POLICY NOTE

THE RENEWABLES OBLIGATION (SCOTLAND) AMENDMENT (NO. 2) ORDER 2026

SSI 2026/XXX

The above instrument is made in exercise of the powers conferred by sections 32, 32A, 32J and 32K of the Electricity Act 1989. The instrument is subject to affirmative procedure.

Summary Box

This Order amends the Renewables Obligation (Scotland) Order 2009 to implement aspects of the British Industrial Competitiveness Scheme (BICS) in Scotland. The amendments exclude "BICS excluded electricity" from a supplier's liability under the Renewables Obligation (Scotland) Order 2009 (ROS).

The Order also introduces amendments to the methodology for calculating the obligation level for Scotland to account for the exemption. This applies to obligation periods beginning on or after 1st April 2027. Equivalent legislative changes are being made by the UK Government in respect of the Renewables Obligation in England and Wales.

Policy Objectives

The Renewables Obligation (RO) has incentivised renewable electricity generation since 2002 through a system of tradable certificates known as Renewables Obligation Certificates (ROCs). Three complementary schemes operate across the United Kingdom: the Renewables Obligation for England and Wales, the Renewables Obligation Scotland (ROS), and the Northern Ireland Renewables Obligation (NIRO). The Scottish Ministers are responsible for the legislation governing the ROS.

The British Industrial Competitiveness Scheme (BICS) is a UK Government initiative announced as part of the Modern Industrial Strategy that covers Great Britain only. The scheme aims to reduce the high electricity costs faced by energy-intensive manufacturing businesses and improve the competitiveness of British industry. Eligible businesses will receive exemptions from the indirect costs of a number of energy policies, including the Renewables Obligation, Feed-in Tariffs and the Capacity Market. Decisions regarding scheme design and eligibility are reserved to the UK Government.

Implementation of BICS requires changes to the ROS framework. This Order amends ROS to exclude "BICS excluded electricity" from suppliers' liability under the ROS. .

The Order also makes changes to the methodology used to calculate the annual obligation level for Scotland. In setting the obligation level, estimated electricity supplied to BICS-exempt businesses will be removed from the total electricity supply figure used in the calculation.

The Order provides a power for the Scottish Ministers to revise the obligation level for 2027-28. The obligation level for the obligation period 2027/28 will be published by 1st October 2026, and any revision must be made before 1st April 2027.

UN Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 Compatibility

The Scottish Ministers have made the following statement regarding children's rights:

In accordance with section 23(2) of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024, the Scottish Ministers certify that, in their view, the Renewables Obligation (Scotland) Amendment (No. 2) Order 2026 is compatible with the UNCRC requirements as defined by section 1(2) of that Act.

EU Alignment Consideration

This instrument is not relevant to the Scottish Government's policy to maintain alignment with the European Union.

Consultation

The Scottish Government undertook a statutory consultation between 16 June and 30 June 2026 on the proposed amendments to the Renewables Obligation (Scotland) Order 2009 required to implement BICS. The consultation sought views from (but not limited to) electricity suppliers, generators, consumer representatives, citizens advice agencies, businesses and other interested stakeholders. In total, nine valid responses were received.

The Scottish Government also held a number of discussions with key Scottish based stakeholders to inform this amendment, and the related Business and Regulatory Impact Assessment (BRIA).

The majority of respondents supported exempting eligible businesses from ROS costs. Respondents highlighted the potential benefits for industrial competitiveness and investment, while also raising concerns regarding cost redistribution and implementation arrangements. The Scottish Government carefully considered the responses received and concluded that the proposed amendments represent an appropriate and proportionate approach to delivering BICS within Scotland.

Impact Assessments

The following impact assessments have been completed in relation to this SSI:

- Business and Regulatory Impact Assessment (BRIA)
- Children's Rights and Wellbeing Impact Assessment

The assessments will be published to coincide with the laying of this instrument alongside this Policy Note.

Screening exercises were also undertaken for:

- Equality Impact Assessment
- Island Communities Impact Assessment
- Fairer Scotland Duty Assessment
- Consumer Duty Impact Assessment

The screening exercises concluded that full assessments were not required.

Financial Effects

A BRIA has been completed and published. The primary effect of the instrument is to facilitate the delivery of electricity cost exemptions to eligible businesses under the British Industrial Competitiveness Scheme. The exemption is intended to improve the competitiveness of these eligible manufacturing businesses by reducing the indirect policy costs included within electricity bills. It is estimated that around 825 Scottish businesses will benefit from this scheme.

The instrument is not expected to have any direct financial implications for the Scottish Government.

While the exemption changes the allocation of ROS costs within the electricity system, the UK Government has indicated that impacts on remaining consumers will be offset through a combination of wider energy system measures and Exchequer funding.

Directorate for Energy and Climate Change
Scottish Government
26 August 2026