University of Strathclyde Glasgow

FRASER OF ALLANDER INSTITUTE

Economic Commentary

Vol 51 No 1

FOREWORD

Scotland's economy is navigating the first half of 2026 with a degree of cautious momentum. Recent data points to activity picking up, with output edging higher and resilience holding in the face of sustained uncertainty. This quarter's Commentary shows that Scotland's GDP expanded by 0.14% in the final quarter of 2025, slightly ahead of the rest of the UK on 0.1%, and more recent figures point to a surprisingly strong monthly increase at the start of this year. While these movements are modest, they suggest the economy is proving steadier than many expected.

However, that steadiness should not be overstated. Growth remains limited in scale, the wider context is unsettled and rising oil and energy prices, alongside continued geopolitical instability, present clear headwinds. The global environment continues to shift in ways that are difficult to predict, and Scotland is not insulated from those forces. The task ahead will be to build on early signs of progress while recognising how easily momentum could falter.

Set against this backdrop, understanding the current state of our public services is essential. Findings from Deloitte's most recent State of the State report, which provides a view of the public sector from the people who both use it and run it, highlighted the extent of the pressures facing Scotland's government and public services. Fiscal constraints are tightening, with increasing demand on public services and limited flexibility for new commitments. Delivery challenges also persist, including skills shortages, legacy systems and the pace at which policy can be translated into tangible outcomes.

Business sentiment also reflects this uncertain environment. Deloitte's latest CFO Survey, which gauges sentiment and balance-sheet strategies among the UK's largest businesses, pointed to weakening confidence among finance leaders, with geopolitical risk now a primary concern. Scottish firms are navigating these pressures alongside domestic uncertainty, with both global conditions and local policy shaping investment and hiring decisions.

Despite these constraints, Scotland's underlying strengths remain clear: strong academic institutions, a skilled workforce and abundant energy and natural resources. The issue, then, is less about identifying opportunity and more about how consistently it can be realised. The questions are less about identifying opportunity and more about how quickly and consistently it can be realised.

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FOREWORD

Over the last year, we've brought together voices from across business, policy and academia through a dedicated podcast series created in partnership between Deloitte and the Fraser of Allander Institute. These conversations, sparked and shaped by the series, have created space for lively debate, expert insight and genuinely thought-provoking discussion, exploring the forces shaping Scotland's economic future.

Insights from the past year of podcast discussions reinforce a clear message: at a critical moment for Scotland, convening diverse perspectives matters. By creating a platform for open and informed dialogue, the series has helped to test ideas and challenge assumptions, adding real depth to the conversation around economic growth.

During the conversations, Scotland's role in the energy transition stood out as a defining feature of its economic future. Its position as both a producer of traditional energy and a leader in renewables offers a distinct advantage, though realising that advantage requires sustained investment and careful management of competitive priorities.

Policy clarity is also critical. Businesses need consistent direction, especially amid regulatory uncertainty. Long-term frameworks drive investment, particularly in sectors where it can take years to recover upfront costs.

Technological change also continues to gather pace. According to this quarter's Commentary, adoption of artificial intelligence has reached around half of firms, with use spreading beyond early adopters into wider business operations. This shift brings opportunities to improve productivity, though the benefits will depend on how widely capabilities are developed and how effectively they are integrated into day-to-day activity.

Collaboration was another recurring theme during our discussions, with economic progress increasingly tied to strength of partnerships across sectors and regions. Scotland's regional economies offer a range of opportunities, supported by local assets and specialisms, and unlocking that potential requires coordination and a willingness to work across traditional boundaries.

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These issues take on added weight in the current political context, with the imminent Holyrood election presenting a timely moment to reflect. While the SNP hold a consistent lead in opinion polls, changes in parliamentary representation can create scope for a shift in emphasis and approach. This period, therefore, provides an opportunity to reassess priorities and to focus more sharply on delivery.

No matter who is in Government, choices around public spending, economic reform and investment frameworks will influence both near-term conditions and longer-term performance. The interaction between fiscal constraints and policy ambition will be a defining feature of this next political chapter in Scotland.

In this context, stability carries significant weight. Clear policy and a predictable environment will enable faster decisions and reduce delays. Scotland has real strengths – energy, growing AI capabilities and diverse regional economies – but sustaining momentum will require focus.

The outlook for Scotland's economy is therefore one of measured progress, accompanied by real constraints. There are grounds for confidence in the modest, yet meaningful resilience shown to date, alongside a clear recognition of the challenges that remain. The focus now turns to how effectively Scotland can convert early momentum into sustained economic performance, within a context that demands both discipline and adaptability.

