



For information in languages other than English or in alternative formats (for example Braille, large print, audio tape or various computer formats), please send your enquiry to Public Information Service, The Scottish Parliament, Edinburgh, EH99 1SP.

You can also contact us by fax (on 0131 348 5601) or by email (at [sp.info@scottish.parliament.uk](mailto:sp.info@scottish.parliament.uk)). We welcome written correspondence in any language.

©Parliamentary copyright. Scottish Parliamentary Corporate Body 2009.

Applications for reproduction should be made in writing to the Licensing Division, Her Majesty's Stationery Office, St Clements house, 2-6 Colegate, Norwich NR3 1BQ Fax 01603 723000, which is administering the copyright on behalf of the Scottish Parliamentary Corporate Body.

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by RR Donnelley  
Scottish Parliamentary Corporate Body publications.



# The Scottish Parliament

## **Economy, Energy and Tourism Committee**

### **3rd Report, 2009 (Session 3)**

### **Report on the Climate Change (Scotland) Bill**

**Published by the Scottish Parliament on 20 March 2009**





# The Scottish Parliament

## **Economy, Energy and Tourism Committee**

### **Remit and membership**

#### **Remit:**

To consider and report on the Scottish economy, enterprise, energy, tourism and all other matters falling within the responsibility of the Cabinet Secretary for Finance and Sustainable Growth apart from those covered by the remits of the Transport, Infrastructure and Climate Change and the Local Government and Communities Committees.

#### **Membership:**

Ms Wendy Alexander  
Gavin Brown  
Rob Gibson (Deputy Convener)  
Christopher Harvie  
Marilyn Livingstone  
Lewis Macdonald  
Stuart McMillan  
Iain Smith (Convener)

#### **Committee Clerking Team:**

##### **Clerk to the Committee**

Stephen Imrie

##### **Senior Assistant Clerk**

Katy Orr

##### **Assistant Clerk**

Gail Grant





# The Scottish Parliament

## Economy, Energy and Tourism Committee

### 3rd Report, 2009 (Session 3)

#### Report on the Climate Change (Scotland) Bill

The Committee reports to the Parliament and the Transport, Infrastructure and Climate Change Committee as follows—

#### BACKGROUND

1. The Climate Change (Scotland) Bill (“the Bill”) was introduced to the Scottish Parliament on 4 December 2008<sup>1</sup>. The Bill was referred to the Transport, Infrastructure and Climate Change Committee as the lead committee, and to the Rural Affairs and Environment Committee as the secondary committee. Although it has not been formally designated as a secondary committee, with the agreement of the lead committee, the Economy, Energy and Tourism Committee took evidence on Part 5, Chapter 3 of the Bill as energy efficiency and renewable heat issues fall within the Committee’s remit.

2. In addition to the written submissions of evidence received, the Committee held three oral evidence-taking sessions as follows—

*Evidence from the Scottish Government’s Bill Team (4 February, 2009)*

Colin Imrie, Deputy Director, Energy Markets Division  
 Sue Kearns, Head of Renewable Strategy and Onshore Renewables  
 Jamie Hume, Deputy Director, Renewable Energy  
 Gavin Peart, Assistant Head of Building Standards Division  
 Alec Millar, Principal, Non-Domestic Energy, Building Standards Division  
 Philip Wright, Deputy Director of the Climate Change Division  
 Cameron Maxwell, Policy Adviser on Climate Change, Scottish Government

*Evidence from various interested organisations (4 February, 2009)*

John Stocks, Manager for Scotland, The Carbon Trust;  
 Chas Booth, Senior Press and Parliamentary Officer, Association for the Conservation of Energy;  
 Fergus Tickell, Managing Director, Northern Energy Developments Ltd;

<sup>1</sup> Climate Change (Scotland) Bill, SP Bill 17, Session 3 (2008)

Elaine Waterson, Strategy Manager, Energy Saving Trust;  
Elizabeth Leighton, Senior Policy Officer, WWF Scotland

*Evidence from the Minister for Transport, Infrastructure and Climate Change and his officials (4 March 2009)*

Stewart Stevenson MSP, Minister for Transport, Infrastructure and Climate Change  
Philip Wright, Deputy Director of Climate Change  
Gavin Peart, Assistant Head of Building Standards  
Sue Kearns, Head of Renewable Energy Policy Team  
Sarah Hart, Energy Efficiency Policy Analyst, Scottish Government

3. The Committee is grateful to all of those who gave both written and oral evidence to it. This information has proved to be useful in terms of preparing the Committee's report. Copies of the written submissions, extracts from the minutes and from the *Official Reports* of the relevant meetings can be found in the annexes to this report.

### **About the Climate Change (Scotland) Bill – Part 5, Chapter 3**

4. According to the Scottish Government, the main objective of the Bill is to set a long-term target to reduce Scotland's emissions of Kyoto Protocol greenhouse gases by 80% by the year 2050<sup>2</sup>. This long-term target will be supported by a framework of annual targets intended to drive the policies necessary for achieving this target. In the Scottish Government's view, many of the policy measures required to meet these targets will not require legislation to implement them, but certain climate change mitigation and adaptation policies have been identified which do require legislation and the Bill contains provisions in Part 5 which will allow these to be taken forward<sup>3</sup>.

5. For the Economy, Energy and Tourism Committee, it is the Bill's provisions in Part 5, Chapter 3 that have been the sole focus of our evidence-taking and of this report. This Chapter contains three distinct sets of provisions. The first set of provisions in this Chapter require the Scottish Ministers to produce an action plan setting out their current and proposed measures to promote the energy efficiency of buildings in Scotland, as well as measures to encourage behavioural change towards energy efficiency. The second set of provisions contains measures for assessing the energy performance of existing non-domestic buildings in order to raise awareness of the contribution that those buildings can make to mitigating climate change through reducing energy demand and thereby emissions of greenhouse gases. The third set of provisions in this Chapter place a duty on the Scottish Ministers to take such steps as they consider appropriate to promote the use of heat from renewable sources.

---

<sup>2</sup> Climate Change (Scotland) Bill, Policy Memorandum, SP Bill 17-PM, Session 3 (2008), p1.

<sup>3</sup> Climate Change (Scotland) Bill, Policy Memorandum, SP Bill 17-PM, Session 3 (2008), p1.

*Section 48<sup>4</sup>*

6. The provisions in this section on energy efficiency are intended to cover how the Scottish Ministers will promote energy efficiency in Scotland, particularly in relation to how this will improve the energy performance of buildings in Scotland. The provisions require the Scottish Ministers to produce an action plan setting out current and proposed measures to promote the energy efficiency of buildings in Scotland, as well as measures to encourage behavioural change.

7. Currently, section 179 of the Housing (Scotland) Act 2006 (“the 2006 Act”) requires the Scottish Ministers to prepare a strategy for improving the energy efficiency of living accommodation. Section 179(6) allows that strategy to be part of a strategy for improving energy efficiency generally. According to the Scottish Government, the proposals for an action plan in the Climate Change (Scotland) Bill will have that practical effect. The Scottish Ministers therefore propose to repeal section 179 of the 2006 Act to avoid duplication. In addition, the proposals in the Bill will, in the view of the Scottish Government, strengthen the existing statutory duty in the 2006 Act in terms of reporting and publishing. Bringing the duty in relation to living accommodation within the general duty in the Bill will, according to Ministers, ensure a consistent approach to tackling energy efficiency across all sectors, and will allow for better alignment of reporting on implementation and carbon savings, which can then be accounted against the overall target of this Bill.

8. The Scottish Ministers are required to report on the action plan annually, and to revise the action plan on a regular basis, but as a minimum every three years in line with the Spending Review process.

9. The Scottish Government notes that the action plan could be developed without the need for primary legislation, but the Scottish Ministers believe that a legislative requirement to develop, revise and report on an action plan will give it the weight which this issue requires. Furthermore, Ministers consider it will show the level of importance that these measures will play in tackling climate change and helping with rising fuel costs. It will also, in their view, be an important means for delivering a coordinated approach.

*Section 49<sup>5</sup>*

10. Section 49(1) requires the Scottish Ministers to lay the initial (energy efficiency) plan and any subsequent revised plan before the Scottish Parliament as soon as is reasonably practicable after it is published. Subsections (2) and (3) require Ministers to lay a report before the Scottish Parliament on what steps have been taken to implement the plan. The report must be laid within 12 months of the plan being first published and at least annually thereafter.

*Section 50<sup>6</sup>*

11. According to the Scottish Government, the aim of the provisions for improving the energy performance of existing non-domestic buildings is to raise the contribution that the existing non-domestic stock can make to mitigating

---

<sup>4</sup> Climate Change (Scotland) Bill, Policy Memorandum, SP Bill 17-PM, Session 3 (2008), p18-19.

<sup>5</sup> Climate Change (Scotland) Bill, Explanatory Notes, SP Bill 17-EN, Session 3 (2008), p14.

<sup>6</sup> Climate Change (Scotland) Bill, Policy Memorandum, SP Bill 17-PM, Session 3 (2008), p19-23.

climate change. Buildings account for over 40% of emissions and there is scope to reduce these levels. They are to be subject to an assessment of the emissions of greenhouse gases and energy performance, an enhanced form of energy performance certificate (EPC).

12. This is one of the areas of the Bill on which the Scottish Government is currently consulting. According to Ministers, the results of the ongoing consultation will inform the detailed route forward but could call on building owners or their delegated persons to draw up improvement action plans. These plans may include building work actions for owners to follow which lead to improved performance, and where appropriate could also include operational measures that building users may choose to act on. This would also apply to traditional and historic buildings, recognising that appropriate environmental improvements should be undertaken with due consideration to the historic character of the buildings in question.

13. As the policy memorandum notes, the provisions in this section of the Bill are enabling in nature and provide for regulations in a number of areas to be made in due course. This is particularly the case in relation to the content and form of assessment.

