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By email: [localgov.committee@parliament.scot](mailto:localgov.committee@parliament.scot)

9 January 2025

Dear Ariane

Thank you for the invite from the Local Government, Housing and Planning Committee to discuss Heat in Buildings on 21 January. I am writing to provide an update on progress we have made across this area, and which I hope will prove useful ahead of my Committee appearance.

### **Consultation on proposals for a Heat in Buildings Bill**

The Committee will be in no doubt as to the Scottish Government's commitment to tackling climate change and reaching net-zero by 2045. Taking steps to change the way in which we heat our homes and buildings is an essential part of that wider programme of action.

As the Committee knows, we consulted last year on proposals for a Heat in Buildings Bill. We are still considering the responses to our consultation and will confirm our decisions on next steps as soon as practicable. It's right that we take the time to consider in full such an important Bill – one which will directly affect the lives of so many across Scotland. This means being as certain as possible that the timing and nature of this legislation takes into account the issues of affordability, fairness and the need to dovetail to maximum effect with decisions due to be taken elsewhere in the UK.

This is especially important as, while heat and energy efficiency are devolved, progress and actions in key areas are reserved. This means that we need more and greater information and certainty about the timing and impacts of UK Government decisions about its own intentions to legislate on the prohibition of polluting heat and related requirements to install clean heating systems instead. It is important to bear in mind that the UK Government powers in this area extend to the supply side and its ability to require greater action on the part of heating system manufacturers and installers as well as home and building owners themselves.

We also need to take into account the UK Government's much anticipated decision on the potential role of hydrogen in providing heat, and also the effect of actions that it can take to

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make clean heating systems more affordable – such as the removal of certain costs from electricity bills.

## **Consultation on a Social Housing Net Zero Standard**

In addition to the proposals for a Heat in Buildings Bill, we are also considering responses to the consultation that ran in parallel, on proposals for a new Social Housing Net Zero Standard. We will confirm our next steps – which are being worked on alongside those for the Bill – as soon as possible.

## **EPC reform**

The Scottish Government consulted during 2021 and 2023 on reforms to Energy Performance Certificates (EPCs).

I am pleased to confirm to the Committee that the Scottish Government will shortly publish its response to the most recent consultation and that we will lay revised EPC regulations in Parliament during 2025. These regulations will introduce an improved EPC rating system to give consumers better information on the energy efficiency of their property and on the emissions and efficiency of its heating system. We will introduce a redesigned certificate to support the roll out of this new rating system, together with strengthened operational governance requirements to improve quality assurance of the assessor market, and new technical infrastructure to support this, working with the UK Government where necessary. We expect to bring these new regulations into force during 2026. Further details are at Annex A.

The consultation on proposals for a Heat in Buildings Bill also suggested a role that EPCs could play in supporting proposed mandatory standards. As described above, the Scottish Government is still considering its response to the consultation on proposals for a Heat in Buildings Bill and we will set out in that response how reformed EPCs could support mandatory standards.

## **Wider update across Heat in Buildings**

Each year, we summarise the progress made against our Heat in Buildings Strategy in our annual progress report, with the most recent published on 10 October: [Heat in Buildings: progress report 2024 - gov.scot](https://www.gov.scot/publications/heat-in-buildings-progress-report-2024/pages/1-to-100.aspx). The most recent report described how, between 1990 and 2022, emissions from buildings fell by 32 per cent.

## **Energy efficiency of domestic properties**

The report also confirmed that the energy efficiency of our homes has increased across all tenures. The percentage of dwellings achieving an EPC rating of at least C under SAP2012 (RdSAP v9.93) increased across all tenure types between 2019 and 2022.

The percentage of owner-occupied dwellings achieving an EPC rating of at least C increased from 41% to 48% (from 2019 to 2022). The percentage of private rented sector dwellings achieving an EPC rating of at least C increased from 40% to 50% (from 2019 to 2022). The percentage of social rented sector dwellings achieving an EPC rating of at least C increased from 56% to 65% (from 2019 to 2022).

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## Heat in Buildings Programme - Delivery schemes

Our delivery schemes continue to provide funding through grants and loans to homes and businesses to install energy efficiency measures and clean heating systems, including targeted support for those in or at risk of fuel poverty. In total, the Scottish Government provided over £210 million of funding through our delivery schemes in the last financial year (2023-24).

Our 25/26 budget commits to invest over £300 million in our heat in buildings programmes. This includes supporting over 20,000 households to save up to £500 on their energy bills a year and helping make their homes warmer and more comfortable.

We have allocated £1.3 billion of funding through our Heat in Buildings schemes so far this Parliamentary Session (excluding 25/26), spending over £575 million on energy efficiency and clean heating projects.

## New Build Heat Standard

Meanwhile, our NBHS came into force on 1 April 2024 and is a positive step towards decarbonising our buildings and reaching net zero. As the Committee is already aware, and as discussed during my meeting with you on 12 December 2024, we have reviewed the Standard to ensure that it fully reflects the ongoing role of wood burning stoves, bioenergy, and peat heating systems, which many in our rural communities rely on for warmth and comfort. These changes are now in force.