Angela Mitchell, Senior Partner for Scotland and Northern Ireland, Deloitte

April 2026

CONTENTS

FORECASTS

0.9%
2026 forecast

1.0%
2027 forecast

1.1%
2028 forecast

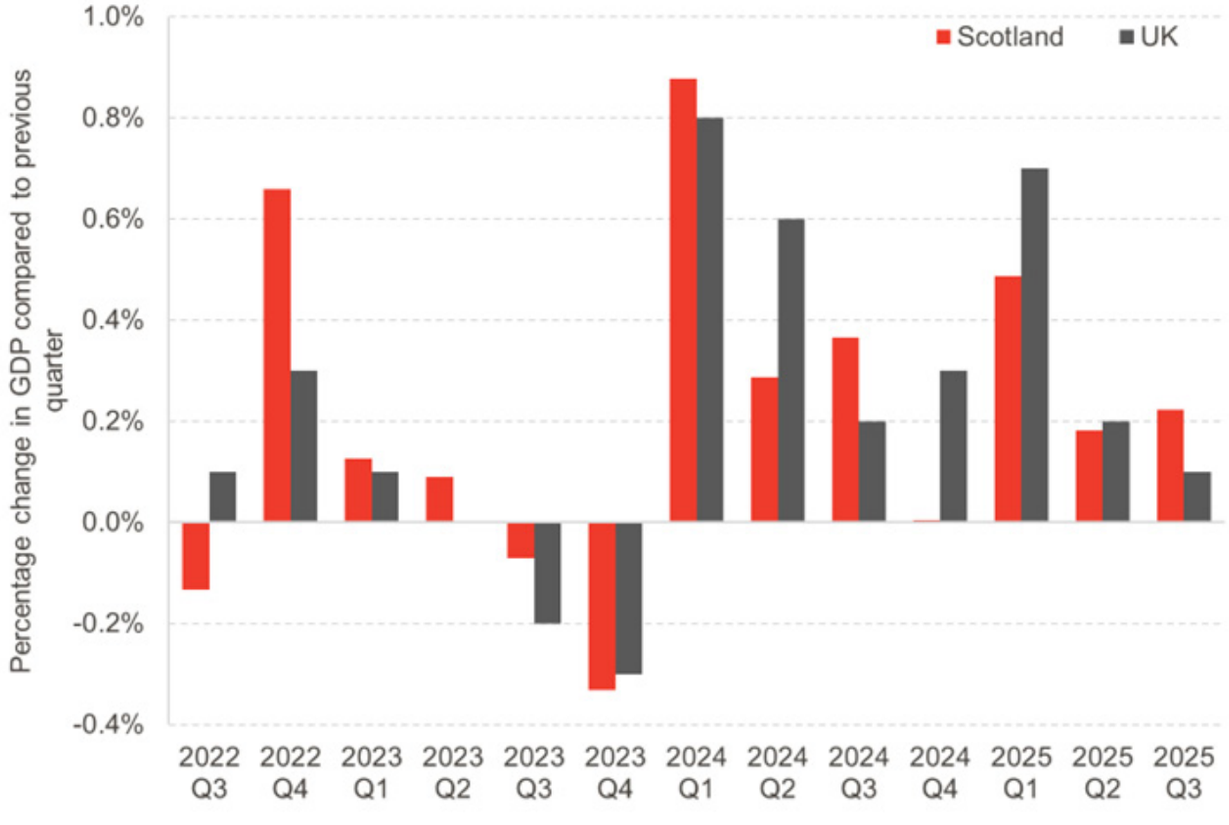
Scottish GDP Growth Forecasts

	2026	2027	2028
FAI April 2026	0.9%	1.0%	1.1%
FAI February 2026	1.1%	1.2%	-
SFC January 2026	1.3%	1.4%	1.5%
OBR March 2026 (UK)	1.1%	1.6%	1.6%

Source: FAI, SFC and OBR

The latest available data reveals that both Scotland and the UK continued the recent upturn in quarterly GDP into the final quarter of 2025. Though the growth is modest, at around 0.14% in Scotland and 0.1% in the UK, rising oil and energy prices, as well as reduced economic activity due to conflict in the Middle East, cast doubt over the likelihood of this trend continuing.

Quarterly GDP Change Scotland vs UK



Source: ONS, Scottish Government

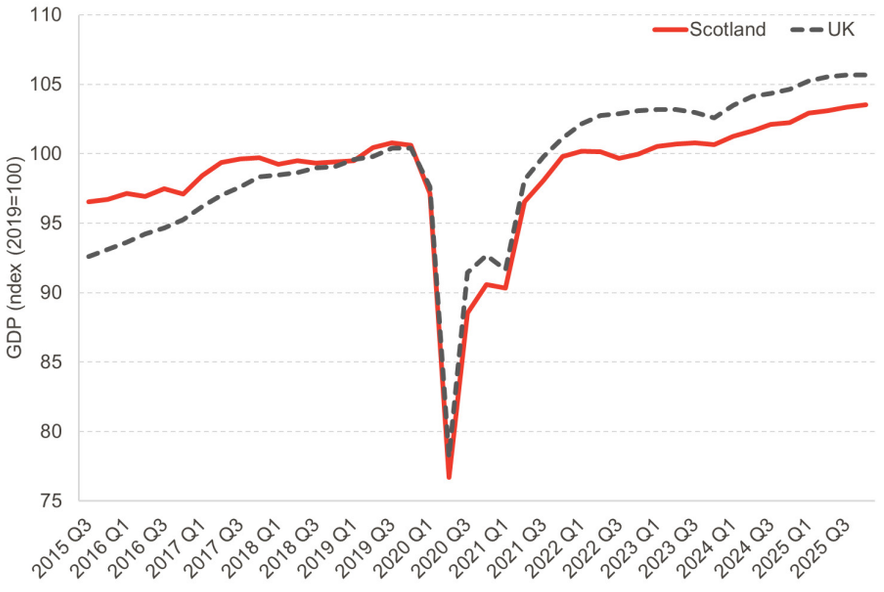
THE SCOTTISH ECONOMY

The Scottish Economy

In Scotland, growth has been continues to be concentrated across the services sectors, including hospitality, retail, transport, communication, business services, finance, and government.

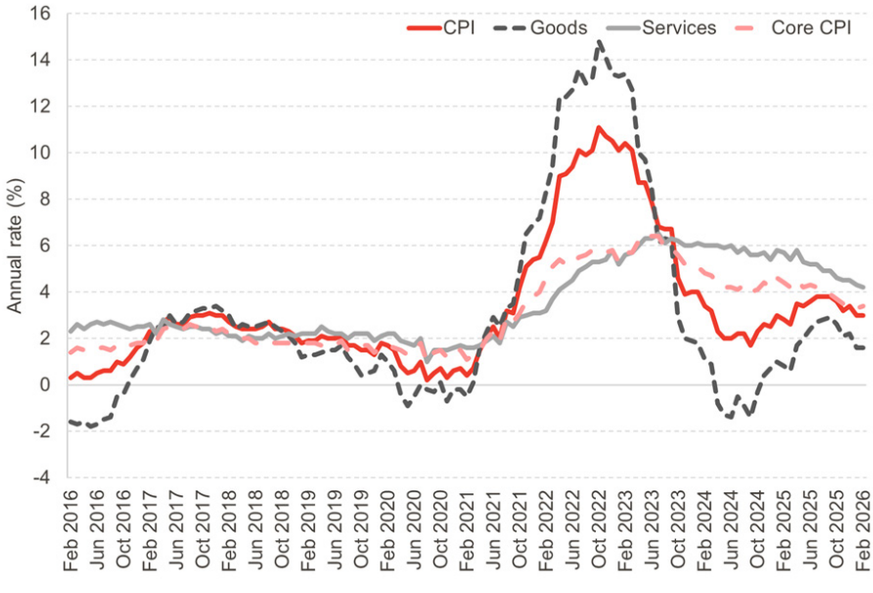
Compared to Q4 2024, GVA in these industries grew by 2.3% whilst the production sector (consisting of mining, manufacturing, energy, waste management, and construction, among others) fell by 3.1%.

Scottish and UK Quarterly GDP (2019 = 100)



Source: ONS, Scottish Government

Inflation rates in the UK



Source: ONS

Inflation

The various components of inflation appear to be on a steady decline, heading into February 2026. Importantly, however, this data fails to capture the inevitable increase in prices of goods and headline inflation as a result of the rising oil prices following the escalation of conflict in the Middle East.

Indeed, knock-on effects may see service inflation and core CPI also increase, so the coming months' figures will be enlightening.

CONFLICT IN THE MIDDLE EAST

The conflict in the Middle East

Rising geopolitical tensions in the Middle East have reintroduced a significant degree of uncertainty into global energy markets.