*Section 51<sup>7</sup>*

14. Part 5 Chapter 3 of the Bill also places a duty on the Scottish Ministers to take such steps as they consider appropriate to promote the use of heat from renewable sources.

15. The Scottish Ministers have devolved responsibility for the promotion of heat from renewable sources. The Scottish Government's policy aim is to build a commercially viable, diverse, renewable heat industry in Scotland. Renewable heat take-up across the UK is very low (<1%) and making progress on renewable heat will be crucial, according to the Scottish Ministers, if Scotland is to meet the EU 2020 target of 20% of final consumption of energy from renewable sources (which is made up of individual targets for electricity, heat and transport).

---

<sup>7</sup> Climate Change (Scotland) Bill, Policy Memorandum, SP Bill 17-PM, Session 3 (2008), p23ff.

## KEY ISSUES

16. This section of the report sets out the key issues considered by the Committee in its scrutiny of Part 5, Chapter 3 of the Bill. These are set out on a section by section basis, following the numbering of the Bill itself, as well as looking at a number of more general issues.

### **General issues**

#### *The merits of a framework bill with enabling provisions*

17. As noted by the Scottish Government itself, much of the Bill can be considered as ‘enabling’ giving the Scottish Ministers the power to take forward a series of initiatives, the detail of which will be part of consultations and which will be introduced through secondary legislation laid in the Parliament at a later date or through the issuing of documents such as the various action plans.

18. In the sections of the Bill of most interest to this Committee, namely sections 48 to 51 inclusive, this ‘enabling approach’ is especially apparent. As the Minister for Transport, Infrastructure and Climate Change (“the Minister”) told the Committee—

“The bill is a framework bill. The details of how its provisions will be implemented will largely be in secondary legislation. When the Government presents secondary legislation or policy documents, committees and parliamentarians generally will be able to probe the accompanying explanations and justifications, as is appropriate.”<sup>8</sup>

19. However, this approach of presenting a ‘framework bill’ for which much of the detail on the planned implementation has yet to be published or is still subject to ongoing or further consultation once the Bill is passed, did receive some criticism amongst the witnesses giving evidence to the Committee.

20. For example, in relation to the proposed consultation on the energy efficiency action plan which follows the passing of the Bill, Chas Booth of the Association for the Conservation of Energy told the Committee that, “The Government has already consulted on the energy efficiency strategy, so I fail to see why another consultation on an action plan is needed.”<sup>9</sup>

21. Similarly, when asked if it was necessary for the Bill to be passed before the detail of the energy efficiency action plan was published, Elizabeth Leighton of WWF Scotland said “There is no reason why it [the action plan] cannot go ahead now.”<sup>10</sup>

22. Other sections of the Bill are also the subject of ongoing consultations to develop the detail of how the objective will be met. For example, as a Scottish

---

<sup>8</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1756.

<sup>9</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1576.

<sup>10</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1577.

Government official noted in relation to the proposal to increase the proportion of heat generated from renewable energy sources, “the intention is to provide a market incentive that will work for individual householders. Exactly how that will work is the subject of the consultation.”<sup>11</sup>

23. At the request of the Committee, the Minister provided further details setting out the current status of the various Scottish and UK consultations that are relevant to these sections of the Bill. These are set out in Tables 1 and 2 below.

**Table 1: Scottish Government consultations**

Scottish Consultations	Energy Efficiency	Future action plan consultation planned.
	Energy performance of non	<p><i>Action on Climate Change: Proposals for improving the energy performance of existing non-domestic buildings:</i></p> <ul style="list-style-type: none"> <li>• Consultation ran from 2 September to 25 November 2008</li> <li>• Consultation responses published on 22 January 2009</li> <li>• Analysis of Consultation Responses Report published on 9 February 2009</li> <li>• Scottish Government Response published on 10 March 2009</li> </ul>
	Renewable Heat	<p><i>Making Scotland a Leader in Green energy – draft framework for the development and deployment of renewables in Scotland.</i> This consultation contained a section on renewable heat, including a draft Action Plan.</p> <ul style="list-style-type: none"> <li>• Consultation ran from 8 October 2008 – to 1 December 2008</li> <li>• Consultation responses published on 30 January 2009.</li> </ul> <p>The responses will inform the Scottish Government’s Renewable Energy Action Plan due to be published later this year.</p>

Source: Scottish Government

<sup>11</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1536.

**Table 2: UK Government consultations**

UK Consultations	Energy Efficiency	The UK Government is currently undertaking consultations on the following in relation to energy efficiency: <ul style="list-style-type: none"> <li>• Heat and Energy Saving strategy Consultation (concludes: 8 May 2009)</li> <li>• Community Energy Saving Programme (CESP) (concludes: 8 May 2009)</li> <li>• Carbon Emissions Reduction Target (CERT) (concludes 14 April 2009)</li> </ul>
	Renewable Heat	For information on UK Government consultations on renewable heat, please refer to the detailed list of consultations contained on the DECC website at: <a href="http://www.decc.gov.uk/en/content/cms/consultations/consultations.aspx">http://www.decc.gov.uk/en/content/cms/consultations/consultations.aspx</a>

Source: Scottish Government

24. The Minister also commented on the proposed ‘enabling approach’ when he gave evidence to the Committee and in particular on the balance that needs to be struck between such an approach and the need for parliamentary scrutiny at stage 1 of the legislative process. He said—

“...in every bill, there is a tension between what is contained in primary legislation and what is drawn forward in secondary legislation. It is quite proper that there is a debate on whether in any particular bill the right balance has been struck in that respect.”<sup>12</sup>

25. Furthermore, the Minister indicated that he would be supportive of committees needing to take further evidence if required. On this he said—

“It is not unprecedented to hold further evidence sessions at stage 2, if that is appropriate. If that were the way to deal with some of the issues that we are not able to bottom out just now, the Government would be happy to co-operate and collaborate and to appear at that stage, if appropriate.”<sup>13</sup>

26. He also said that, in relation to a timetable for the Bill after stage 1—

“It is not for me to speak for the Minister for Parliamentary Business, who represents our interest in such matters. However, I am interested in ensuring that, to the extent that it is possible, we flesh out any policy

<sup>12</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1741ff.

<sup>13</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1742.

initiatives that we take and give Parliament the maximum possible understanding of the implications of anything that might be done.”<sup>14</sup>

27. In terms of the specific sections of the Bill, the Committee heard a number of concerns about the approach being adopted and also on the timetable for the eventual implementation of the various provisions. Firstly, concern was expressed that the time taken to enact the powers in sections 48 and 49 of the Bill and then conduct a further consultation and subsequently publish an energy efficiency action plan (after a period of up to 12 months) could prejudice the ability of the Scottish Government to meet its statutory targets for 2010 in part through its energy efficiency initiatives.

28. In response, a Scottish Government official told the Committee that it was the intention to publish “an outline of the plan in March [2009]” and that a “series of measures is already under way and to some extent the [energy efficiency action] plan will bring all that action together.”<sup>15</sup> This was a point also made by the Minister when he appeared at the Committee.<sup>16</sup> However, in his evidence to the Committee, Chas Booth of the Association for the Conservation of Energy said—

“The Scottish Government clearly has something drafted and ready to go. I understand that it does not want to publish it because it is worried that the plan will appear too weak, partly because of concerns about whether responsibility for energy efficiency is devolved or reserved and where the line between promotion and delivery lies. I share your view that 12 months is much too long—a couple of months are all that is needed.”<sup>17</sup>

29. The second main area of concern expressed by some of the witnesses giving evidence to the Committee related to the terminology used in the relevant sections of the Bill which, in certain respects, refer to a significant degree of latitude for the Scottish Ministers in terms of what they chose to do. For example, section 51(1) of the Bill as drafted – which deals with the promotion of renewable heat – states that, “The Scottish Ministers must take such steps *as they consider appropriate* [our italics] to promote the use of heat produced from renewable sources.”<sup>18</sup> Similarly, in relation to non-domestic buildings, sections 51(1) and 51(2) as currently drafted give the Scottish Ministers the option of laying regulations and a series of possibilities on what “may” be contained therein.<sup>19</sup>

#### *Devolved versus reserved powers*

30. One of the difficulties cited by the Scottish Government in being more specific on the face of the Bill about how the objectives of the Bill in this Chapter

---

<sup>14</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1743.

<sup>15</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1542.

<sup>16</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1741.

<sup>17</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1576.

<sup>18</sup> Climate Change (Scotland) Bill, SP Bill 17, Session 3 (2008)

<sup>19</sup> Climate Change (Scotland) Bill, SP Bill 17, Session 3 (2008)

will be achieved, is the boundary between what is considered to be devolved and what is reserved to the UK Parliament.

31. The first example that arose relates to the ability of the Scottish Ministers to take steps to “promote” or to “improve” energy efficiency in Scotland. As the policy memorandum notes, “There are limitations on the actions that are within the legislative competence of the Scottish Government for promoting energy efficiency.”<sup>20</sup> As the Minister stated in his evidence to the Committee—

“We must be conscious of competences, but I am entirely happy to put it on the record that the policy is to improve energy efficiency. The question whether we can incorporate the word “improve” in the legislation is simply to do with the devolved competence of the Parliament. I am entirely happy to ensure that we deal with and talk to colleagues at Westminster on that. We believe that we can, to an extent, make the change that is sought, but until I have further advice, I cannot give the committee a commitment to do so. We certainly understand the issue and we are seeking to deal with it.”<sup>21</sup>

32. This is believed to be the factor behind the decision to repeal section 179 of the Housing (Scotland) Act 2006,<sup>22</sup> which requires the Scottish Ministers to prepare a strategy for improving the energy efficiency of living accommodation. Section 179(6) allows that strategy to be part of a strategy for improving energy efficiency generally. According to the Scottish Ministers, repeal of this section and its replacement by the provisions in the Climate Change (Scotland) Bill will avoid unnecessary duplication and will have the same “practical effect”.<sup>23</sup> In his evidence to the Committee on this point, the Minister for Transport, Infrastructure and Climate Change said—

“There is certainly no intention to dilute. The reason why we are having discussions is to ensure that we provide a legally binding response that ensures that no dilution is possible.”<sup>24</sup>

33. His view is not one shared by some of the organisations that gave evidence to the Committee. For example, Chas Booth of the Association for the Conservation of Energy said that “...there must be some way forward that ensures that section 179 of the 2006 act is not diluted.”<sup>25</sup> Similarly, Elizabeth Leighton of WWF Scotland said—

“There is little doubt that “promote” dilutes the requirement in the Housing (Scotland) Act 2006 to “improve” energy efficiency. There must

---

<sup>20</sup> Climate Change (Scotland) Bill, Policy Memorandum, SP Bill 17-PM, Session 3 (2008), p19.

