland, Scotland and the UK, the transportation between those islands should be a shared cost.

This is the fairness which lies at the centre of our partnership; Shetland, Scotland and the UK sharing costs, and sharing benefits. The benefits to all of us from replacing ageing ferries are widespread and clear. There are economic benefits to be derived from making transit between Shetland's Mainland and our outer islands faster, easier and more resilient. There are social benefits, too, from making our outer islands feel closer and more accessible. And, of course, there are meaningful environmental benefits to replacing old, carbon heavy ferries with a combination of greener vessels and tunnels.

Five of our nine outer islands must continue to be served by a ferry, which will involve the replacement of at least eight of our 12-strong fleet. The other

four islands (Bressay, Whalsay, Yell and Unst) would, we believe, be better served by the construction of subsea tunnels.

Tunnels could have a number of benefits over ferries:

- Lower whole-life carbon footprint
- Lower whole-life cost (multiple ferries required during life of tunnel)
- Speed and reliability of crossing, which has economic and social benefits, with a positive impact on depopulation/repopulation
- Wider economic impacts e.g. space industry, aquaculture, renewables, tourism

Shetland Islands Council has already spent a significant amount of time and money on business cases for tunnels and new ferries as part of the Shetland Short Crossings Project. This is serious and substantial preparatory work, and the time has now come for both the Scottish and UK Governments to discuss with Shetland Islands Council their commitment to our partnership.



Our partnership in action



Shetland, Scotland and the UK have worked well together over the last year-or-so.

The Scottish Government and Shetland Islands Council worked collaboratively on ensuring that there is sufficient funding in place to run the day-to-day ferry services. As our Leader, Cllr. Emma Macdonald, said at the time:



"John Swinney understood our concerns, he understood the importance of the services, and he responded immediately. His announcement today will keep people on our ferries, and keep our ferries in the water."

That revenue funding agreement for our inter-island crossings must continue in perpetuity, whether those routes continue to be served by new ferries or by tunnels. The Council and the Scottish Government are now also involved in a task force specifically designed to smooth the path for the construction of replacement vessels.

There are other good reasons for the UK Government to take a deep interest in the Shetland Short Crossings Project. The SaxaVord Spaceport has unique geographical advantages which can make it a world leader, and it can play a key role in UK-wide efforts to gain up to a £4bn share of the global space market by the end of the decade.

Similarly, our discussions with the UK Government have resulted in welcome funding for a new Fair Isle vessel and associated landside infrastructure, securing its future as a populated island. After that announcement, Cllr. Macdonald said at the time of the announcement:




"It is no exaggeration to say that this funding from the UK Government has saved Fair Isle as an inhabited island. There would have been no other way for us to sustainably fund such a project. This is a truly great day for Fair Isle, and for Shetland, and we are grateful for the honest, open and productive dialogue we have had."

However, despite being only around 100 miles north of Sumburgh Airport, SaxaVord is accessible only after two separate ferry journeys. It can take anything up to four hours; roughly the same amount of time as it would take to drive nearly 250 miles from Edinburgh to Manchester. Tunnels from Shetland's mainland to Yell, and from Yell to Unst, could be expected to cut that journey time in half, to around two hours from the southern point of Shetland at Sumburgh Airport to its northern point at SaxaVord (or around 90 minutes from Lerwick).

These tunnels are of strategic national importance to the UK.

The future of Shetland's inter-island transport

 Proposed subsea tunnel



The digital race



To us in Shetland, the world feels smaller than it used to. The digital age has been a significant historical event for Shetland. For a group of islands so far away and so geographically isolated, the internet has increasingly made us feel closer and more integrated.

This is important in everyday ways. Fast internet helps Shetland's schools and health centres operate, it helps our small businesses trade, it helps us to promote Shetland to the world, and it gives local people a better quality of life.

But it is also important strategically. Better digital connectivity, together with better transport links and good jobs, can play a part in encouraging young people to stay in Shetland, or to relocate knowing that they will be able to enjoy Shetland's peace and safety, while still having access to modern connectivity.