While there has not yet been a major physical disruption to oil or gas supply, prices have already begun to respond to heightened perceptions of risk.

Oil markets, in particular, tend to price in geopolitical uncertainty quickly, even in the absence of realised supply losses. As a result, recent movements in crude oil prices are beginning to reflect this risk premium rather than a fundamental shift in global production or demand.

Looking at the oil price trajectory helps contextualise recent developments. Prices remain below the peaks seen following Russia's invasion of Ukraine in early 2022 but have moved upward relative to recent months.

The experience of previous similar shocks suggests that the persistence of elevated prices, rather than short‐term volatility, is what ultimately matters for macroeconomic outcomes. If tensions ease soon, the inflationary implications may be limited. However, a prolonged period of uncertainty could keep prices elevated even without major disruptions to supply.

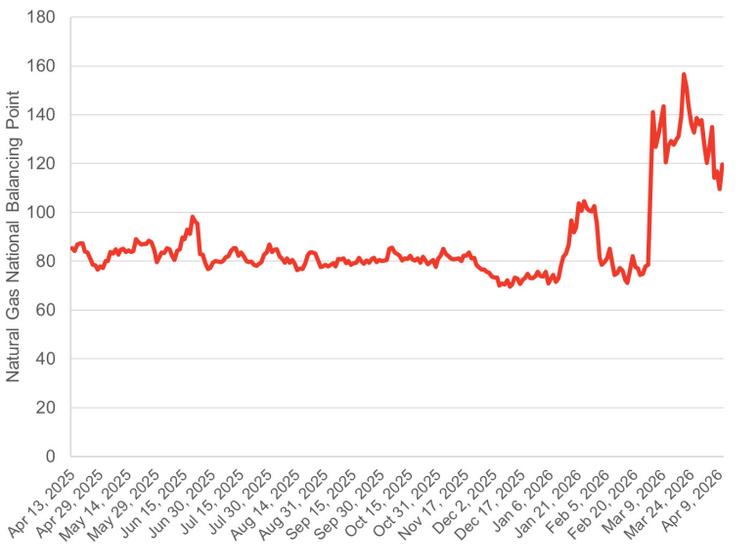
European gas markets have also seen renewed price pressures, though to a considerably lesser extent than during 2022. Structural changes since Russia's invasion of Ukraine — including increased LNG imports, higher storage levels, and reduced reliance on Russian pipeline gas — have improved Europe's resilience.

In a UK context, the National Balancing Point, the measure for the price of the sale and purchase and exchange of natural gas reflects the implications of the price of gas.

Brent Crude Oil Prices

Source: Reuters

National Balancing Point, UK



Source: Reuters

CONFLICT IN THE MIDDLE EAST

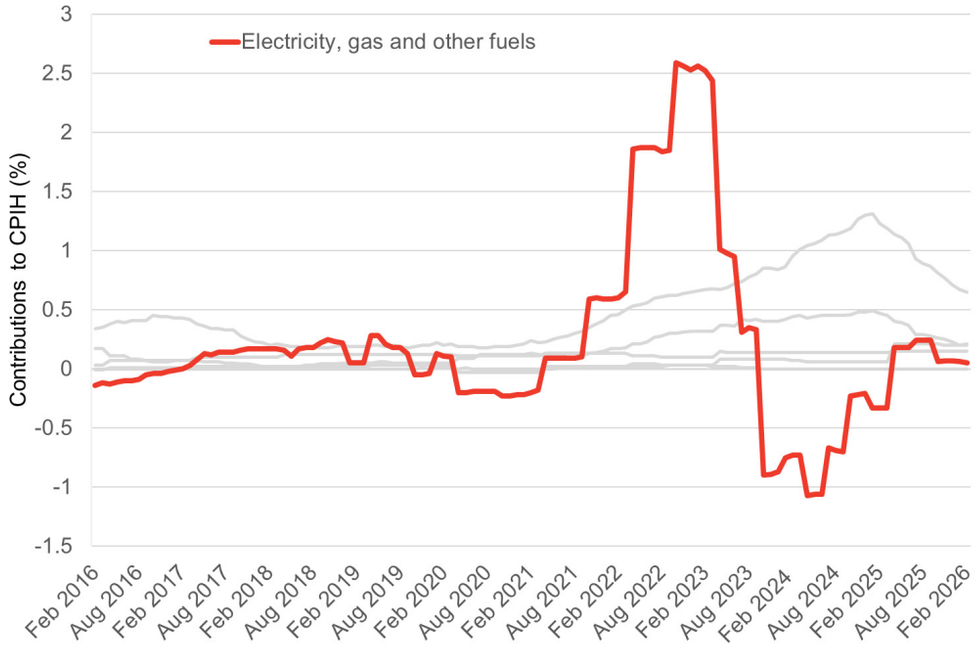
The Impact on Inflation

For the UK, and Scotland specifically, movements in oil and gas prices matter primarily through their impact on inflation. Higher energy prices feed directly into household fuel and energy bills and indirectly raise costs for firms, particularly in energy‐intensive sectors.

The UK remains relatively exposed to gas price movements due to its reliance on gas for heating and electricity generation, meaning that global energy price shocks tend to translate into domestic inflation more strongly than in some other advanced economies.

It is important to stress that it is still too early to observe the full macroeconomic impacts of the current conflict in the data. Inflation is measured with a lag, and energy price movements typically take several months to feed through into consumer prices. Current UK inflation figures largely reflect energy price developments from previous periods rather than recent geopolitical events.

Consumer Price Inflation including home owner costs and Components



The experience of 2022 provides useful lessons for assessing the potential implications of the current situation. Following Russia's invasion of Ukraine, wholesale energy prices increased sharply and rapidly, but headline inflation continued to rise for several months thereafter, peaking well after the initial shock. This reflected both the gradual transmission of higher energy costs to households and firms and the emergence of second‐round effects. Crucially, inflation proved persistent not simply because prices spiked, but because they remained elevated for a sustained period.

Heightened conflict in the Middle East in early 2026—particularly around Iran and key shipping routes like the Strait of Hormuz—has pushed global oil and gas prices sharply higher, feeding through into higher UK energy costs and inflation. For Scotland, this cuts both ways: as part of the UK, higher fuel and heating costs squeeze households and businesses, raising living costs and dampening growth, while North Sea producers may see short‐term revenue gains from higher prices. Overall, however, Scotland remains a net price‐taker of global energy markets, so the inflationary impact on consumers and public finances is likely to outweigh the localized benefits to the oil and gas sector.