<sup>21</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1745.

<sup>22</sup> Housing (Scotland) Act 2006, asp 1, available from:  
[http://www.opsi.gov.uk/legislation/scotland/acts2006/asp\\_20060001\\_en\\_1](http://www.opsi.gov.uk/legislation/scotland/acts2006/asp_20060001_en_1)

<sup>23</sup> Climate Change (Scotland) Bill, Policy Memorandum, SP Bill 17-PM, Session 3 (2008), p18.

<sup>24</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1746.

<sup>25</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1570.

be scope to maintain that and to import that language into the bill, rather than repeal the requirement, and to maximise, rather than minimise, devolved powers in that area.”<sup>26</sup>

34. A similar issue relating to the boundary between devolved and reserved powers arose in relation to the promotion of micro-generation technologies such as micro-wind and solar thermal. A Scottish Government official told the Committee that Ministers consider the promotion of these technologies to be largely reserved and that is why the relevant initiatives would be part of any energy efficiency action plan and not on the face of the bill.<sup>27</sup>

35. The central question for the Committee was whether the boundary between reserved and devolved competences placed any limitations on the ability of the Scottish Government to meet its various objectives. On this issue, the Minister told the Committee that—

“...energy efficiency is a shared responsibility for the Scottish Government and the Westminster Administration. I do not think that that sharing of responsibility should cause any great difficulties, as I have no indication that people are unwilling or unable to work closely together.”<sup>28</sup>

36. Although no such indication was given by the Minister when he appeared before the Committee on 4 March to give oral evidence, in response to a further correspondence from the Committee, the Minister has now given a commitment to amend the Bill at stage 2 in respect of the issue of ‘promoting’ versus ‘improving’ energy efficiency. He said—

“It is proposed to seek to amend section 48(2) to replace the word “promote” with the word ‘improve’ to change this provision to “improve” the energy efficiency of living accommodation.”<sup>29</sup>

*The setting of targets and the expected contributions from energy efficiency and renewable heat*

37. The third, more general issue raised during the Committee’s evidence-taking is the setting of specific targets for the contributions that energy efficiency and renewable heat can play in meeting the overall targets within the Bill. For example, in relation to the proposed action plan on energy efficiency, Elizabeth Leighton of WWF Scotland said, “We recommend that it [the action plan] include targets for energy efficiency and that progress is reported, either in the annual report or as

---

<sup>26</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1561.

<sup>27</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1539.

<sup>28</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1738.

<sup>29</sup> Scottish Government. Supplementary written evidence. Letter of 12th March, 2009. See the annexe to this report.

part of an emissions reduction plan addressing demand reduction, energy efficiency and renewables.”<sup>30</sup>

38. Her view was supported by Friends of the Earth Scotland in its evidence to the lead committee on the Bill, which states that “the reporting duties [in the Bill] should include detail on key measures such as energy demand reduction, and parallel consumption side reporting.”<sup>31</sup>

39. In response to this issue, the Minister suggested that specific targets for energy efficiency and renewable heat were not required and that “all sectors of our economy and all elements of public, business and private life will need to make appropriate contributions [to the 2030 and 2050 targets set out in the Bill]”.<sup>32</sup>

*Incentivising investment in energy efficiency and renewable heat initiatives*

40. The Committee also heard evidence more generally on how the Scottish Government might provide incentives to people and organisations to invest in energy efficiency and/or to consider renewable heat schemes or micro-generation technologies. One specific area which was explored was that of enabling local authorities to reduce the levels of council tax paid by householders who had made such investments. According to information received by the Committee, such a scheme is in place in Northern Ireland (via the system of rates) and in England and Wales (via the council tax).

41. In her evidence to the Committee, Elizabeth Waterson of the Energy Saving Trust told the Committee that “council tax incentives have, in theory, a big role to play in encouraging consumers to take action.”<sup>33</sup> Furthermore, she said that “the level of incentive does not have to be that high” and that “talking to people about tax rather than energy efficiency is much more exciting for them and has a big impact.”<sup>34</sup> Similarly, in relation to renewable heat systems in the domestic sector, Fergus Tickell of Northern Energy Developments Ltd., said, “There must therefore be innovative thinking about financial incentives, and in that respect, council tax rebates are interesting.”<sup>35</sup>

42. This view was also shared by Scottish and Southern Energy in its submission to the lead inquiry which states that “all avenues should be explored, such as using local and national tax incentives to reward energy efficiency or microgeneration”.<sup>36</sup>

---

<sup>30</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1561.

<sup>31</sup> *Friends of the Earth Scotland*. Written submission of evidence to the Transport, Infrastructure and Climate Change Committee.

<sup>32</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1738.

<sup>33</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1571.

<sup>34</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1571.

<sup>35</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1571.

<sup>36</sup> *Scottish and Southern Energy*. Written submission of evidence to the Transport, Infrastructure and Climate Change Committee.

43. In his evidence to the Committee, the Minister was non-committal on whether this type of financial incentive would be taken forward in Scotland as it has been in other jurisdictions within the United Kingdom. He told the Committee that the Scottish Government was “quite open-minded” and was “happy to consider these matters.”<sup>37</sup> However, he would not be drawn on the matter and indicated that, “We are considering other options, including loans and cashback offers. There is a variety of ways of proceeding on this agenda.”<sup>38</sup>

*‘Green jobs’ and skills gaps*

44. One of the wider issues explored by the Committee is the potential to create employment opportunities through investments in energy efficiency and/or renewable heat initiatives. In an announcement made in February 2009, the Cabinet Secretary for Finance and Sustainable Growth outlined his plans to create up to 16,000 ‘green jobs’ over the next decade.<sup>39</sup>

45. When questioned where these jobs would come from and also what proportion would be produced from the provisions set out in Part 5, Chapter 3 of the Bill, the Minister would only say in his written response that—

“The estimate of 16,000 new green jobs in Scotland by 2020 is based on the UK Renewable Energy Strategy consultation, which cited a figure of 160,000 new energy-related jobs in the UK by 2020. The estimate assumes that Scotland achieves a 10% share of jobs created across the UK. We consider, however, that the Scottish Government’s renewables targets, combined with Scotland’s natural resource, energy infrastructure and skills mean that we can go higher than this estimate.”<sup>40</sup>

46. The Committee also sought to address whether the current education and training sector in Scotland is geared up to respond to the employment opportunities that may be provided through this Bill. According to Scottish Government officials, steps are already being taken in this respect—

“We are working on key elements of the renewable action plan and the heat action plan now, mapping out the critical powers, deciding what needs to happen between now and 2020 and beyond, and building on existing intelligence. Doing that hand in hand with industry is fundamental to our approach. We recognise that it is important to engage with industry, skills providers and potential employees—all the key stakeholders—in order to deliver.”<sup>41</sup>

---

<sup>37</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1759.

<sup>38</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1759.

<sup>39</sup> Scottish Government News Release, *Green Jobs Blueprint*, 2 February 2009

<sup>40</sup> Scottish Government. Supplementary written evidence. Letter of 12th March, 2009. See the annexe to this report.

<sup>41</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1545.

47. However, as Fergus Tickell of Northern Energy Developments Ltd, told the Committee, “Scottish Government ministers must realise that addressing the skills gap is a key part of the promotion of renewable heat and energy efficiency.”<sup>42</sup> Similarly, John Stocks of The Carbon Trust said—

“...there are skills shortages throughout the supply chain, not just in renewables. There is a shortage of people who are skilled in ordinary energy efficiency. The Scottish energy officers network, which is the local authority energy managers meetings, is like musical chairs, only with more posts than people.”<sup>43</sup>

48. The Minister also indicated that the skills gap was an issue in at least one respect. He told the Committee that—

“One general difficulty is the lack of skills in carbon assessment among planning officials. That has been a constraint, but work is being done to address it.”<sup>44</sup>

*The role of the Scottish Government in promoting energy efficiency in the public sector*

49. During the course of our work, the Committee also took evidence from officials from Audit Scotland on that organisation’s recent audit of the energy efficiency performance in the public sector.<sup>45</sup> This pointed to a range of areas where performance could be improved.

50. One of these relates to the ‘leadership’ role that can be played by the Scottish Government within the public sector in terms of the wider energy efficiency performance. When questioned on this, the Minister said in a written reply that “there is sufficient leadership shown at the higher levels of the public sector.”<sup>46</sup>

*Estimates of costs*

51. A final, more general issue raised during the Committee’s consideration is that of the information set out in the Scottish Government’s Financial Memorandum for the Bill. This is also a subject matter that has been considered by the Parliament’s Finance Committee in its consideration of the Bill. In its overall conclusion, the Finance Committee stated that—

“The Committee notes the enabling nature of the Bill, particularly regarding the provisions contained in Part 5. Significant concern was raised, however, in evidence that not enough details have been made

---

<sup>42</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1567.

<sup>43</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1566.

<sup>44</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1749.

<sup>45</sup> Audit Scotland, *Improving Energy Efficiency*, December 2008.

