1. SCDI is an independent membership network that strengthens Scotland’s competitiveness by influencing Government policies to encourage sustainable economic prosperity. SCDI’s membership includes businesses, trades unions, local authorities, educational institutions, the voluntary sector and faith groups.

(A) Reducing energy demand and emissions

2. Making more sustainable use of scarce global resources, notably energy, is an increasing priority. With its natural resources, business and academic strengths, and record of technological innovation, Scotland undoubtedly has the potential to be a world-leader in sustainable cities, sustainable regions and sustainable communities. Low carbon goods and services, such as energy efficiency technologies, are a rapidly growing global market, and, particularly with offshore renewable generation and its supply chain in the UK not likely to develop as quickly as had been projected, it is important that Scotland ensures that its strategy is sufficiently balanced to take advantage of these broader opportunities.

3. With the costs of supply projected to continue to grow, reducing energy demand where possible is increasingly important for businesses. Businesses are also concerned about their carbon footprint. However, the capital costs of reducing energy demand and emissions to the extent set out in the Scottish Government’s proposals would be unprecedented and SCDI would like to see further detail of how the Scottish Government believes that it can be attracted. To ensure that Scotland achieves a 42% reduction in CO₂ emissions by 2020, as specified in the Scottish Government’s Climate Change (Scotland) Act 2009, 43% of this must come from reductions in emissions from the existing built environment. The performance of non-domestic buildings will be particularly affected. There is significant concern that proposed regulation would negatively impact upon the commercial property sector, as existing buildings would need to be brought up to the requisite standards, at a time when it remains largely depressed following the recession. Currently regulations are voluntary, however these would become mandatory. Assuming, as the Scottish Government estimates, that the cost will be £10 per square metre or £100 per square foot, the total cost of compliance would be around £12.5bn. It should be noted that SMEs represent 97% of the non-domestic built environment. It has to be questioned whether such high costs can be met given the forecast restricted availability of private and public finance.

4. Whilst recognising that the regulations will only be applicable in the event of a trigger event, such as a sale, SCDI is concerned that numerous unintended consequences have not been properly considered. If a property is used as security, when it is valued this will be on the basis of the Red Book which refers to all relevant regulations and legislation. The cost of compliance with
these will undoubtedly have a negative impact on the subsequent value of the property in question and consequently affect the security. Values based on the Red Book are based on the regulatory environment and do not reflect the existing market situation. If the regulations become mandatory this would have a major impact throughout the sector. The mandatory approach needs to be reconsidered in view of these and the potential consequences for the Scottish economy.

5. We welcome the Scottish Government’s Energy Efficiency Action, but emphasise the need to continually monitor the regulatory and fiscal incentives which are in place to promote energy efficiency and ensure that they are working in practice.

6. The take-up of smart meters by businesses should be encouraged. We welcome the Scottish Government’s target of 200,000 non-domestic small users by 2019.

7. The publication of regional data on carbon reduction by Local Authority area could be helpful in facilitating and monitoring progress at the local level.

8. The role of the Scottish Government in the low carbon economic transition will be a mix of push (through incentives) and pull (through obligations). The Scottish Government should be clearer on the need for incentives to drive early action. The non-commercial sector has obligations stipulated within the Energy Act, however there is little or no funding to assist building owners with the upgrades necessary. Of concern to SCDI is that there is insufficient support to incentivise smaller landlords and building owners to make the changes that will be required.

9. ICT will have a critical role in improving energy efficiency, for example in monitoring and controlling the use of energy and the production of carbon. It can also reduce the need for some travel, for example certain business meetings or access to some public services. SCDI supports the plans in the Scottish Government’s Digital Strategy for the roll-out high-speed broadband and to increase and make more effective the utilisation of this digital connectivity.

(B) Measures for assessing the energy performance and energy efficiency of existing non-domestic buildings

10. SCDI understands that the Scottish Government is currently reviewing measurements of assessing the energy performance and energy efficiency of buildings. SCDI believes that there are significant advantages for businesses of the consistent alignment of these measurements to Energy Performance Certificates across the UK rather than a distinctive system in which the same building could receive a different categorisation in different parts of the UK.