LABOUR MARKET

Headline Labour Market Statistics

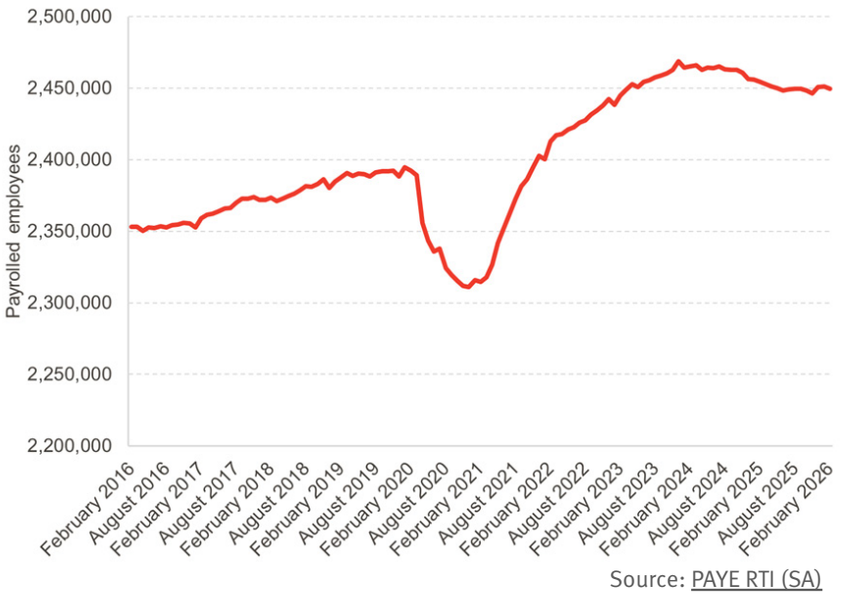
	Employment Rate	Economic inactivity rate	Unemployment rate
FAI Modelled Estimates (Q4 2025)	73.5%	23.8%	3.7%
LFS Estimates (Q4 2025)	74.8%	22.3%	3.8%

Payrolled employment in Scotland

Payrolled employment in Scotland has remained broadly stable in recent years, but the outlook is increasingly uncertain as the economy adjusts to the recent surge in oil and gas prices.

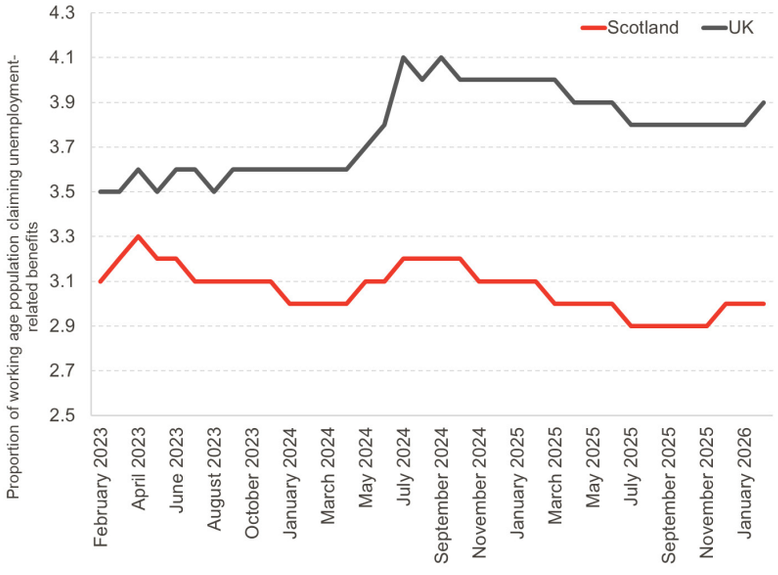
As a predominantly supply-driven shock, higher energy costs are likely to raise firms' operating expenses and compress margins. In this environment - particularly if price pressures are expected to persist - firms may delay or scale back hiring while awaiting greater clarity on cost conditions.

Number of payrolled employees, Scotland



Source: PAYE RTI (SA)

The proportion of the working-age population on unemployment-related benefits



Source: ONS NOMIS

Out-of-work benefits

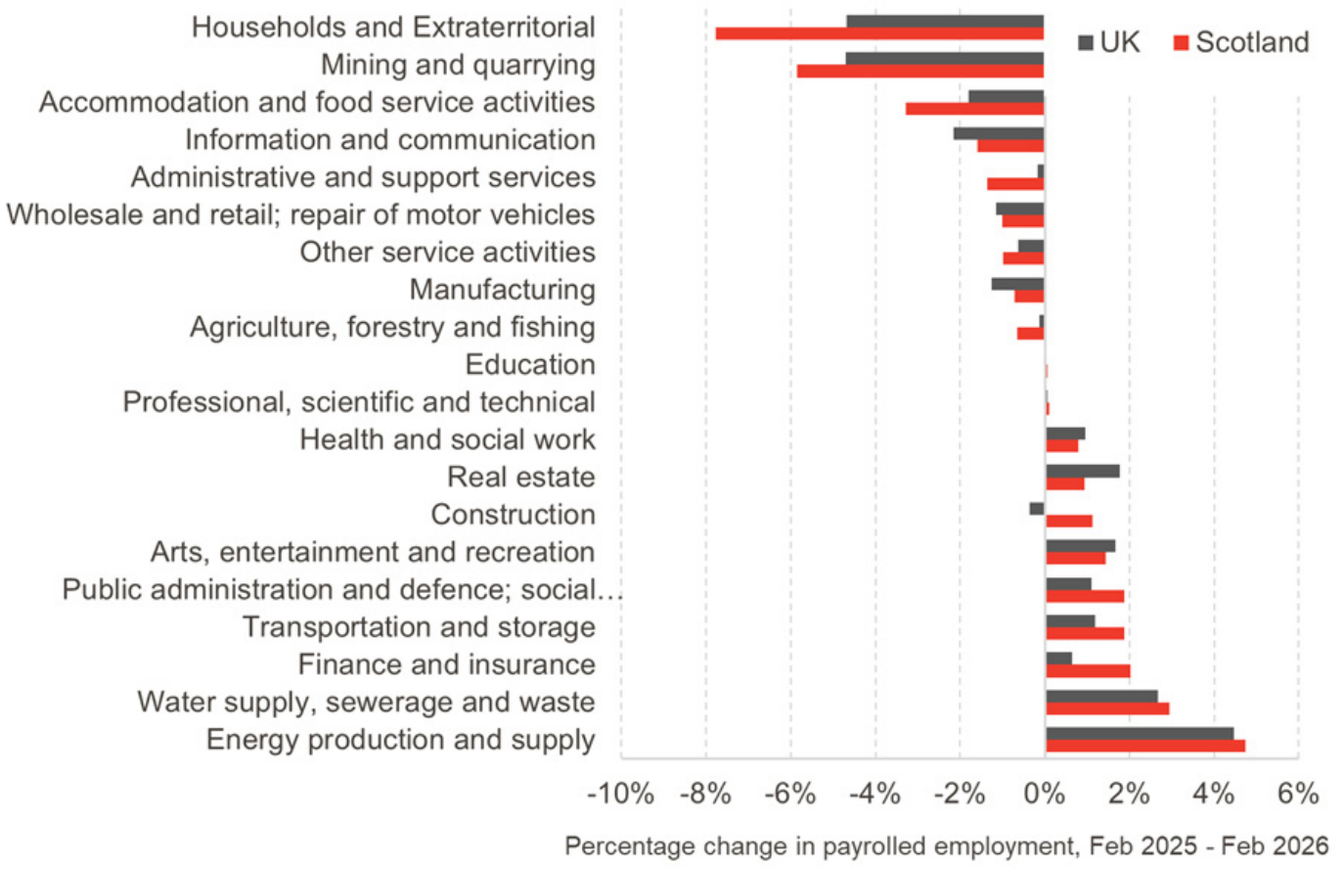
The number of people on unemployment benefits grew slighly between January and February 2026.