<sup>46</sup> Scottish Government. Supplementary written evidence. Letter of 12th March, 2009. See the annexe to this report.

available on the likely cost impacts of these possible, future regulations.”<sup>47</sup>

52. Furthermore, the Finance Committee considered that—

“...in a number of areas insufficient policy direction has been provided, which has made it difficult for local authorities and businesses to be able to assess the financial impact of the proposals.”<sup>48</sup>

53. Similar issues were raised in the Economy, Energy and Tourism Committee when taking evidence from the Minister. In his response, the Minister stated that—

“In the financial memorandum, we seek not to give false certainty about what is a framework bill that covers a long period of time but, rather, to give the best possible indication. As we approach many of the interventions, we will of course provide further financial information.”<sup>49</sup>

54. He also indicated that he did not believe “that financial memorandums claim to be accurate” but that they were designed to be “estimates”<sup>50</sup>. As a conclusion, the Minister stated that the Scottish Government would “continue to engage and to consider the financial costs that are associated with what is a framework bill to take us to 2050.”<sup>51</sup>

55. Other matters relating to the costs of particular provisions, such as the proposed energy performance certificates, are covered in subsequent sections of this report.

## **Section 48 – Promotion of energy efficiency**

### *General permitted development rights for micro-generation technologies*

56. The issues of whether this section of the Bill should refer to a role for the Scottish Government to “promote” rather than “improve” energy efficiency, the possible contribution that an energy efficiency action plan will have to any targets for 2010, the use of council tax rebates and the issue of whether further consultation on an action plan is necessary, have all been considered in the preceding sections of this report. In addition, however, the Committee did take evidence on a number of issues relating to increasing the take-up of micro-generation technologies, including that of general permitted development rights for such technologies.

---

<sup>47</sup> Finance Committee, Report on the Financial Memorandum of the Climate Change (Scotland) Bill, 4 March 2009, paragraph 75.

<sup>48</sup> Finance Committee, Report on the Financial Memorandum of the Climate Change (Scotland) Bill, 4 March 2009, paragraph 75.

<sup>49</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1743.

<sup>50</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1763.

<sup>51</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1763.

57. As stated above, the Scottish Government considers that the promotion of such technologies involves many issues that are reserved.<sup>52</sup> As such, it has not provided any detail on its plans on the face of the bill. It is proposed that any such detail would be part of the energy efficiency action plan once published.

58. In its announcement in early February 2009, the Scottish Government stated that it would enable householders to install certain micro-generation equipment - such as solar panels, biomass systems and heat pumps - at their homes without requiring planning permission.<sup>53</sup> However, as part of the same announcement, the Scottish Ministers stated that further work was needed to explore the feasibility of introducing such permitted development rights for air source heat pumps and wind turbines. The importance of such permitted development rights is that planning permission is granted as a right and there is no need to apply to the planning authority for consent.

59. In respect of the decision taken not to include certain technologies such as micro-wind and air source heat pumps for use in urban areas, Elizabeth Leighton of WWF Scotland said that her organisation was “hoping for a more positive approach to installation of microrenewables”.<sup>54</sup> Her views were shared by Elaine Waterson of the Energy Saving Trust who told the Committee that, “Not only is it a hassle for consumers to have to go to the planning department and wait for a significant amount of time before they get planning permission, but there is a cost associated with that”.<sup>55</sup> She also said that it made “sense for permitted development rights to be extended to community-scale developments.”<sup>56</sup>

60. This view is also one shared by a range of organisations that gave evidence to the lead committee on this Bill. For example, Scottish Renewables said that it was necessary to “extend general permitted development rights for all microgeneration with sensible, evidence based limits included where appropriate”.<sup>57</sup> Furthermore, Scottish and Southern Energy questioned whether the reference data and costs associated with ground source heat pumps used by the Scottish Government were out of date.<sup>58</sup>

61. In respect of air source heat pumps, the Minister told the Committee that the omission was because of “...difficulties that we and the Westminster Administration are experiencing in getting an adequate definition of noise.”<sup>59</sup> However, the Minister went on to say that additional work on air-source heat pumps and wind

---

<sup>52</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1555.

<sup>53</sup> Scottish Government News Release, *Domestic Microgeneration*, 9 February, 2009

<sup>54</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1566.

<sup>55</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1567.

<sup>56</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1568.

<sup>57</sup> *Scottish Renewables*. Written submission of evidence to the Transport, Infrastructure and Climate Change Committee.

<sup>58</sup> *Scottish and Southern Energy*. Written submission of evidence to the Transport, Infrastructure and Climate Change Committee.

<sup>59</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1748.

turbines is under way, which he hoped “will inform further changes that we could—I emphasise the word “could”—make later this year on permitted development rights.”<sup>60</sup>

### **Section 50 – non-domestic buildings, assessment of energy performance and omissions**

62. One of the main issues in relation to this particular section of the Bill was that of the precise approach to be taken by the Scottish Government to further develop the use of energy performance certificates (EPCs) in the non-domestic buildings sector and the costs associated with this.

63. The provisions in the Bill enable the Scottish Ministers to create regulations which could be used to place obligations on building owners, responsible authorities and other bodies for improving the energy performance of non-domestic buildings. In particular, the Bill allows for regulations to be created which will enable various approaches to be taken on the extent to which the enhanced EPCs are applied to the existing non-domestic building stock. How this might be achieved is outlined in the Policy Memorandum, which sets out seven possible options or scenarios and which vary, in part, in the level of compulsion on the part of the building owner to act on the recommendations made during the EPC process.

64. The Bill’s provisions in this respect were welcomed by the Association for the Conservation of Energy which thought EPCs were “useful” but that there should be “...some form of compulsion and that should go alongside finance—organisations should have a fund to which they can apply for investment in energy efficiency”.<sup>61</sup> This organisation also called for an extension to the energy saving Scotland small business loans scheme as well as a domestic version of these grants.<sup>62</sup>

65. In his oral evidence to the Committee, the Minister indicated that his preference was to move forward on the basis of option 2 as set out in the policy memorandum, namely enhanced EPCs on sale or rent for all buildings and all large buildings with additional guidance to promote uptake of recommendations and an increase in the frequency of certification. If this approach was not successful, he indicated he would be likely to pursue the extension of EPCs to all buildings, not just large buildings, and introduce compulsory uptake of recommendations. In short, he stated that “...compulsion will be necessary if the outcomes are not achieved.”<sup>63</sup>

66. In subsequent written evidence to the Committee, the Minister went further and indicated that—

---

<sup>60</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1748.

<sup>61</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1564.

<sup>62</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1564ff.

<sup>63</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1755.

“...Stage 2 amendments are proposed to require, through secondary legislation, mandatory implementation of cost-effective improvements to existing non-domestic buildings. This SSI will be subject to affirmative resolution.”<sup>64</sup>

67. However, he also said in his letter that—

“It is not intended that this provision would be utilised immediately and as announced in the response to the consultation, a voluntary approach will be adopted initially to the implementation of cost-effective improvements to existing non-domestic buildings. This regulation making power is intended for future use if a voluntary approach is considered inadequate for delivering emission savings.”<sup>65</sup>

68. Whilst we welcome the further information provided by the Minister, the Committee is still not completely clear what is intended to be achieved and how, and we cannot judge at this stage whether the Scottish Government’s preferred option is likely to succeed.

69. Additionally, the Minister’s officials indicated that local authorities would be the enforcement bodies in respect of EPCs and that they would recover costs via penalty charge notices.<sup>66</sup> On this particular issue, the Committee did not receive any submissions that indicated that this approach would be problematic. However, it is important to note that bodies such as the Convention of Scottish Local Authorities were not contacted specifically by the Committee for a view although it would have been free to submit evidence if it wished.

70. In addition to the direction of policy, the Scottish Government was also quizzed on the estimated costs for the various options for EPCs. In relation to the two likely scenarios suggested by the Minister (options 2 and 5), the estimates of the average annual costs to local authorities of the provisions relating to EPCs are £4.1m - £5.5m (option 2) and £27.7m - £37m (option 5).<sup>67</sup> The potential costs for other bodies, individuals and businesses are £8.2m - £9.6m per year and £55.4m – £64.7m per year respectively.<sup>68</sup> Finally, in relation to the costs for the Scottish Government, the ranges were a one-off cost of between £0.5m and £0.6m for options 2 and 5 respectively and an average annual cost of between £0.5m and £12.4m.<sup>69</sup>

71. To provide greater clarity on the estimated costs, the Scottish Government has indicated that regulatory impact assessments (RIAs), with further cost estimates, will be produced, in due course, along with the secondary legislation to be laid in this area. However, such RIAs are not routinely provided to this

---

<sup>64</sup> Scottish Government. Supplementary written evidence. Letter of 12th March, 2009. See the annexe to this report.

<sup>65</sup> Scottish Government. Supplementary written evidence. Letter of 12th March, 2009. See the annexe to this report.

<sup>66</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1755.

<sup>67</sup> Climate Change (Scotland) Bill, Explanatory Notes, SP Bill 17-EN, Session 3 (2008), p37-39.

<sup>68</sup> Climate Change (Scotland) Bill, Explanatory Notes, SP Bill 17-EN, Session 3 (2008), p37-39.

<sup>69</sup> Climate Change (Scotland) Bill, Explanatory Notes, SP Bill 17-EN, Session 3 (2008), p37-39.

