Meeting of the Economy, Energy and Tourism Committee on 20 June 2012.

Thank you for your letter dated 20 June 2012 following up a number of matters that I undertook to provide further information on. I would like to thank the Committee again for the chance to discuss the Scottish Government’s Renewables Targets and the huge economic opportunity that this offers Scotland.

Energy Company Obligation.

You asked for information on the Scottish Government’s role with regard to the Energy Company Obligation (ECO). The ECO will replace the existing energy company obligations, the Carbon Emissions Reduction Target (CERT) and the Community Energy Savings Programme (CESP) and will apply to domestic properties only. Like CERT and CESP, the ECO places a legal obligation on energy companies to promote measures which improve domestic energy efficiency, reduce emissions and reduce the cost to households of heating their homes.

The framework for the Green Deal and the ECO was established in the UK Energy Act 2011 which received Royal Assent on 18 October 2011. Scottish Parliament approved a Legislative Consent Memorandum in February 2011, which allows the Green Deal to be launched late in 2012 and for the ECO to be targeted GB wide. Due to the considerable input from Scottish Government officials, the final design of the ECO takes account of key issues for Scotland. Nonetheless, the statute is UK legislation, and sign-off on the ECO ultimately rests with the UK Department of Energy and Climate Change (DECC).

Despite the fact that ultimate sign-off lies with DECC, Scottish Government Ministers want to maximise uptake in Scotland of the subsidy expected to be offered by energy companies in order to meet their GB-wide Energy Company Obligation. We are developing a National Retrofit Programme for housing which will use our funding for energy efficiency to maximise...
leverage of ECO funding into Scotland. In doing so we aim to make Scotland the most attractive place in Great Britain for energy companies to deliver their ECO and meet our aims to tackle fuel poverty, reduce carbon emissions and upgrade Scotland's housing stock. This programme will start in 2013/14.

We have been working with DECC to ensure that Scotland-specific issues are recognised. For example, my officials are members of the Green Deal and Eco Programme Board and on the delivery group tasked with implementing these programmes. I want delivery of the new schemes to be as seamless as possible across Great Britain, and to ensure that Scottish householders and businesses are not disadvantaged or burdened because of their location.

The Scottish Government is contributing to the final design of the Green Deal and the ECO to ensure that they take account of our most pressing issues. Key to this is flexibility in the Energy Act to ensure that some important aspects of policy are subject to Scottish-specific regulations and a separate remote advice service in Scotland. This will allow more tailored and local advice provision available in Scotland and will be delivered via the current advice services already funded by Scottish Government.

My officials are still discussing with DECC a number of other aspects of the policy that affect delivery in Scotland, but I am pleased to say that the UK Government response to the recent consultation on ECO and Green Deal has taken into account some of the issues we have raised. My officials will continue to work closely with DECC to ensure Scotland can take full benefit of the ECO following its implementation.

EU Emissions Trading Scheme and the Net Scottish Emissions Account

Your letter also refers to Scottish Power's assertion that "from a technical point of view, the development of renewables will have no impact on the 2020 CO2 emissions targets because such renewables are in the traded sector under the EU Emissions Trading Scheme". In oral evidence, my officials and I undertook to supply the committee with a written explanation.

The Scottish Government followed advice from the independent Committee on Climate Change to determine how Scotland's energy intensive industries covered by the EU emissions trading system (EU ETS) are incorporated into Scottish emissions accounting. This expert body recommended that Scottish traded sector emissions be calculated as Scotland's share of the EU ETS emissions cap. As noted in the Scottish Government publication *Low Carbon Scotland: Meeting the Emissions Reduction Targets 2010-2022: The Report on Proposals and Policies* and in the first Scottish Government draft Electricity Generation Policy Statement, emissions from the UK power sector (>20 MW) fall within the traded sector. For consistency with international accounting methodologies, the Net Scottish Emissions Account will record emissions from the traded sector as Scotland's share of the declining cap set by the EU ETS, irrespective of total electricity production or the amount of renewable electricity.