Scotland remains below the UK in terms of the proportion of the working-age population claiming unemployment-related benefits.

The gap widened somewhat in the second half of 2024 and has persisted since, with few signs of further reductions.

LABOUR MARKET

Changes in payrolled employment by sector



Disaggregating employment changes by sector across Scotland and the UK highlights both the industries driving recent labour market shifts and a greater degree of volatility in Scotland, where proportional increases and decreases are more pronounced. In both geographies, employment in energy production and supply has recorded the strongest growth over the year to February, consistent with heightened activity in the energy sector.

In contrast, consumer-facing industries - including accommodation and food services and retail - have experienced notable declines, particularly in Scotland. This likely reflects continued pressure on household real incomes, dampening discretionary spending and weighing on labour demand in these sectors.

At the same time, primary sector employment in Scotland has fallen, driven by a marked contraction in mining and quarrying and a more modest decline in agriculture. Alongside the expansion in energy production and supply, this apparent divergence may point to an ongoing structural shift within the energy sector, with employment moving away from extraction and towards electricity generation and, potentially, renewables.

SCOTTISH BUSINESS MONITOR

Scottish Business Monitor Preview

While overall AI adoption among Scottish businesses remains at around half of firms, the latest Scottish Business Monitor results suggest that the more important trend is the spread of AI adoption across sectors rather than a further increase in the overall share of firms using AI.

In the previous Scottish Business Monitor, just over half of firms reported using AI, and the latest results show a similar overall figure of around 50%. However, the sectoral results suggest that AI adoption is becoming more widespread across the economy, particularly in sectors such as construction and manufacturing, which have traditionally been slower to adopt new digital technologies. The relatively high adoption rate in construction firms suggests that AI is increasingly being used for project planning, cost estimation, scheduling, design, and administrative processes.

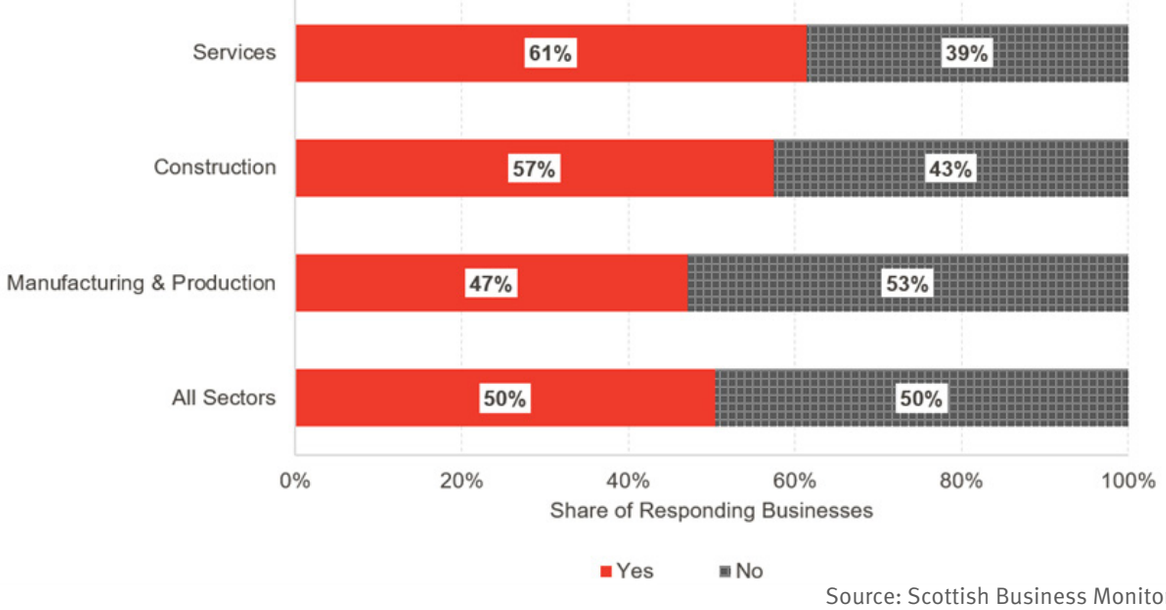
This pattern is consistent with the way new technologies typically diffuse through the economy. Early adoption tends to be concentrated in services and technology intensive sectors, but over time adoption spreads into more traditional and operational sectors as tools become cheaper, easier to use, and embedded in standard business software.

The Scottish Business Monitor results suggest that AI adoption in Scotland may now be moving from an early adoption phase towards broader economy-wide diffusion.

From an economic perspective, this is important because the impact of AI on productivity and business processes will depend less on whether a small number of firms use AI, and more on whether adoption spreads across a large share of the business base. The latest results suggest that this diffusion process is now well underway.

The Scottish Business Monitor will continue to track AI adoption in future waves to monitor whether usage continues to spread across sectors and firm sizes, and to assess how this may affect productivity, investment, and labour demand over time.

Firms reporting using AI within their business



Source: Scottish Business Monitor

Driving Growth: Innovation and Sustainability in Scotland, a podcast series in collaboration with Deloitte

Over the past year, we have partnered with Deloitte to produce and publish a series of podcasts that explores Scotland's economic future. This collaboration sought to ignite critical conversations on how Scotland can unlock unprecedented economic growth.

These conversations, hosted by our Director, Professor Mairi Spowage, engaged leaders across the public and private sector, as well as academic and industry experts to provide niche insight on the future opportunities for Scotland's economy.

This section summarises the key themes and findings drawn out through these conversations.