Committee when it considers draft Scottish Statutory Instruments. On this point, the Minister indicated that the Scottish Government "...will announce our definitive position, with the information that committees such as this one will need in order to make the necessary judgments."<sup>70</sup>

72. A separate issue raised in relation to section 50 of the Bill was its focus only on the non-domestic sector. In evidence to the Committee, organisations such as the Energy Saving Trust and WWF Scotland called for the extension of such provisions to the domestic sector, the latter indicating that "...the [domestic] sector is responsible for more than a third of our emissions" and that "there is a gaping hole in the bill in that respect."<sup>71</sup>

73. This was a view shared by Chas Booth of the Association for the Conservation of Energy who said that—

"We need considerably increased investment and powers to ensure that we bring [domestic] buildings with the poorest energy efficiency up to standard. If we do not make a real effort to do that, Scotland will be cursed with a group of people in the hardest-to-treat houses who will be permanently fuel poor."<sup>72</sup>

74. Additionally, in its evidence to the Committee, the Energy Saving Trust called for enabling provisions for the domestic building sector to be included in the Bill.<sup>73</sup> On this point, in supplementary written evidence provided to the Committee, the Minister said that—

"There are currently no plans to introduce requirements for further periodic energy assessments for the domestic sector other than the requirements for Energy Performance Certificates at sale or rent that have just been implemented. As outlined above, this is because we believe that we can continue to make progress in improving domestic energy efficiency within existing legislation.

The introduction of regulatory requirements for the energy efficiency of housing would, in any case, be likely to drive out CERT investment. This would be contrary to current policy which is to seek to maximise CERT activity in Scotland and means that many Scottish householders would be denied access to this support."<sup>74</sup>

75. Finally, in relation to the current energy efficiency standards and the state of Scotland's domestic and non-domestic building stock, the Committee heard

---

<sup>70</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1756.

<sup>71</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1561.

<sup>72</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1562.

<sup>73</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1564.

<sup>74</sup> Scottish Government. Supplementary written evidence. Letter of 12th March, 2009. See the annexe to this report.

conflicting views. In response to a question from the Committee Convener, the Minister said—

“I would take issue if I may, convener, with the suggestion that we have the poorest standards. On the contrary, we have in many ways led many other jurisdictions to follow our example.”<sup>75</sup>

76. Furthermore, in relation to the Scottish Government’s recent announcement to set a 30% target for the reduction in emissions for both new housing and non-domestic buildings, he said that—

“At the moment, we are probably only marginally behind Finland, and our minimum standards for insulation are substantially better than those in Denmark, for example. Far from our standards being poor, by setting the target of 30 per cent on top of what we have already done, we are setting standards that are higher than anywhere else in the British Isles and in the majority of jurisdictions in Europe.”<sup>76</sup>

77. However, in its evidence to the lead committee for the Bill, the Energy Saving Trust stated that, “In the context of improving the energy efficiency of Scotland’s housing stock we therefore believe the Bill could and should go further” and that “it would seem sensible to include some provision within the Bill to make it easier for the Scottish Government to regulate energy performance improvements in the housing stock in the future.”<sup>77</sup>

78. This desire for additional action to be taken to improve the energy efficiency levels in existing domestic buildings was a prominent feature of much of the evidence that the Committee has received during its ongoing energy inquiry, especially when considering this issue of the current levels of fuel poverty in Scotland. For example, in the Royal Society of Edinburgh’s recent energy report, which it submitted to the Committee as part of this inquiry, it states—

“...we note that Scandinavian and German buildings are considerably more energy efficient than those in Scotland. Raising building standards in Scotland to the level in those countries could save approximately 20% of domestic energy consumption.”<sup>78</sup>

## **Section 51 – Renewable Heat**

79. Some of the more general issues relating to the further development of renewable heat technologies, such as the possible use of financial incentives, have been addressed elsewhere in this report.

---

<sup>75</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1751.

<sup>76</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1752.

<sup>77</sup> *Energy Saving Trust*. Written submission to the Transport, Infrastructure and Climate Change Committee.

<sup>78</sup> *Royal Society of Edinburgh*. Inquiry into Energy Issues for Scotland, Summary Report, June 2006

80. However, one of the main points raised during the Committee's deliberations on this particular section of the Bill was whether there should be an 'obligation' placed on Ministers to produce a renewable heat action plan and details on what a plan should contain.

81. Section 51(1) of the Bill, as currently drafted, states that Ministers must take such steps as they consider appropriate in relation to the promotion of renewable heat. This has been described by some members of the Committee as "a bit woolly."<sup>79</sup> In response, a Scottish Government official said that—

"At stage 2, we intend—subject to ministerial approval—to turn that into an obligation to produce an action plan and update it regularly. We need to do that to create a policy focus and keep the issue within that focus."<sup>80</sup>

82. However, when the Minister gave oral evidence, he stated only that—

"The process is slightly more complex than the minister simply issuing a fiat on the subject. The consultations on what we will introduce at stage 2 are in progress. I can assure the member that that is one of the issues that are being considered."<sup>81</sup>

83. On this point, one of Scotland's leading developers of renewable heat systems, Fergus Tickell, told the Committee that—

"...the bill probably needs to be strengthened in respect of ministers' obligation not just to promote but to deliver. That suggests that those of us who work at a practical level to deliver renewable heat and other forms of renewable energy projects have to be given the tools to do that."<sup>82</sup>

84. As can be seen above, although no such indication was given by the Minister when he appeared before the Committee on 4 March to give oral evidence, he has now provided further written evidence on the issue of whether there will be an 'obligation' on Ministers to produce an action plan on renewable heat. He said in his letter to the Committee that—

"It is proposed to amend the provision to introduce a commitment to produce an Action Plan and to update it regularly."<sup>83</sup>

---

<sup>79</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1540, and Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1760.

<sup>80</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1541.

<sup>81</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 8th Meeting, 4 March, 2009, Col 1761.

<sup>82</sup> Scottish Parliament Economy, Energy and Tourism Committee, *Official Report*, 4th Meeting, 4 February, 2009, Col 1560.

<sup>83</sup> Scottish Government. Supplementary written evidence. Letter of 12th March, 2009. See the annexe to this report.

## CONCLUSIONS AND RECOMMENDATIONS

### **Background**

85. Although not formally a secondary committee for the consideration of the Climate Change (Scotland) Bill, this Committee welcomes the opportunity to have taken evidence on the relevant sections of the Bill covering energy efficiency and renewable heat. The Committee is grateful to the lead committee – the Transport, Infrastructure and Climate Change Committee – for its understanding in this respect. The Committee places on record its desire for such collaborations between parliamentary committees to continue at stage 2 of the legislative process, given the highly cross-cutting nature of the Bill.

86. The Committee welcomes all the evidence received during its consideration of the Bill and is grateful to all the organisations that assisted us during our deliberations.

### **An ‘enabling’ bill, consultations and the legislative timetable**

87. The Committee recognises that the Scottish Ministers always intended the Climate Change (Scotland) Bill to be a framework, which provides for a range of powers for the Scottish Government to take forward initiatives, such as an energy efficiency action plan and the promotion of renewable heat technologies, at a later date.

88. The Committee accepts that this approach will mean that there is always a balance to be struck between what is on the face of the Bill and what follows through secondary legislation if the Bill completes its legislative passage.

89. Furthermore, the Committee accepts that it is not unusual for the Scottish Government to continue to consult on certain provisions during the course of the consideration of a bill, particularly during this first stage.

90. However, it is clear to the Committee that in relation to the provisions on energy efficiency (section 48), the energy performance in non-domestic buildings (section 50) and the promotion of renewable heat (section 51), an excessive amount of the policy detail remains unclear or is still subject to consultation either in Scotland or by the UK Government.

91. The Committee was disappointed at the lack of detail provided by the Scottish Government’s officials when they appeared to give evidence at the Committee. It was because of this, that the Committee felt it necessary to take additional, unscheduled evidence from the Minister in charge of the Bill. However, even after this, the Committee is still not in a position to have secured a detailed understanding of the policies and plans underpinning the relevant sections of the Bill.

92. This lack of clarity on the direction of policy makes it difficult for the Committee to fulfil its responsibility to scrutinise the policy and financial memoranda and to judge whether the measures in the Bill are adequate to meet the overall objectives.

93. The Committee believes that this is regrettable as it prevents the type of detailed scrutiny that we would ordinarily like to have subjected the Bill to. The Committee recognises that the Minister for Transport, Infrastructure and Climate Change has indicated that he will endeavour to provide committees with further detail – such as drafts of the various action plans and secondary legislation – and will be sympathetic to a revision of the timetable should the Bill be passed at this first stage.

**94. The Committee recommends that the Scottish Government as a whole accepts the commitment given by the Minister in charge of the Bill that parliamentary committees must be afforded a reasonable amount of time to adequately scrutinise the Bill and works with lead committee and any other committee involved at stage 2 to set a realistic timetable going forward for this important, cross-cutting Bill. (RECOMMENDATION 1)**

**95. Furthermore, the Committee recommends that the Scottish Government agree to provide a revised financial memorandum, including more detailed and clearer cost estimates, for the sections of the Bill we considered. (RECOMMENDATION 2)**

96. The Committee found it almost impossible to scrutinise adequately the provisions in relation to the use of energy performance certificates in particular, given the wide range of possible options that may be followed and the associated cost estimates.

97. Finally, the Committee believes that whilst the Climate Change (Scotland) Bill can be considered as a framework bill, we have reservations on the extent of the enabling powers and whether this gives too much discretion to the Scottish Ministers and insufficient powers to Parliament. **We recommend that all the relevant secondary legislation proposed under sections 48-51 is subject, if they are not already, to affirmative resolution and that the Committee has the opportunity to see drafts of the instruments before they are laid. (RECOMMENDATION 3)**

### **Reserved versus devolved powers**

98. The Committee accepts that the ‘promotion’ of energy efficiency, renewable heat and micro-generation technologies is an area where both the Scottish and the UK Parliaments have an interest and legislative competence. We also believe that, in many respects, these are also areas where there are shared goals between the administrations.

99. The Committee does not consider the issue of what is reserved and what is devolved to prevent the Scottish Government from delivering on existing commitments to improving energy efficiency in co-operation with the UK Government and other parties.

