**Anger and dismay at Scottish hydro’s uncertain future**

**Scottish Government under fire for “empty rhetoric” on green energy**

**PRESS RELEASE – For immediate release**

January 15, 2020

Small hydro operators have warned that they are facing major economic uncertainty unless Scottish ministers take urgent and permanent action to reduce punitive business rates being imposed on the sector.

Operators have expressed dismay at the conclusions of the Tretton Review, published today, after a two-year inquiry. The report suggests temporary government reliefs should continue, rather than recommending an industry-preferred permanent solution to a structural problem – caused by an unfair and ill-founded rateable value increase in 2017 which far outstripped that faced by other businesses.

Hydro schemes are being hit with Rateable Values (RVs) two to three times higher than small wind schemes and four times more than solar energy schemes. The result puts RVs at an average 24% of turnover for small hydro schemes. Many UK high street retailers complain at rateable values set at less than 10% of turnover.

**Simon Hamlyn**, CEO of the British Hydropower Association, which represents the hydro industry, said: “If the Scottish Government does not intervene then many small hydro schemes will become uneconomic to local operators and risk being sold off at a knockdown price to institutional investors outside Scotland. Some will just not be worth operating in future, with the resulting impact on rural economies and communities and local jobs.

“While the sector is grateful for the government relief schemes which have helped the majority of operators in the short term, and which we hope will continue until a permanent solution is found, we are angry and very disappointed that the Tretton Review has completely failed to come up with any form of long-term solution that the industry has been requesting. That must now be a priority. If the First Minister is serious about the world making progress at the COP26 climate conference, she must take action closer to home.”

Small hydro schemes originally received government incentives in a bid to boost the renewables sector. While those have been cut, hydro operators have been hit disproportionately by two rateable value increases in recent years.

Business rates are based on Rateable Values which are set by independent Scottish Assessors who have refused to reconsider the absurd increases they imposed on small hydro, despite a series of legal battles. While a government relief scheme providing a 60% reduction in rates payable has benefited many operators, the relief isn’t guaranteed in the long term and doesn’t apply to all small hydro businesses hit by crippling rates.

**Alex Linklater**, executive director of Alba Energy, which represents Scottish hydro operators, said:

“This is no routine complaint about business rates. Hydro schemes have been targeted with rateable values multiple times greater than other businesses, including wind and solar companies. Long-term economic damage is being inflicted on Scotland’s indigenous green energy source, suffocating the potential for future development and investment.

“Small Hydro is being penalised by assessors who have got their formula wrong but won’t admit it – and by a Scottish Government whose promises about a low carbon economy and rural development appear to be little more than empty rhetoric.”

There are currently around 500 small hydro schemes in Scotland, a significant proportion of all hydro generating in the UK, employing hundreds of workers, many of them in rural and remote communities.

**Hugh Raven**, managing director at Ardtornish, Argyll, operates five small hydro schemes producing 3.4 megawatts of energy. He’s invested heavily in hydropower and his business creates employment in a sparsely populated community. With a turnover of £3m per year, Ardtornish is facing a non-domestic rates bill of £500,000 this year. It gets very little benefit from Scottish Government relief because of state aid rules.

Raven said: “The impact of this unfair revaluation on our business is huge. I don’t know of any other business paying anything like this level of rates. As a result, plans to expand our workforce and business and invest in more environmental projects are now on hold.”

His constituency MSP, Kate Forbes, is the minister responsible for business rates in the Scottish Government.

Raven added: “I know Kate Forbes is aware of the scale of the challenge we’re facing and I’m hopeful she’ll take the necessary action as both minister and our constituency MSP to put us on a fair footing with other businesses in Scotland, with Rateable Values set at around 8-10 percent of turnover rather than these preposterous levels."

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Notes to Editors

* Hydro power contributed almost a fifth of renewable electricity output in Scotland in 2018.
* Other renewable schemes supported by the same Feed-in-Tariff subsidies such as wind and solar attract much lower rateable values – with hydro two to three times higher than wind and four times that of standalone solar PV (BHA analysis).
* Big Hydro (ie SSE) which attracts fair rateable values under the cumulo system sees rateable values of between 13% and 15% of turnover, following the 2017 revaluation. That’s around 50% less than small hydro. (BHA analysis).
* The Scottish Government’s Energy Strategy, published Dec 2017, states: “We will partner with the hydro sector to support their ambition, including helping them to explore potential solutions through our Hydro Task and Finish Group. Following the Barclay Review of Non-Domestic Rates, in early 2018, we will ‘fast track’ the plant and machinery condition in respect of hydropower.” (P50-51) (https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2017/12/scottish-energy-strategy-future-energy-scotland-9781788515276/documents/00529523-pdf/00529523-pdf/govscot%3Adocument/00529523.pdf)
* The Scottish Government has set target of 2045 for net-zero emissions of all greenhouse gases, with a target of 50% of energy for Scotland’s heat, transport and electricity consumption due to come from renewables by 2030. (https://www.gov.scot/publications/annual-energy-statement-2019/pages/3/)
* The [Climate Change (Emissions Reduction Targets) (Scotland) Act 2019](http://www.legislation.gov.uk/asp/2019/15/contents/enacted) sets interim targets for reductions of at least 56% by 2020, 75% by 2030, 90% by 2040.
* Following the Barclay Review of non-domestic rates, Finance Secretary Derek Mackay MSP said: “Until such times as the review of hydro plant and machinery valuations has concluded and any recommendations are implemented, I will offer a 60% new relief for hydro schemes from 1 April 2018, subject to an upper value threshold.” (12 Sept 2017, https://news.gov.scot/speeches-and-briefings/response-to-the-report-of-the-barclay-review-of-non-domestic-rates.)
* With effect from April 1, 2018, a Scottish Government relief scheme set at 60% for hydro schemes with a RV of up to £5m was introduced because of the disparity between small wind schemes and hydro Rateable Values.
* Scottish Energy minister, Paul Wheelhouse MSP, said: “The hydro sector is at a crossroads, with a number of exciting developments, especially in small scale hydro, at risk due to changes in subsidies brought in by the UK Government, putting jobs at risk in many rural communities. This tried and tested technology can play a key role in enhancing energy security, providing local jobs and helping to integrate renewables on to the network. We will do all that we can to ensure hydropower, and pumped hydro storage, will play an important role as part of a balanced energy portfolio.” August 22, 2016 ( <https://www.gov.scot/news/future-of-hydropower/> )
* The Feed-in Tariffs scheme, launched in 2010 by UK Energy and Climate Change Secretary Ed Miliband, is a UK government programme designed to promote the uptake of renewable and low-carbon electricity generation technologies, including hydro, wind and solar. It closed to new entrants on March 31st, 2019. It provided payments to owners of small-scale renewable generators at a fixed rate per unit of electricity.
* The **British Hydropower Association** (BHA) is a trade membership organisation which represents the interests of UK hydropower community. http://www.british-hydro.org
* Set up in 1998**, Alba Energy** is a collective of independent hydro operators <https://albaenergy.scot>