1. The central role of the energy transition in Scotland's economic future

This included discussion of Scotland's strong renewable base, such as the offshore wind and supply chain assets, and how this positions Scotland for significant economic growth.

Despite this, conversations highlighted that in order to meet this potential large scale private investment is essential, however depends upon policy stability, grid updates and planning reform. The need, therefore, to balance the managed decline of oil and gas with the rise of renewables to avoid losing capacity of the workforce is crucial.

Key takeaway: The transition is inevitable but not guaranteed and success depends on the investment conditions created infrastructure and clarity of policy.

2. Importance of policy stability and investor confidence

Across all of the episodes, a key discussion points centred on the role that clear policy direction and the confidence of investors have to play in ensuring Scotland unlocks its economic potential.

This included discussions on the how, particularly in the energy market, investors prioritise predictable, long-term policy frameworks. Given this, any uncertainty about short-term milestones i.e. goals set for 2030 vs 2050, may lead to a slower deployment of capital. As well as this, planning, consent and grid restraints area seen as barriers to scaling investment at pace. All of which has to be improved, or addressed, in order to ensure investment is optimised.

Key takeaway: Without stable policy and a pipeline of 'investable projects', progress may stall.

3. Skills, Workforce Transition & Talent Pipeline Challenges

A key focus of the energy transition has been the necessity to ensure that Scotland's workforce is equipped with the skills to deliver net zero, digital adoption and AI deployment, and that nobody is left behind in the labour market.

Key points raised highlighted the need for new skills adoption to service the demands of Scotland's changing economy and that any 'Just Transition' will require supporting workers from oil and gas into renewables jobs.

As well as this, as Cyber and AI roles continue to grow and evolve at a rapid pace, they face major skills gaps, diversity challenges and a shortage of entry pathways, all of which need to be addressed to unlock the potential for these areas of the economy.

Key takeaway: Talent pipelines, particularly across the energy, cyber and AI sectors, are critical to Scottish economy and are currently under strain.

Driving Growth: Innovation and Sustainability in Scotland, a podcast series in collaboration with Deloitte

4. Digital Transformation and AI as Cross□Sector Economic Drivers

AI and the digital uptake were seen as foundational to Scotland's productivity and future competitiveness. Conversations consistently drew on the productivity opportunities across public services and businesses that AI and digital adoption offer. In particular, Edinburgh was highlighted as well-positioned as the AI hub due to the universities and tech clusters already operating there.

Despite this, the risks prompted by AI adoption, such as those in the labour markets and cyber security, require careful governance and responsible adoption.

Key takeaway: Digital and AI transformation pose both significant opportunity and strategic risk.

5. Infrastructure Constraints: Grid, Ports, Land, and Commercial Space

A key challenge highlighted was that infrastructure bottlenecks are consistent barriers across the energy sector and innovation in Scotland.

Critical barriers identified were the current grid capacity and slow grid connection processes. In order to capture renewable opportunities, Scotland requires major infrastructure development, particularly for its ports, on land and throughout its supply chains.

Key takeaway: Infrastructure weaknesses threaten Scotland's ability to scale growth sectors.

6. The Need for Collaboration Across Sectors and Institutions

A universal theme across these conversations was the importance of collaboration across innovation, energy and digital adoption.

Innovation was seen as become increasingly dependent on cross sector and cross disciplinary collaboration, with public and private sector collaboration crucial to unlock investments in net zero technologies. Cyber and AI ecosystems were said to thrive when industry, government and academia can work together.

Key takeaway: No single sector can deliver the required transformation alone.

7. Regional and Place-Based Economic Opportunities

Whilst the key aim of these conversations was to discuss the overall benefits to Scotland economy, to ensure the benefits of that growth is distributed equally, the need for targeted regional investment is important.

Regions such as Shetland, Inverness and the North East presents significant opportunities through renewable investment, and whilst Edinburgh's role as Scotland's key economic engine is reinforced, addressing specific housing and infrastructure pressures is crucial.

Placed based strategies can help to address regional inequality and support smaller firms to collaborate.

Key takeaway: Scotland's growth potential is regionally distributed but unevenly supported.

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8. Measurement and Data Limitations Across Sectors

Finally, beyond Scotland growth opportunities across energy, AI and digital and the more physical barriers to unlock its potential, a key theme discussed was the essential nature of measurement and good data across these sectors.

Discussions critiqued current indicators and data in these sectors, with innovation metrics said to fail to capture real activity. Data availability issues were also said to complicate understanding of renewable sector performance, with issues in the cyber workforce highlights skills gaps and gender imbalances but still underrepresenting the full suite of roles in the sector.

Key takeaway: Better data and measurement are needed to inform effective policymaking.

Episode 1 - Driving Growth, Innovation and Sustainability in Scotland

This podcast focuses on how energy transition, digital transformation, and AI adoption can drive economic growth and sustainability in Scotland. It highlights the structural challenges, evolving opportunities, and the role of public sector, private investment, and research institutions in enabling effective transition.
Key themes explored:

The energy transition as a growth opportunity
Scotland is well positioned to lead in renewable and net-zero industries, which will require both private and public sector collaboration to maximise investment.

Digital adoption and infrastructure requirements
The spread of digital adoption across sectors is uneven but improving this can unlock major productivity gains in Scotland.

The opportunities and challenges of AI
AI presents significant opportunities, in particular, smarter cities, efficiency gains and new digital services, but also challenges, such as the environmental impacts power-hungry AI models bring.

The role of research and academia
University and research institutions play a key role in innovation, skills development and evidence-based policymaking.

Public service reform through digital tools
Digital transformation and the adoption of AI can help to improve civil service efficiency, with public services encourage to leverage data and automative for better outcomes.

Economic impact of the energy transition and digital adoption.
The energy transition and digital adoption can help to reshape Scotland's labour market, bringing new job opportunities but also the need for reskilling.

Guests
Angela Mitchell, Senior Partner for Scotland & Northern Ireland, Deloitte
Lesley McEwan, Director, Infrastructure and Capital Programmes, Deloitte

Driving Growth: Innovation and Sustainability in Scotland, a podcast series in collaboration with Deloitte

Episode 2 - Financing the UK Energy Transition

This episode examines the financial requirements of the UK's transition to a low carbon energy system, focusing on the role of private capital, investor confidence, infrastructure bottlenecks, and the long term policy environment required to meet net zero targets. Key themes explored:

Scale of investment needed for the energy transition
The UK's move to a low-carbon energy system demands significant public and private expenditure, with private capital providing the majority of this investment.

The critical role of policy stability
Deloitte's investor survey found that the top priority for major investors is a predictable, stable long-term energy policy, with uncertainty said to reduce investor confidence and slow capital deployment.