**100. The Committee recommends that the Scottish Government – at both official and ministerial level – continue to discuss matters of common interest with the UK Government and to report progress to this Committee in**

**respect of the subject matter of sections 48-51 of this Bill. (RECOMMENDATION 4)**

101. The Committee welcomes the Minister's recent change of policy and his commitment to introduce amendments at stage 2 to amend section 48(2) of the Bill to replace the word "promote" with the word 'improve' to change this provision to "improve" the energy efficiency of living accommodation. **We recommend that the Minister takes all the necessary steps to ensure that efforts are made across the piece to improve and not just promote energy efficiency and the take-up of renewable heat and micro-generation technologies, and that the Minister brings forward amendments at stage 2 to maintain and extend the existing legislative provision in respect of living accommodation. (RECOMMENDATION 5)**

### **Targets**

102. The Committee notes that the Scottish Government has stated a general policy against the setting of targets. However, this Bill does propose statutory targets for 2050 and interim targets, which we support. However, in respect to the contributions of energy efficiency and renewable heat, no such targets have been set.

103. **The Committee recommends that the Scottish Government clearly sets out how the monitoring and reporting procedures within this Bill will work and clarifies the roles of various bodies in this respect. (RECOMMENDATION 6)**

104. **Furthermore, the Committee recommends that the Scottish Government adds the setting of targets for its energy efficiency and renewable heat initiatives to the relevant sections of the Bill and brings forward the necessary amendments. (RECOMMENDATION 7)**

### **Financial and fiscal incentives**

105. The Committee notes the calls made by many of the witnesses giving evidence to the Committee to introduce some form of financial or fiscal incentive to encourage people and organisations to invest in energy efficiency, micro-generation or renewable heat technologies.

106. **The Committee recommends that the Scottish Government investigates and reports back to the Committee, if possible before stage 2, on whether some form of rebate through local taxation systems to incentivise the take-up of energy efficiency, renewable heat and/or micro-generation technologies in the domestic and non-domestic sectors should be introduced, drawing on the experience and the success of such schemes in other parts of the UK. (RECOMMENDATION 8)**

### **Skills gaps and employment creation**

107. The Committee is supportive of the efforts to create employment opportunities through the various energy-related provisions in this Bill. However,

the Committee is concerned at the evidence we have heard in relation to the potential skills gaps, including from the Minister himself. **The Committee recommends that the Scottish Government makes all efforts to plan accordingly and ensure that the education and training sector in Scotland is well-prepared and can respond to the growth in employment opportunities by providing the right number of people with the right skills at the right time, and reports back to the Committee on this as soon as possible. (RECOMMENDATION 9)**

#### **Specific recommendations in relation to sections 48, 50 and 51 of the Bill**

##### *Section 48 – contribution to the 2010 targets*

108. The Committee heard evidence that the production of an energy efficiency action plan has been underway since December 2004. The Committee also heard evidence that the time taken to pass the Bill, enact the various provisions and then consult and finally publish an action plan could impact markedly on the contribution that could be provided in meeting the 2010 emissions reductions targets by energy efficiency initiatives.

109. The Committee does not consider that it is necessary to consult further on its energy efficiency action plan and certainly not for a period of up to 12 months following the passing of the Bill. However, the Committee does welcome the statements made by the Minister that an outline plan will be published shortly. **The Committee recommends that the Minister ensures that energy efficiency projects are in a position to play a full and meaningful part in meeting the statutory targets for 2010 and thereafter. The Committee sees no reason why the action plan has to await the passing of the Bill and wishes to see the Scottish Government publish a full draft of the action plan before stage 2 of the Bill. (RECOMMENDATION 10)**

110. The Committee notes that the progress of the proposed Energy Efficiency and Micro-Generation (Scotland) Bill (a members bill) has been stalled due to the introduction of the Climate Change (Scotland) Bill and the indication from the Scottish Government that it intends to legislate in this area. The Committee also notes the recent announcements by the Minister providing for general permitted development rights to some micro-generation technologies but not, at this stage, to micro-wind or air-source heat pumps for use in urban areas.

111. The Committee notes that the Bill, as it stands, does not as yet take forward all of the main provisions that were to be part of the proposed Energy Efficiency and Micro-Generation (Scotland) Bill. **The Committee recommends that the Minister sets out the Scottish Government's intentions in this regard during the stage 1 debate. (RECOMMENDATION 11)**

112. **Furthermore, the Committee recommends that, subject to appropriate controls on noise etc., general permitted development rights are extended to micro-wind and air-source heat pumps for use in urban areas, as soon as possible. (RECOMMENDATION 12)**

*Section 48 - costs*

113. The provisions in this section of the Bill put a duty in statute on the Scottish Ministers to produce a plan for promoting energy efficiency in Scotland. The action plan will provide details of the measures to improve energy efficiency and/or to promote micro-generation across all Scottish Government Directorates. This duty is part of current planned activity, is not expected to give rise to additional resources and will be met from within existing Scottish Government administration budgets.

114. The Committee understands why this particular form of words on costs is being made in the Financial Memorandum in that the 'production' of an energy efficiency action plan is not expected to be a costly exercise. However, we have serious reservations about the lack of detail at this stage on the costs of the measures that will be contained within the plan itself and we would question whether the overall climate change objectives can realistically be met without additional budgetary resources from within the Scottish Consolidated Fund. Whilst there may be an existing budget for publication of an energy efficiency action plan, the Committee believes that the successful passage of the Bill must result in the Government doing more than it is at present and we would be surprised if the initiatives in the action plan did not have cost implications.

**115. The Committee has recommended above at paragraph 95 that a revised financial memorandum be produced and we would expect the costs identified above to be covered within this. (RECOMMENDATION 13)**

*Section 50 – recent announcements and extension of provisions to the domestic sector*

116. The Committee notes that the Bill in section 50 currently applies only to the non-domestic sector. The Committee considers that there is no room for complacency in respect to energy efficiency performance and the standards within the Scottish building stock, commercial, industrial, the public sector and, critically, the domestic sector.

117. The Committee notes the recent announcements made by the Minister in response to the Sullivan Report to set a 30% target for the reduction in emissions for both new housing and non-domestic buildings. **The Committee does not have sufficient evidence to make a judgement on this decision but we do want to see ambitious targets being set and we recommend that the Minister provides feedback on how the setting of a target of 30% is consistent with meeting the targets set within this Bill. (RECOMMENDATION 14)**

118. Furthermore, despite our reservations on the ability to scrutinise the cost implications associated with the use of energy performance certificates, we welcome the provisions in this respect. **However, we note the calls for similar enabling provisions to be introduced as part of this Bill to extend such ideas to the domestic sector and we recommend that the Scottish Ministers give consideration to this and outline their intentions during the stage 1 debate. (RECOMMENDATION 15)**

*Section 51 – an obligation to produce an action plan*

119. As it is currently drafted, the Committee considers that the duties on the Scottish Ministers to take such steps as they consider appropriate to promote renewable heat are too vague. The Committee welcomes the additional written information provided by the Minister and his statement that he intends to amend the Bill at stage 2 to provide for a “commitment” to produce a heat plan. **However, the Committee believes that this still does not go far enough and recommends that there should be an ‘obligation’ on the Scottish Minister to introduce, within a reasonable timeframe, an action plan to improve the take-up of renewable heat technologies in Scotland and to work with all the necessary parties to achieve progress in this area. Furthermore, we seek a clear timetable from the Minister for the introduction of the heat plan before stage 2 of the Bill. (RECOMMENDATION 16)**

120. One area that we want to see progress being made is in relation to the use of combined heat and power (CHP), particularly in the industrial and commercial sectors and in urban areas for district heating. As part of our energy inquiry, we were impressed by the developments being taken forward by Diageo at Cameronbridge in Fife (a biomass-fired CHP plant) and by Aberdeen Heat and Power Ltd., tackling fuel poverty in municipal housing and public buildings. We want to see these initiatives replicated across Scotland and we will return to this issue, and that of capital support schemes, in more detail when we complete our energy inquiry in the coming months. **At this stage, we recommend that the Scottish Government ensures that CHP systems, preferably using sustainable energy sources, are a part of its action plans for renewable heat and energy efficiency. (RECOMMENDATION 17)**

**ANNEXE A: EXTRACT FROM THE MINUTES**

**4th Meeting, 2009 (Session 3), Wednesday 4 February 2009**

Present:

Ms Wendy Alexander	Gavin Brown
Rob Gibson (Deputy Convener)	Christopher Harvie
Marilyn Livingstone	Lewis Macdonald
Iain Smith (Convener)	Dave Thompson

Also present: Sarah Boyack and Nigel Don

**Climate Change (Scotland) Bill:** The Committee took evidence on Part 5, Chapter 3 of the Bill at Stage 1 from—

Colin Imrie, Deputy Director Energy Markets Division, Sue Kearns, Head of Renewable Strategy and Onshore Renewables, Jamie Hume, Deputy Director Renewable Energy, Gavin Peart, Assistant Head of Building Standards Division, Alec Millar, Principal Non-Domestic Energy, Building Standards Division, Philip Wright, Deputy Director of the Climate Change Division, and Cameron Maxwell, Policy Adviser in Climate Change, Scottish Government;

And then from—

John Stocks, Manager for Scotland, The Carbon Trust;

Chas Booth, Senior Press and Parliamentary Officer, Association of the Conservation of Energy;

Fergus Tickell, Managing Director, Northern Energy Developments Ltd;

Elaine Waterson, Strategy Manager, Energy Saving Trust;

Elizabeth Leighton, Senior Policy Officer, WWF Scotland.

**8th Meeting, 2009 (Session 3), Wednesday 4 March 2009**

Present:

Ms Wendy Alexander	Gavin Brown
Nigel Don (Committee Substitute)	Rob Gibson (Deputy Convener)
Christopher Harvie	Marilyn Livingstone
Lewis Macdonald	Iain Smith (Convener)

Also present: Sarah Boyack

**Climate Change (Scotland) Bill (in private):** The Committee agreed its lines of questioning.

**Climate Change (Scotland) Bill:** The Committee took evidence on the Bill at Stage 1 from—

Stewart Stevenson MSP, Minister for Transport, Infrastructure and Climate Change, Philip Wright, Deputy Director of Climate Change, Gavin Peart, Assistant Head of Building Standards, Sue Kearns, Head of Renewables Energy Policy Team, and Sarah Hart, Energy, Efficiency Policy Analyst, Scottish Government.

