

Anger and dismay at Scottish hydro's uncertain future

Scottish Government under fire for "empty rhetoric" on green energy

PRESS RELEASE

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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 for ministers."

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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