Planning, Consents and Grid Infrastructure Challenges
Discussions with investors emphasised the need for faster and more efficient planning and consent processes, improvements in grid-access regimes and investment in a larger, more resilient energy grid.
The substantial infrastructure challenges are having most of the UK's renewable supply generated in the North, with demand concentrated in the South.

Investor Priorities and Project Requirements
Investors were said to seek suitable project sizes, clear risk profiles, predicable cash flows and attractive returns against a backdrop of a poorer pipeline of investible projects which can slow the deployment of capital.

Carbon Pricing and Market Signals
Enhanced carbon pricing mechanisms were identified as essential for improving market signals and helping investors price carbon risk effectively.


Guests
Netti Farkas-Mills, Senior Insight Manager for Energy, Resources and Industrials, Deloitte
Jamie Speirs, Deputy Director, Centre for Energy Policy

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Episode 3 - Innovation in Scotland – opportunities and challenges

This episode explores Scotland's innovation landscape with particular focus on the declining innovation indicators in official data sources, the importance of collaboration, skills and absorptive capacity, barriers to innovation for SMEs and the role of universities, digital transformation and AI. Key themes explored:

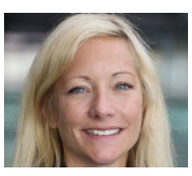
Scotland's innovation performance
The UK Innovation Survey data suggests Scotland lags the UK and has seen a decline over the past decade, which guests argue does not fully reflect the innovative activity happening on the ground. This was likely due to challenges in measurement with many SME's not identifying as "innovators" even when implementing new processes or systems.

Collaboration as a driver of innovation
Scotland's innovation success increasingly relies on cross-sector and cross-disciplinary collaboration, such as university, industry and the public sector. Collaboration helps firms share resources, spread risk and overcome investment barriers

Skills, talent and workforce transformation
Innovation requires the right skills, especially as technology and AI transform sectors. This includes upskilling existing workers, which is essential to maximising productivity gains. Businesses can struggle with skills shortages, which limits innovation capacity.

Business size, absorptive capacity and investment barriers
Scotland's business demography includes many SME's with limited capacity to invest, innovate and scale. Firms are, more recently, in "survival mode" due to Brexit, Covid and recent geopolitical and market pressures, whilst innovation is resource-intensive and requires management attention, funding and risk tolerance.

Product vs Process Innovation
The long‑term decline in innovation is concentrated in business process innovation, while product innovation has remained steadier. In service-led economies, like Scotland, process innovation is particularly important but harder to prioritise amid short‑term operational pressures

Guests
Gillian Docherty, Chief Commercial Officer, University of Strathclyde
Charlotte Nordberg, Partner, Deloitte (Technology & Digital Transformation)

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Episode 4 - The renewable economy opportunity in Scotland

This episode explores the rapidly expanding renewable energy economy in Scotland, covering headline growth figures, infrastructure challenges, regional opportunities, community participation, and the policy environment needed to unlock long term success. Key themes explored:

Growth, Scale & Data Challenges
Scotland's renewable energy sector employs around 47,000 people and generates approximately £15.5bn in economic activity. While the growth is significant, data gaps and measurement challenges persist — a recurring theme across the series

Jobs, Output & Deployment Momentum
Output and employment figures signal strong deployment momentum, particularly in offshore wind. The sector is shifting from onshore to larger, more complex offshore wind projects, which are driving new investment and supply chain requirements.

Grid Infrastructure, Supply Chains & Investor Confidence
Grid capacity remains a critical bottleneck as electrification accelerates. Long term policy certainty is essential to secure investor confidence and the volume of projects needed for economies of scale.
Issues discussed include procurement models, supply chain readiness, and the need to pace grid buildout with developer ambitions.

Communities, Skills & Place-Based Growth
Renewable energy expansion can underpin regional regeneration. Workforce skills are essential and the transition requires re skilling and clear career pathways across Scotland.
Communities need to be active participants in—and beneficiaries of—the transition.

Market Realities
Rising input costs and supply chain pressures are reshaping project economics. Slower-than-hoped programme pace means strategic prioritisation is crucial for delivery.

Despite challenges, the opportunity remains substantial if policy clarity and investor confidence are maintained.


Guests
Susan McDonald, UK Energy Transition Lead, Deloitte
Claire Mack, CEO, Scottish Renewables

Driving Growth: Innovation and Sustainability in Scotland, a podcast series in collaboration with Deloitte

Episode 5 - Is the energy sector at a turning point?

This episode examines whether the UK — and specifically the North East of Scotland — has reached a turning point in its energy future. With the North Sea in long-term decline, the conversation focuses on a just transition, global workforce shifts, North Sea taxation, investment climate, and the economic consequences of different transition pathways. The discussion remains cautiously optimistic about Scotland's potential to become a world leading net zero energy hub if policy clarity and strategic investment materialise. Key themes explored:

A sector at a turning point
The energy sector faces a defining moment as North Sea activity continues to decline.
The next five to seven years will be crucial in determining whether Scotland experiences a surge in offshore energy jobs, or rapid loss of capacity, skills, and supply‑chain strength.

From Oil & Gas to a Flexible "Energy Workforce"
The idea of an "energy workforce" is emerging. Companies are increasingly global, deploying staff across borders to chase opportunities. Agility is essential as workers navigate a rapidly changing sector.

Employment Rights, Immigration Policy & Workforce Agility
UK employment law changes and immigration policy are adding friction to companies' ability to move workers efficiently. These frictions come at a time when global energy companies need maximum flexibility to deploy talent where it's needed most

Economic Modelling: Managed vs Accelerated Decline
New modelling shows significant economic impacts depending on the pace of North Sea decline. A managed decline could preserve more jobs and protect supply‑chain capability.
An accelerated decline could intensify job losses and diminish economic resilience in the North East.


Guests
Professor Paul De Leeuw, Head of the Energy Transition Institute, Robert Gordon University
Hayley Strachan, Lead for Deloitte's Global Employer Services (GES) practice in Scotland

Driving Growth: Innovation and Sustainability in Scotland, a podcast series in collaboration with Deloitte

Episode 6 - Financing the Energy Transition 2026

This episode unpacks the 2026 Deloitte Financing the Energy Transition Survey, exploring investor perceptions, barriers to scaling low carbon investment, and what must change to speed up delivery of net zero infrastructure. It covers risk return expectations, the maturing investment landscape, the role of public capital, and the evolving policy environment shaping Scotland's and the UK's transition trajectory.

Mission-Led Impact Investing & SNIB's Role

SNIB operates as a mission-led, impact-focused development bank, aiming to invest where private capital won't yet flow on its own. Their interventions are designed to unlock wider markets and support long-term structural change.