**9th Meeting, 2009 (Session 3), Wednesday 11 March 2009**

Present:

Ms Wendy Alexander	Gavin Brown
Rob Gibson (Deputy Convener)	Christopher Harvie
Marilyn Livingstone	Lewis Macdonald
Stuart McMillan	Iain Smith (Convener)

**Climate Change (Scotland) Bill (in private):** The Committee considered an outline of a draft report to the Transport, Infrastructure and Climate Change Committee.

**10th Meeting, 2009 (Session 3), Wednesday 18 March 2009**

Present:

Ms Wendy Alexander	Gavin Brown
Rob Gibson (Deputy Convener)	Christopher Harvie
Lewis Macdonald	Stuart McMillan
Iain Smith (Convener)	David Whitton (Committee Substitute)

**Climate Change (Scotland) Bill (in private):** The Committee considered a draft report to the Transport, Infrastructure and Climate Change Committee.

## ANNEXE B: ORAL EVIDENCE

### Scottish Parliament

#### Economy, Energy and Tourism Committee

*Wednesday 4 February 2009*

[THE CONVENER *opened the meeting at  
09:32*]

#### Climate Change (Scotland) Bill: Stage 1

**The Convener (Iain Smith):** Welcome to the fourth meeting in 2009 of the Economy, Energy and Tourism Committee. We have a couple of guests with us this morning—Sarah Boyack and Nigel Don—who have a particular interest in the Climate Change (Scotland) Bill, and will be entitled to participate in the discussion.

I know that Wendy Alexander is running a little late this morning and will join us later. Also, a member of the panel is stuck on a train somewhere and will join us shortly.

The only item on the agenda is stage 1 of the Climate Change (Scotland) Bill. The committee is considering chapter 3 of part 5 of the bill, which deals with energy efficiency and renewable heat.

We have two panels this morning. The first panel is made up of members of the Scottish Government's bill team—they rather outnumber us. Later, we will take evidence from a number of organisations with a particular interest in energy efficiency issues.

The bill falls within the remit of a number of committees. We have an understanding with the convener of the Transport, Infrastructure and Climate Change Committee, which is the lead committee, that we will comment specifically on the energy aspects in chapter 3 of part 5.

**Lewis Macdonald (Aberdeen Central) (Lab):** Convener, before you invite the members of the panel to introduce themselves, I would like to ask for clarification of one point. An aspect of the bill that we appear not to have been asked to consider relates to the privatisation of the forestry estate, which seems to be based on the proposition that it should be done in order to promote renewable energy. That clearly

gives it an energy aspect. Which committee is considering that matter? Should this committee be asked to comment on the matter, as it involves energy?

**The Convener:** My understanding is that the Rural Affairs and Environment Committee is addressing that part of the bill.

**Lewis Macdonald:** Will that include the energy aspects?

**The Convener:** I presume that it will, but we will confirm that.

**Lewis Macdonald:** That would be helpful, because we might want to comment on energy-related issues at some point in the proceedings.

**The Convener:** Thank you for that.

I ask the panel members to introduce themselves briefly.

**Philip Wright (Scottish Government Climate Change and Water Industry Directorate):** I am deputy director, climate change division, which has responsibility for the bill as a whole. I and my colleague Cameron Maxwell can provide general context and background information if the committee wishes us to do so, and we can perhaps say something about the delivery of the bill and the duties that it contains.

**Cameron Maxwell (Scottish Government Climate Change and Water Industry Directorate):** I work with Philip Wright in the climate change division. As he says, we have an interest in the delivery of the targets in the bill.

**Alec Millar (Scottish Government Directorate for the Built Environment):** I am principal for non-domestic energy in the building standards division of the directorate for the built environment. I am examining the existing non-domestic building aspects.

**Gavin Peart (Scottish Government Directorate for the Built Environment):** I am assistant head of the building standards division, and I have a particular interest in non-domestic buildings.

**Jamie Hume (Scottish Government Enterprise, Energy and Tourism Directorate):** I am deputy director for renewable energy. I had hoped to be joined by my colleague Sue Kearns, who is our expert on heat, and the team leader within my division, but she is not here yet. The heat

aspect of renewable energy and the heat action plan sit within my division.

**Colin Imrie (Scottish Government Enterprise, Energy and Tourism Directorate):** I am the deputy director, energy markets division, and I am here to talk about the energy efficiency promotion measures in the bill.

**The Convener:** Perhaps someone from the Scottish Government could outline the purposes of the bill, particularly in relation to chapter 3 of part 5, and explain the provisions that it contains. I understand that there are some thoughts about amendments at stage 2, so it would be useful if panel members outlined them.

**Philip Wright:** I will briefly outline the background to the bill, and my colleagues will address the individual elements. The first four parts of the bill relate directly to climate change. Part 1 covers the setting of the targets, including the 80 per cent reduction in all greenhouse gas emissions by 2050, and the interim target of a 50 per cent reduction by 2030. Parts 2 and 3 cover the advice and reporting aspects, and clearly set out the requirements on, for example, annual reporting on different aspects of the bill, such as targets and performance. Part 4 covers the enabling powers to place duties on public sector bodies if the need should arise. Part 5 is an amalgam of various provisions that are linked to climate change and will help to support the delivery of the targets. Chapter 1 of part 5, on adaptation, is about placing a duty on ministers to report on the action that they plan to take to adapt to the impact of climate change, based on the United Kingdom-level risk assessment.

That is the general background. My colleagues will cover the individual provisions.

**Jamie Hume:** I will talk about renewable heat. It is fair to say that there is a UK-wide question about how renewable heat should be addressed in legislation. Ministers already have the ability to promote renewable heat, and the inclusion of renewable heat in the statute reflects its importance. The need to build a commercially viable renewable heat industry and to ramp up provision from the current estimate of less than 1 per cent of demand to the target—on which we consulted—of around 11 per cent of demand in order to meet the 2020 targets will, effectively, involve the development of a whole new industry. It is acknowledged that in order to do that, the main lever must come

through a UK-wide mechanism—there must be a market lever and a regulatory mechanism. In February, the Department of Energy and Climate Change will issue a consultation on the renewable heat incentive.

We estimate that the renewables obligation for the provision of electricity from renewable sources is working effectively. According to 2007 figures, renewable electricity accounts for around 20 per cent of Scottish demand. The UK provisions will address the lack of any equivalent incentive for the production of renewable heat through the use of biomass heat pumps or solar thermal systems.

As committee members will be well aware, heat is important because it accounts for around 45 per cent of total energy demand; electricity accounts for around 26 per cent of demand. If we are to live up to the aspiration to meet 20 per cent of the total energy demand from renewable sources by 2020, it is clear that the step change on heat that I have mentioned will be necessary.

What is the current position? When it reported on renewable heat early last year, the forum for renewable energy development in Scotland recommended the introduction of a heat target. The analysis that we have carried out estimates that to meet the 20 per cent target, 11 per cent of heat would need to come from renewable sources, provided that we reached the targets of producing 50 per cent of electricity from renewable sources and running 10 per cent of transport on renewable resources. That is the figure in our consultation, and it was broadly supported by consultees.

The Scottish ministers and the Scottish Government have the power to prepare the ground for the broad, UK-wide regulatory mechanism and to do some of the softer things, such as providing information, encouraging heat mapping at local authority level, making available consumer information, examining skills needs, particularly around installation, and reviewing the building regulations. We propose to cover those elements and more in a renewable heat plan, which we will issue in the renewables action plan that we are due to produce by the end of June.

That is the background to the actions that we believe we can take to prepare the ground for the introduction of the UK-wide mechanism, which is expected to provide a significant market lever that will enable the renewable heat targets to be met on a UK-wide basis. As I have said, the inclusion in

the bill of provisions on renewable heat reflects the importance that the Scottish ministers attach to the issue and puts up front recognition of the step change that will be needed to meet the 2020 targets.

**Colin Imrie:** Shall I deal with the energy efficiency provisions?

**The Convener:** Yes, please.

**Colin Imrie:** The reason for including section 48, which will require the Scottish ministers to

“prepare and publish a plan for the promotion of energy efficiency in Scotland”,

is that energy efficiency will make a key contribution to meeting the carbon reduction targets that are set out in the bill. Section 48 will require ministers to prepare and publish the plan within a year of the section coming into force, and to review the plan at least every three years. It sets out that the plan

“must include provision about the promotion of the energy efficiency of living accommodation.”

It is proposed that the bill will repeal and replace section 179 of the Housing (Scotland) Act 2006, which requires the Scottish ministers to

“prepare a strategy for improving the energy efficiency of living accommodation.”

The energy efficiency plan that the bill proposes will cover living accommodation, but it will go wider than that; it will aim to be a comprehensive plan to promote energy efficiency across a range of areas.

09:45

We have committed to the publication by March of an outline of what the plan will contain. In general terms, it is expected that the plan will cover issues in the domestic sector, issues relating to the business sector and issues for the public sector, as well as issues concerning buildings specifically. It will cover the range of measures that are already in place, including advice networks, business loans schemes and the energy efficiency design awards, which were announced yesterday. We also expect it to cover microgeneration issues. When the outline is published, we will give a clear indication of what other measures will be included. We are working on that internally at the moment.

In terms of the drafting of section 48, I stress that the aim is to have a comprehensive plan that covers energy efficiency in its broadest sense. It is important to recognise that many powers

relating to the regulation of energy markets, which have an influence on the way in which energy efficiency is delivered in Scotland, are the responsibility of the UK Government at Westminster. For example, the carbon emissions reduction targets scheme, which is an important obligation on companies to deliver energy savings, is regulated by UK regulations.