## Climate Change Plan

The Committee has set out its view on the importance of a '*Climate Change Plan that would set out an ambitious, clear and deliverable pathway for reducing emissions from buildings*'. I agree that this will be critical to the future direction of the Scottish Government's Heat in Buildings Programme, and work on the next Climate Change Plan will be developed in line with the timetable set out in the recently passed Climate Change (Scotland) Act 2024.

Once the Climate Change Committee issues its advice, we will bring forward regulations to set carbon budget levels. Within two months after carbon budgets have been set, the Scottish Government will publish a draft Climate Change Plan with policies and proposals aligned with these new budgets. We are seeking to publish the draft Plan in Summer 2025.

## UK Government's Warm Homes Plan

I have engaged with the UK Government on their commitment to upgrade the energy efficiency of up to 300,000 homes through their Warm Homes Plan.

I also noted the inclusion of ECO finance as part of the UK Government's Warm Homes Plan. We continue to press the UK Government to improve management and delivery of this scheme, working with us to maximise the benefit of this investment alongside our own delivery schemes in Scotland.

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The UK Government's consultation on Raising Product Standards for Space Heating, which would also apply across Scotland, has recently launched and we will be considering the proposals that it contains over the coming weeks.

## **Green Heat Finance Taskforce (GHFT) Part 2 Report**

The independent Green Heat Finance Taskforce is currently finalising its Part 2 report and will publish it in early 2025. A formal response from the Scottish Government will follow, addressing actions we are taking or plan to take against all recommendations made by the Taskforce in this report and the earlier [Part 1](#) report, published on 22 November 2023.

## **Clean Heat Market Mechanism**

We welcome that the UK Government has laid a draft Statutory Instrument for its Clean Heat Market Mechanism (CHMM), to come into force on 1 April 2025. This will cover the whole of the UK, and has the potential to shape the growing market for clean heating systems.

The CHMM will oblige fossil fuel boiler manufacturers to install a certain number of heat pumps in proportion to their fossil fuel boiler sales – which is 6% in the first year. Alternatively heat pump credits can be acquired through trading with other firms. Manufacturers are required to make a payment-in-lieu of any shortfall in heat pump credits against their target, set for the first year at £500 per missing heat pump credit.

The CHMM is a good example of where the UK Government is making progress, as is the anticipated consultation on minimum energy efficiency standards for all rented homes by 2030. However, as I have noted above, there remain a number of vital areas where UK Government decisions – or clarity over its intentions – will be essential to informing the timing and design of decisions and next steps in Scotland.

## **Skills and supply chain**

Supporting Scotland's current and future workforce to develop the skills needed for the net zero transition is a priority for this government and we are continuing to work in partnership with the sector to ensure that the appropriate support and training provision are aligned locally with business needs and future demands.

Many of the core trades and professions needed already exist across the Scottish economy and can be further developed through upskilling. Many of Scotland's Colleges and independent training providers offer heat pump training. The Low Carbon Skills Grant supported 318 apprentices during 2023-2024 to be trained in heat pump installation. Our fund has allowed heating and plumbing apprentices to include heat pump training modules within their qualification, at no additional cost to their employer.

We have also invested in a mobile training centre for heat pump installation to ensure training is equally available across all geographic areas, especially rural and remote areas of Scotland where there isn't college training provision.

## **Local Heat and Energy Efficiency Strategies**

Local Heat and Energy Efficiency Strategies (LHEES) are at the heart of a place-based approach to heat and energy efficiency planning and delivery. LHEES set out the long-term

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plan for decarbonising heat in buildings and improving their energy efficiency across an entire local authority area.

The Scottish Parliament passed legislation in April 2022 requiring all local authorities to publish a Local Heat and Energy Efficiency Strategy and Delivery Plan by the end of 2023 and update them on a five-year basis.

At the time of writing, 30 of the 32 local authorities have published LHEES, including 27 final LHEES and three in draft.

The published LHEES provide an evidence base for what interventions are needed to decarbonise Scotland's buildings and tackle poor energy efficiency as a driver of fuel poverty, as well as importantly, where these buildings are located. We continue to engage closely with local authorities and are providing training from Zero Waste Scotland for local authority officers in the skills needed to take the next steps following the publication of their LHEES.

## Heat Networks

One of the major outputs from local authorities' LHEES is the identification of heat network opportunities across Scotland.

These systems have a clear role to play in supplying clean heating in future, and our Heat Networks Delivery Plan sets out how the Scottish Government continues to support the growth of the sector. The Plan was laid in Parliament in March 2024 and can be accessed at: [Heat Networks Delivery Plan: Review Report 2024](#).

In addition, we summarise the progress that our heat network delivery programmes are making, on a quarterly basis, here: [Heat network project reports - gov.scot](#).