From 2013, the EU ETS will auction the majority of its allowances. From this date the UK power sector will be required to purchase all of its allowances at auction.

The net Scottish Emissions Account established under the Climate Change (Scotland) Act 2009 is an aggregate amount of net Scottish greenhouse gas emissions. The account includes all Scottish greenhouse gas emissions and removals plus or minus any carbon units and allowances used or traded. The concept of removals accounts for the effect of biological
sequestration, primarily from woodland, whereby plants remove carbon dioxide from the atmosphere through photosynthesis.

For the traded sector, the net Scottish Emissions Account will track the number of units used by Scottish EU ETS participants. Under the current carbon accounting regulations, if after the end of the year it transpires that Scottish installations have used more carbon units that Scotland's share of the EU ETS cap, Scottish Ministers must credit the net Scottish Emissions Account with an amount of carbon units equal to the difference. The reverse is true if Scottish installations use fewer allowances than Scotland's share of the EU ETS cap.

This approach is in line with international practice. It reflects the fact that important policy levers that affect emissions from the traded sector are not in the control of the Scottish Government and recognises that Scotland is part of a wider EU mechanism designed to reduce emissions across Europe.

**Renewable power generation and the EU ETS and Greenhouse Gas Inventory**

Emissions resulting from combustion processes (>20MW), including those renewables that meet this criteria such as wood burning power generation, are included in the EU ETS and therefore are captured by the traded sector. The renewable combustion emissions are not identified separately in the Scottish greenhouse gas inventory. Instead the inventory records the carbon stock changes in Scottish forests and harvested wood products. The carbon accounting model utilised in the greenhouse gas inventory is used to calculate the net changes in Scottish carbon stocks of harvested wood products. The model uses exponential decay constants to estimate the loss of carbon stock through burning, composting etc.

This means that renewable thermal combustion emissions are not directly recorded as source based emissions, as in the case of fossil fuel power stations. As the generation of electricity from other renewable sources such as hydro electric does not create greenhouse gas emissions, those renewable generators are not captured by the EU ETS.

The overall renewables target (including heat) does interact with the climate change targets indirectly. For example, domestic heating and hot water provided by direct renewable energy sources rather than fossil fuels will lead to a reduction in Scotland's greenhouse gas emissions.

**Collection of data from Local Authorities**

Our renewable energy targets are defined in terms of output and consumption, and we track progress against the targets using these measures. The Scottish Government monitors output on a quarterly basis and consumption annually, primarily using the Digest of United Kingdom Energy Statistics (DUKES). We also interrogate data from a variety of comprehensive sources, to gain better intelligence and to understand and monitor progress towards our targets. In particular, we work closely with DECC and Scottish Renewables to monitor progress across all renewable energy categories using evidence such as Energy Trends and RESTATS, the Renewable Energy STATisticS database available on the DECC website, which contains performance statistics on all relevant renewable energy sources in the United Kingdom.

Further I would like to draw the Committee’s attention to Scottish Natural Heritage’s online data on wind farm developments. This data is published in map form at [http://www.snh.gov.uk/planning-and-development/renewable-energy/research-data-and-](http://www.snh.gov.uk/planning-and-development/renewable-energy/research-data-and-)

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The data already made available by the Scottish Government’s Energy Consent Unit, SNH, Scottish Renewables and DECC are trusted, comprehensive and timeous data sources and fit our monitoring need. The number of renewable energy developments consented by planning authorities is important management information for the authorities concerned, but we do not propose to commission detailed monitoring information on applications at national level. Our efforts instead are rightly focused on making existing data more accessible to the public, improving its interpretation, and augmenting it with further Geographical Information System (GIS) data on wind turbine developments from other sources.

I trust this is of assistance to the Committee.

FERGUS EWING