11. SCDI welcomes the Scottish Government’s recognition that access to funding is a critical aspect of achieving energy efficiency. Whilst wholly supportive of the aspirations of the Green Deal, SCDI is concerned about the cost of capital / interest rates which are being charged. The Scottish Government should
work with the UK Government to ensure that the funding is affordable and attractive.

12. Retrofitting can also have a positive effect on the economy, particularly for the construction industry. SCDI called for and welcomes the additional funding which was made available in the Scottish Budget. A greater understanding of the potential employment and supply chain activity linked to retrofit is required.

13. The effectiveness of the Green Deal requires skilled assessors to cope with demand for the scheme. We welcome the UK funding which will be ring fenced for 1,000 UK-wide assessors, however Scottish Government and Skills Development Scotland must also ensure that, in addition to assessing demand, an action plan to meet the demand for these skills is promptly developed.

14. Retrofitting existing properties, the largest market for renewable heat, usually has a higher cost and is more complex to install. The private landlord sector is substantial in several of Scotland’s cities, and there is a risk that private landlords do not take advantage of funding for energy efficient retrofit. Tenants in the sector could be disproportionately affected by energy price rises and fuel poverty.

15. The Green Deal and Energy Company Obligations are an evolving part of the wider focus on energy efficiency and renewable energy in Scotland and the UK and as such the number of projects in Scotland should reflect this importance.

16. Energy efficient retrofit is a significant focus for the Scottish Cities Alliance, facilitated by SCDI. Coordination of projects such as the Early Mover Programme and Capacity Builders will provide a robust evidence base on which to select an on-going future option for retrofit across the cities of Scotland. Such programmes can make a significant contribution to securing investment in energy retrofit.

(C) Renewable energy – electricity and the promotion of the use of heat from renewable sources heat

17. SCDI generally welcome the conclusions and recommendations of the Committee’s inquiry into Scotland’s renewable energy targets. The UK Energy Bill is crucial in creating certainty about a stable, attractive and reliable market.

18. The Scottish Government’s targets for renewable heat are ambitious, particularly given that the main incentive, the Renewable Heat Incentive is new, and that delays in its introduction have not been helpful in creating investor confidence.

19. Government and industry need to work together rapidly to explore opportunities and technologies for renewable heat and the reduction of heat waste. We welcome Scottish Government’s plans to take a more strategic
approach to the significant decarbonising of heat. SCDI believes that a strategic plan is required for local heat distribution networks. SCDI feels that there is a need to do more at national level to share best practice in regards to renewable heat at local level. Local authorities are constrained in their involved due to national funding limitations for knowledge sharing. SCDI recommends that consideration should be paid as to whether there would be benefit in scaling up the Scottish Government’s team and ensuring that appropriate grant funding is available for pilot projects to help deliver more completed projects for others to learn from.

(D) Interconnection and grid upgrades

20. Progress with interconnection and grid upgrades needs to be sufficient at least to deliver the 2020 targets. Developers, including community renewable energy projects, need certainty about when they will be able to connect their projects.

21. SCDI welcomes the on-going discussions between the Scottish Government and key stakeholders in response to the Scottish Hydro Electric Transmission (SHELT) programme changes in the North of Scotland. SCDI is aware of some concerns over delays, including the estimated 3 year delay to proposed island connectors (from 2015 for Orkney and 2016 for Shetlands to 2018), and the impact of these on financing and investor confidence in the industry in the area. The statement from SHELT that there will be no further reviews of timescales provides some reassurance and it is welcome that National Grid and SHELT are discussing with developers what might be done to mitigate specific problems. However, it is recognised that risks which are out with the direct control of SHELT might further delay the programme. It is important that all stakeholders work together to identify and manage all those risks which may incur further delays.

22. Planning continues to be one such uncontrollable risk for the grid companies. Electricity transmission upgrades were identified as nationally significant projects in the National Planning Framework 2. SCDI would expect that these would also be incorporated into National Planning Framework 3 when it is published this year and that these designations would reduce the risks in the planning system.