Survey Headlines: Opportunity vs Uncertainty

The survey shows a confidence gap with longer-term 2050 ambitions inspiring confidence and nearer term 2030 milestones provoking uncertainty among investors. This mismatch creates hesitation in capital deployment.

Risk, Returns & What Counts as "Investable"

Investors remain most comfortable with mature technologies that offer "comparable returns." Emerging technologies face higher perceived risks and require clearer frameworks or blended finance. Capital scarcity means projects must demonstrate clearer risk return profiles to attract private investment.

Barriers Slowing Progress: Grid, Planning & Infrastructure

Three major blockers consistently cited include Grid constraints, slow planning and consenting processes and insufficient enabling infrastructure, such as ports. These delays undermine investor confidence and slow deployment timelines.

Scotland's Context & the Role of Public Capital

Scotland's devolved/reserved powers shape what levers can be pulled—e.g. the role of GB Energy and the National Wealth Fund. Public investment plays a crucial role in crowding in private capital by reducing risk and strengthening market signals.



Guests

Netti Farkas Mills, Senior Insight Manager, Energy, Resources & Industrials, Deloitte UK
Gavin Hood, Lead, Deloitte UK Renewable M&A Team
Sandy MacDonald, Head of Impact, Scottish National Investment Bank (SNIB)

Driving Growth: Innovation and Sustainability in Scotland, a podcast series in collaboration with Deloitte

Episode 7 - Cyber and AI roles in the economy, part of CyberScotland week

This episode explores the intersection of cyber security, AI adoption, and Scotland's broader economic needs. It aims to demystify cyber roles, highlight skills shortages, examine how AI is transforming security operations, and outline what Scotland must do to build a resilient, diverse and future ready cyber workforce. The discussion forms part of CyberScotland Week 2026, contextualising both risks and opportunities for the economy. Key themes explored:

Why Cyber matters to Scotland's Economy
Cyber security is framed as a core economic issue — not simply an IT function. Increasing digitisation raises both economic opportunities and system vulnerabilities.

What "Cyber Resilience" really means
Cyber resilience goes beyond technical defences and includes governance, risk management, organisational culture and business continuity. It is about enabling organisations to function safely in a digital-first economy.

Scotland's Cyber Skills Gap
ScotlandIS and the Cyber Scotland Partnership coordinate industry, public and academic actors. Their work includes supporting businesses, raising standards, shaping policy, and strengthening the national ecosystem.

Building the future talent pipeline
Scotland needs more structured pathways into cyber careers, including:
- School engagement and early exposure
- Work placements
- Apprenticeships
- Reskilling pathways

There is a major focus on creating a diverse, inclusive cyber workforce to future proof the sector. Cyber and AI convergence will create new job types, including governance heavy and ethics focused roles.


Guests
Alex Brown, Manager in the Cyber Risk Practice, Deloitte
Karen Meechan, CEO of ScotlandIS

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Episode 8 - Edinburgh and the AI Opportunity

This episode explores Edinburgh's role as Scotland's economic engine, and how artificial intelligence could shape its future. The discussion covers why Edinburgh stands out as a leading AI city, the opportunities and risks AI creates for the labour market, and how AI can transform public services. It also examines structural challenges—such as housing, affordability, commercial space and infrastructure—and considers what the city must do to remain globally competitive. Key themes explored:

Edinburgh's Importance to Scotland's Economy
Edinburgh is positioned as a central growth driver for Scotland. It plays a key role in attracting investment, high value sectors, and talent.

City-Region Approach & Wider Regional Economy
Economic strategy increasingly focuses on regional collaboration across the wider city region. Coordination across transport, planning, workforce and infrastructure is critical for success

Constraints on Growth: Housing, Affordability & Space
Edinburgh faces serious barriers to growth arising from housing shortages, affordability pressures, limited commercial space. These constraints threaten the city's ability to scale innovation sectors and attract talent.

Edinburgh as a Leading AI City
Edinburgh stands out due to its strong university base, high concentration of digital and data driven businesses and vibrant innovation ecosystem. The city is well placed to harness AI to drive future economic growth.

AI and Public Services: Potential for Transformation
AI presents major opportunities for productivity and new business models. Risks include disruption to graduate jobs and shifts in labour demand. The city must prepare to support affected workers and ensure inclusive growth.

Universities, Talent & Innovation Ecosystem
Edinburgh's universities play a central role in research excellence, skills development and spinout creation. The city's innovation clusters support collaboration and establishes Edinburgh as a global hub for data and AI.


Guests
Paul Lawrence, Chief Executive, City of Edinburgh Council
Phil Cragg, Associate Director, Deloitte

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Episode 9 - Deloitte's State of the State Report

This episode examines the findings of Deloitte's State of the State report for Scotland, drawing on extensive public opinion polling and interviews with senior public sector leaders. The discussion focuses on public trust, service performance, fiscal pressures, and the scope for public service reform in the context of an impending Scottish election. The analysis presents Scotland as a system under strain, but also one with strong foundations for reform.

Key themes explored:

Public trust and the election context
Public trust in the Scottish Government remains higher than trust in national governments elsewhere in the UK. With an election approaching, there is a rare alignment between public trust and leadership appetite for reform. This creates a time-limited opportunity for structural change rather than incremental adjustment.

Public priorities have shifted
The publics priorities are highlighted as the cost of living, health and immigration and border security. Climate change has dropped significantly down the priority list, falling from a top tier concern during COP26 to a much lower position. Public concern focuses more on bills, health, pollution, and intergenerational wellbeing than abstract climate leadership.

Service satisfaction is falling, especially for health
Overall satisfaction with public services is lower than in 2020, with the sharpest decline in perceptions of hospitals and healthcare. This decline persists even where some objective performance indicators have stabilised or improved.

Social care as a systematic pressure point
Social care ranks more highly as a public concern in Scotland than in the rest of the UK. Leaders emphasised that NHS performance cannot be fixed without addressing social care.
Social care financing, workforce capacity, and long-term sustainability remain unresolved but politically unavoidable.

Public sector leaders are frustrated but energised
Leaders report frustration with annual budgeting cycles that prevent long-term planning; bureaucratic drag and governance complexity that slow delivery; and skills shortages, particularly for transformation and digital change. This coexists, however, with an eagerness for reform, a desire for fundamental system change, and a sense that post-election period could unlock overdue decisions.

Delivery, strategy and political expectations
Leaders stressed that credible delivery depends on realistic commitments, prioritisation, and sequencing. Attempting to "do everything" undermines impact and public confidence. Successful reform requires clarity about what the state will and will not provide.


Guests
Ed Roddis, Head of Public Service Research, Deloitte
Lesley Smillie, Senior Partner for Edinburgh Office, Deloitte