I hope this is helpful context, and I will be happy to discuss any of the above during my appearance at the Committee on 21 January.

Yours sincerely

**DR ALASDAIR ALLAN**

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## EPC REFORM - DETAIL

The Committee is aware that the Scottish Government has a long-standing commitment to improving Energy Performance Certificates (EPCs) and has received recommendations from the Climate Change Committee on this issue. EPCs play an important role in the property market, ensuring that current or potential owners and tenants of properties have information on a property's energy efficiency and emissions, and on potential improvements.

Following an initial scoping consultation in 2021, we consulted again in 2023 on a final package of proposed reforms to improve the quality of EPCs and make them more fit-for-purpose in supporting net zero.

The Scottish Government is pleased to confirm to the Committee that it will shortly publish its response to the most recent consultation and that we will lay revised EPC regulations in Parliament during 2025. These regulations will introduce an improved EPC rating system to give consumers better information on the actual fabric energy efficiency of their building and on the emissions and efficiency of their heating system, and on potential improvements they could make to both. We will also retain the rating on modelled energy costs which consumer testing tells us is so important to them at this time of sustained high energy prices. That user testing has also allowed consumers to tell us how to make the design and accessibility of EPCs better, and we can confirm that introduction of a redesigned certificate will coincide with the regulations bringing the new rating system into force.

It is vital that consumers are able to trust the EPC assessment process, and the Scottish Government is therefore pleased to confirm to the Committee that we will be introducing alongside the new regulations, new operational governance arrangements for the EPC assessor market to enhance quality assurance for consumers. These will form part of negotiations with the UK Government and other devolved administrations on assessor skills and qualifications within the UK internal market, and will coincide with the introduction of a new technical infrastructure to replace the current *Standard Assessment Procedure* with the *Home Energy Model* calculation methodology, together with a new EPC Register.

Our reforms to EPCs aim to remain aligned with the EU Energy Performance of Buildings Directive, from which EPCs originated across the EU, where it is desirable and feasible to do so. Since our consultation on EPC reform closed in 2023, the EU adopted the recast Directive in April 2024. Our proposals for EPC reform would already broadly align with the Directive's provisions. One area where the EU has strengthened the Directive is around quality assurance controls to audit the accuracy and reliability of certificates. This will see existing desk-based random sampling of 2% of certificates now supplemented by 10% of this sample of certificates being verified through onsite inspections. The Scottish Government believes this development across the EU's member states is welcome to ensure the highest levels of EPC quality for consumers – particularly vital if EPCs are evidencing any proposed mandatory standards. We therefore plan to align with these requirements through establishing new audit and inspection arrangements when the revised operational governance arrangements commence.

Before laying the new regulations, we will require to undertake further consultation on the level of EPC lodgement fees, which have not been revised since 2017, and will need to be

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updated to support the costs of establishing the new technical infrastructure for the Register and calculation methodology.

Subject to those discussions with the UK Government and other devolved administrations, we expect to bring the new regulations, new EPC rating system and redesigned certificates into force during 2026.

## **PROPOSED EPC RATING SYSTEM**

Our 2023 consultation set out proposals to reform both the domestic and non-domestic EPC rating systems used on EPCs in Scotland. Following feedback received through our consultation, we now intend to introduce the rating systems set out below.

### ***Domestic***

We intend to introduce three main new ratings on to the domestic EPC:

- Heat Retention Rating – A-G rating (based on kWh/m<sup>2</sup>/yr) based on the amount of heat needed to maintain a set temperature, and improved by fabric measures such as loft or wall insulation;
- Heating System Rating - categorisation of heating system type and emissions; A-G rating showing efficiency and running costs of current system; information about how these could be improved (e.g. by installing clean heating)
- Energy Cost Rating– A-G rating (based on £/m<sup>2</sup>/yr) rating giving an indication of the impact of changes on running costs and providing a consistent means of comparison across the UK. This is same as the existing Energy Efficiency Rating / SAP / EPC Rating.

These ratings will be accompanied by additional information within the EPC that helps people understand how different parts of their home, such as the insulation level or heating system, contribute to the costs and emissions.

### ***Non-Domestic***

Our reform includes non-domestic EPCs. We intend to introduce a new set of ratings which we understand to be more appropriate and useful to allow comparison of non-domestic building energy performance. These will be:

- Energy Rating (A to G) - based on modelled emissions relative to a reference building to align with the rating system used across the UK;
- Direct Emissions (kg of CO<sub>2</sub>e/m<sup>2</sup>/yr) - the building's modelled direct emissions to allow a focus on the decarbonisation of individual buildings;
- Energy Use (kWh/m<sup>2</sup>/yr) - the building's modelled energy use under standardised conditions to allow comparisons between buildings.

These ratings provide relevant information about the performance of non-domestic buildings. They respond to calls from businesses to provide a clearer comparison with ratings used on EPCs in other parts of the UK.

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