23. Incremental development of the European super-grid is supported by SCDI. A North Sea Grid including Scotland would ultimately form part of a Europe-wide electricity system which would balance variable power from renewable sources. SCDI welcomes the discussions between the UK and a range of countries.

24. We welcome the Scottish Government’s commitment to innovation and research to drive the development and deployment of renewable generation. Scotland has comparative advantages in skills and expertise in grid development and world-leading university research capability and this must be harnessed and utilised.

(E) Transmission charges
25. SCDI has for many years raised concerns about the impact of the current electricity transmission charging regime on investment in energy generation in Scotland, above all in renewable energy in the north of Scotland where there are the most productive resources. SCDI welcomed Project TransmiT and we were content that the proposals on which Ofgem consulted would help to address the high charges for generators on the mainland. However, we were disappointed that these would not have reduced significantly the projected transmission charges for the islands and we organised a summit early last year with the Scottish Government, the island authorities, Highlands and Islands Enterprise, UK Government, Ofgem, National Grid and the industry to focus on this issue.

26. SCDI is aware and supportive of the work which is being taken forward by Scottish representatives on the industry group which is considering the recommendations from Project TransmiT. SCDI agrees on the high importance of stabilising charges in the North of Scotland post-2020 and of reducing islands charges substantially, and hopes that these proposals will be agreed by industry. Clarity on what Project TransmiT will deliver is needed as soon as possible. SCDI has always been aware of the potential blockers to a satisfactory agreement within the industry process and strongly hopes that the improvements proposed are not lost. SCDI, therefore, also welcomes the establishment of the Inter Government Island Charging Group, chaired by the Department of Energy and Climate Change, and we are aware of the options which are being explored. It is critical that there is no delay in the timescale for making recommendations to Ministers and that they then make decisions in short order which would allow for project developers to underwrite the costs of the Western Isles interconnector.

27. SCDI has always been clear that, along with the substantial contribution that island-based renewable generators can make to the UK’s energy needs, there is a socio-economic dimension to this issue. For example, in addition to the jobs during the construction phase and in lifetime support services, and the businesses for local suppliers, the Viking Wind Farm on Shetland would generate hundreds of millions of pounds for the Shetland Charitable Trust to reinvest in diversifying the local economy and the interconnector would open up opportunities for all renewable energy technologies in and around Shetland, creating skills and a supply chain which would be the basis for a new industry.

(E) Fuel prices and fuel poverty

28. Scotland’s and the UK’s energy infrastructure needs to be overhauled and this will require many billions of pounds of investment. Whichever technologies replace this capacity, consumer bills would need to increase to fund this investment. Government at all levels and industry need to work together to minimise the rise in energy costs and the impact of these rises on consumers.

29. A big concern for society and the economy is for those who are already fuel poor. As the price of energy bills rises and household income stagnates or
declines, fuel poverty is affecting a growing number of families in Scotland each year.

30. Glasgow Housing Association's experience demonstrates that fuel poverty can be eliminated in new houses or substantially alleviated if houses are "re-worked" to improve their heating system and insulation. This also has the benefit that such capital spending is a creator of skilled jobs which the economy needs.

31. Community and locally-owned renewable energy has the potential to generate electricity and heat locally and enable communities and businesses to take advantage of the Feed-In Tariff and, in due course, the RHI, particularly in rural areas. SCDI welcomes the Scottish Government's targets for community renewables. It has suggested that its target of 500MW of these projects by 2020 could represent up to £225m revenue per year going directly to communities.

(F) The decarbonisation target for the energy sector

32. SCDI welcomes the Scottish Government's commitment to a decarbonisation target for the energy sector in Scotland. SCDI supports the ambition of a decarbonisation target for the UK electricity sector in 2030, but also recognises the concern to secure investment in thermal generation to deliver a balanced UK energy mix and security of supply and can, therefore, understand the argument that the decision should be delayed until the Committee on Climate Change has provided advice on the level of the carbon budget for the corresponding period.

Scottish Council for Development and Industry
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