High speed connectivity is fundamental to the development of the economy; it has paved the way for high-tech innovation in our fisheries and aquaculture sectors, supported improvements in the

delivery of public services, and has been integral to the working relationship between the old and the new as we transition our energy production from oil and gas to renewables. And, of course, developing Shetland's space economy leadership requires access to download and store data.

But connectivity is a race. And, right now, we are not winning it.

In Shetland, where the space between premises is large and some homes and businesses are extremely isolated, too many of those most in need will be left behind by national programmes like R100. Shetland lacks the low-hanging fruit on which R100 feeds and, sadly, many of our homes are out of its scope.

Indeed, with around one-in-eight homes not scheduled to be reached by R100, in Shetland the rollout would be better termed R86.

There is an inherent lack of fairness in this. Living in Shetland should not come with a digital penalty.

With around one-in-eight homes not scheduled to be reached by R100, in Shetland the rollout would be better termed R86.

The purpose of the Reaching 100% (R100) programme was to provide superfast broadband - a speed of at least 30 Mbps - to **every** home in Scotland. In Shetland, not only are thousands of homes unconnected, but around one-in-eight homes are not in the scope of R100. In other words, there are no plans to connect them.

We understand why - some of our homes are hard to reach. That is why we want to put the partnership we enjoy with the Scottish and UK Governments to good effect for the people of Shetland, through our proposed Shetland 100 (S100) programme.

Shetland Islands Council has significant experience in superfast fibre broadband - we have already built our own network. Throughout our North Isles, and down the spine of our Mainland, we have built a network to ensure our public sector organisations can operate effectively.

It has been constructed on a targeted basis, ascertaining community needs and building the network accordingly. Most recently, this was done to provide an ultrafast connection to Yell and Unst, delivering superfast broadband speeds to services in the most northerly areas of the UK.

This has been a commercial build, but the solution for residential ultrafast connectivity can be much the same, using a similar model to that used in the Faroe Islands.

We have the expertise to do more, in partnership with the Scottish and UK Governments.

Our partnership in action

S100's objective would be to work together to fill the digital gaps left by R100. We are seeking a conversation with the Scottish Government to secure the full £5,000 Scottish Broadband Voucher Scheme (SBVS) grant for each of the roughly 1,600 homes in Shetland which lie outside of R100's scope.

Additionally, we wish to secure a further £4,500 per property through the UK Government's Gigabit Voucher Scheme.

This is a better way to do things for Shetland - better for Shetland because our homes are connected, better for the governments because it delivers their objectives.

£5,000 SG's SBVS

+

£4,500 UKG's GVS

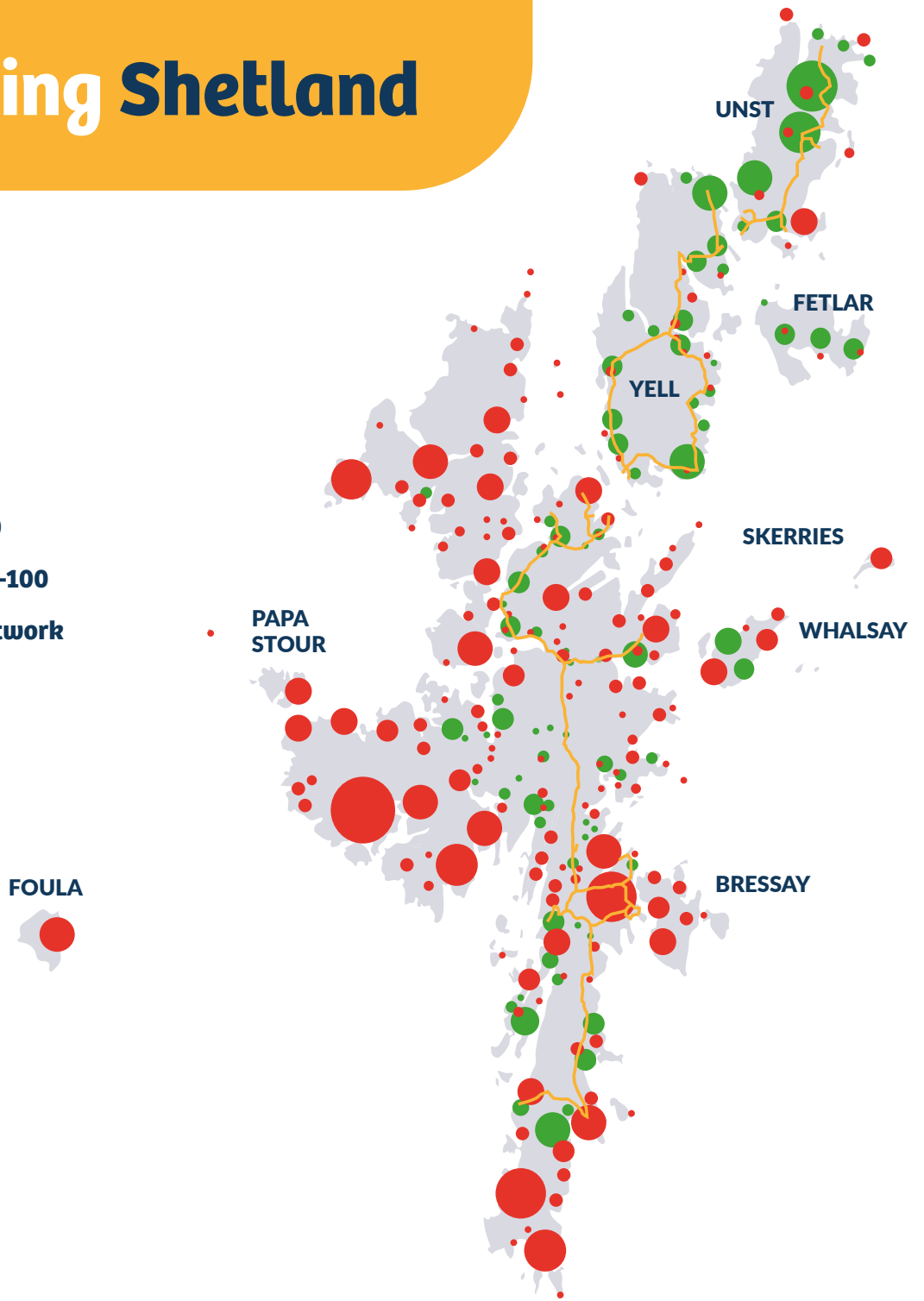
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**£9,500 to connect the
unconnected homes
in Shetland**

Connecting Shetland

S-100

- in scope for R-100
- out of scope for R-100
- Council's fibre network



 FAIR ISLE

Summary

This document has encouraged a series of specific discussions between Shetland Islands Council and our partners in the Scottish and UK Governments. From discussing local benefit from offshore wind and making R100 reach 100% with the Scottish Government, to discussing a community owned energy company and subsea tunnels to SaxaVord Spaceport with the UK Government, our partnership can deliver significant mutual benefit.

However, although the discussions are targeted, the outcome is far from that. These are holistic proposals aimed squarely at the most significant long-term risk to Shetland - people!

Shetland has a higher proportion of under 16s than the rest of the country, but a lower proportion of

working age people. In other words, our young are leaving and neither coming back nor being replaced. Scotland's population is rising, but Shetland's is falling.

Our campaign proposals - Energising Shetland, the Shetland Short Crossings Project and S-100 - are all centred on discouraging depopulation and encouraging repopulation.

We need to make it more affordable to live here, easier to travel here and more connected to work here, if we are to reverse our demographic trend.

We can do it, but we need our partnerships with the Scottish and UK Governments to thrive. And we need them to be fairer.

Shared costs, and shared benefits.