The important reason for being comprehensive in the approach, including in Scotland, is that the implementation of the scheme in Scotland has a major implication for the other measures that are designed to achieve energy efficiency. It is for that reason that the Scottish ministers are preparing a CERT strategy to increase the uptake of CERT in Scotland, to complement the measures that are being taken through the Scottish budget.

**Alec Millar:** Section 50 covers existing non-domestic buildings. The Sullivan report, which was published in December 2007, set out recommendations for the improvement of new buildings and existing non-domestic buildings, for which enabling powers could be included in the bill. Buildings account for more than 40 per cent of the emissions in the UK. However, as only 1 per cent of the building stock is replaced annually by new build, it will take a considerable time to achieve a significant improvement in the overall building stock. The aims of the provisions are to improve the energy performance of existing non-domestic buildings and to increase the contribution that such buildings can make to the mitigation of climate change. The provisions are required to enable the Scottish ministers to make regulations that provide for the assessment of the energy performance of non-domestic buildings and the emissions of greenhouse gases that are produced by or associated with such buildings.

A public consultation was opened in September and closed on 25 November. More than 500 invitations to respond were issued and we received 71 responses. The responses that could be published were published by the Scottish Government library on 22 January and were placed on the consultation website on 27 January. I have provided the committee with a link to that webpage. The report on the consultation is close to being finalised and is with the minister just now. We expect that we will be able to publish it very soon. We will send a copy to the committee.

We carried out an initial in-house analysis of the responses to the consultation, which indicated that the marker provisions in the bill—the assessment of the energy performance of existing non-domestic buildings and the assessment of emissions of greenhouse gases that are produced by or associated with such buildings—were strongly supported. The responses also indicated support for a database for non-domestic buildings. Proposals in that regard are being worked on.

The bill's provisions will allow for action on various topics. The scope of energy performance certificates could be extended into assessments of carbon and energy performance. ACEPs will take account of operational ratings as well as asset ratings and could take account of embodied energy and carbon when a robust methodology is available. Such an approach would help to address the issue of historic and traditional buildings. The lifespan of assessments or certificates could be varied—EPCs currently have a lifespan of 10 years. Owners could be required to obtain ACEPs even when they are not renting or selling their properties, and they could be required to formulate and encouraged to implement action plans for building work to improve their building, as a result of the advice in ACEPs. Appropriate standards, for example on energy-efficient lighting, roof-space insulation or sub-metering, could be developed for such building work. Finally, local authorities or other bodies could be empowered to check ACEPs.

After the consultation report has been published we will develop options whereby the Scottish ministers can progress section 50 of the bill. That work will include consideration of whether the bill should be amended. Key areas in which respondents to the consultation were divided will need to be discussed with ministers. For example, respondents were divided on whether the cost-effective improvements for buildings that will be set out in ACEPs should have the status of recommendations or be mandated through regulations. Respondents were also divided on whether there should be a wholly separate process for assessing the energy and carbon performance of historic and traditional buildings.

It is anticipated that the bill's provisions will be implemented through regulations in a gradual, cost-effective manner. Regulations will be developed following detailed research, consultation and costing, and will be subject

to the affirmative resolution procedure. The model will be similar legislation that was implemented gradually, such as the Disability Discrimination Act 1995.

**The Convener:** I thank the witnesses for their helpful opening remarks. This is a general question on a matter that is of concern to me and, I am sure, other members of the committee. Given how the bill has been formulated, we are being asked to take an awful lot on trust. Alec Millar has indicated that a number of provisions were still subject to consultation when the bill was introduced and might be significantly amended at stage 2. It is difficult for the committee to give the bill meaningful consideration at stage 1 if we do not know what shape it will take.

Is the approach that is being taken realistic? The options on EPCs have cost implications that range from £500,000 to £12 million for the Government, from £5 million to £65 million for businesses and from £2.5 million to £37 million for local government. Those ranges are big and reflect big differences in approach. Would it have been better to bring forward more detailed proposals in the bill? That would have enabled the committee comprehensively to consider the bill's implications.

We must also wait for the results of the consultation before we find out what approach will be taken to renewable heat. To say that we have been given a pig in a poke might be to put it too strongly, but is it fair to say that we are being asked to take too much on trust?

**Gavin Peart:** We can provide a mock-up version of regulations, if that would help.

**The Convener:** It would help, but it would have been more helpful to explore such matters as part of our stage 1 consideration.

**Jamie Hume:** On renewable heat, we are not anticipating any great unanswered questions around cost implications for Government, local authorities or other stakeholders. The inclusion of section 51 reflects the importance that ministers attach to renewable heat. The detailed steps that will be taken towards meeting the target will be contained in the action plan to which I referred. The section is a sort of marker that flags up the issue. Heat is not mentioned anywhere in the Scotland Act 1998, so it is kind of devolved by omission. We have taken this opportunity to flag up the issue, given the importance of the heat sector in meeting the

overall renewables targets and the targets for 2020.

**Colin Imrie:** As the briefing note states, in March to June 2007, there was a consultation on a draft energy efficiency and microgeneration strategy for Scotland. In June 2008, the Scottish Government published a consultation analysis, which summarised the points raised by respondents. The key difference in the bill is the intention to promote an action plan for energy efficiency rather than a strategy. The purpose is to focus on actions, but a clear statement has been made that the intention is to base the action plan on the results of the consultation that has already taken place—the consultation will feed into the action plan. The aim is to publish in March an outline of what will be in the plan.

**Dave Thompson (Highlands and Islands) (SNP):** I am particularly interested in how we deal with areas that are off the gas grid. At the moment, people in those areas use heating oil, liquid gas, coal and so on. Some 25 per cent of homes are off the gas grid; many are in the Highlands and Islands and have all sorts of other problems, too. The options that appear to be available, such as cavity wall insulation, would not be applicable to a lot of the housing in the north—traditional stone cottages, for example—which would not benefit from them. We need to consider external and internal cladding, which I believe is very expensive. Solar power, biomass, heat pumps and all the rest need to come into play, too. I understand that the current grant schemes are insufficient to stimulate demand for those things. I think that Jamie Hume said that the UK legislation will pick up on that and create incentives to stimulate demand for biomass and so on. Does he think that that UK legislation will be sufficient to deal with the problem and help develop biomass, solar power and so on?

**Jamie Hume:** Colleagues at Westminster recognise that those issues are fundamental, particularly for Scotland. I referred earlier to the difficulty of assessing the entire market and the issues that arise, measuring the extent to which solutions are being found and assessing how best to provide an incentive that works for consumers and which will benefit individuals in the circumstances that you describe.

My colleague Sue Kearns will keep me on track if I get any of this wrong, but the intention is to provide a market incentive that will work for individual householders. Exactly

how that will work is the subject of the consultation. One option is that if someone were to install a renewable heat apparatus in their home, they would receive a benefit that would be paid for by a tariff on non-renewable heat providers—the utility companies and so on. Consideration is being given, for example, to whether it is possible to assess how much a particular appliance would generate over a period and provide an up-front cash payment to enable householders to install such equipment—that is one route that is being explored. Complications need to be ironed out. For example, if a householder who has installed such an appliance sells the property, where will the benefit go? How can the new occupants benefit?

Such issues are considered in the consultation, and it is very much the intention to address the kind of issue to which you referred, so that we not only take the action UK-wide that is necessary to meet the 2020 target but provide something for communities and individual consumers that is economically workable. Sue Kearns might want to add to what I have said.

10:00

**Sue Kearns (Scottish Government Enterprise, Energy and Tourism Directorate):** What Jamie Hume said is correct. We can take action at devolved level. For example, under the energy assistance package, which will be introduced in April to help alleviate fuel poverty, people will be able to get air-source heat pumps, if those are appropriate, in off-gas-grid houses. Through the Scottish biomass heat scheme we aim to help businesses in off-gas-grid areas and to encourage demonstrator district heating schemes. We are aware that in Scotland we must concentrate on opportunities for renewable heat in off-gas-grid areas.

**Dave Thompson:** It is encouraging to hear about what we can do at a devolved level. Have you explored other incentives for people who install such schemes, such as council tax reductions?

**Jamie Hume:** Our approach so far has been to agree that the renewable heat incentive is the right UK-wide mechanism to address the issue. Detailed questions are being considered as part of the consultation. There will be a lag, because the provisions will not come into force for 18 months or so. In the meantime, the action that is taken in Scotland will include action through the

grants schemes and support mechanisms to which Sue Kearns referred, and the action plan that we are producing will cover issues to which I referred, such as community awareness, skills needs in relation to installation and so on.

At this stage we are not considering incentives of the type that you suggest. I do not know what consideration has been given to such issues during the past few months, at either the UK level or the devolved level, but we can find out about that for you. Sue Kearns might know more of the history.

**Sue Kearns:** Dave Thompson's suggestion has not come up. We consulted on the renewable heat action plan under the renewable energy framework, which is supportive of the production of a plan and a grants scheme. I think that people are thinking—they are right to think—that the main incentive will come from a UK regulatory mechanism. We do not know the details of that, so it is difficult to comment on whether additional incentives will be needed to make the approach work.

**Lewis Macdonald:** The bill will confer on the Scottish ministers a duty to

“prepare and publish a plan for the promotion of energy efficiency”.

It is striking that the first thing that the bill does in that regard is to repeal a tougher law—the statutory requirement to

“prepare a strategy for improving ... energy efficiency”,

which is in the Housing (Scotland) Act 2006. Why is that?

**Colin Imrie:** It is proposed to focus on the promotion of energy efficiency in the general sense, which is consistent with the nature of devolved legislation. There is an expectation that what has been done in the context of the 2006 act will continue. There is no intention to undermine the current approach.

**Lewis Macdonald:** However, the bill will repeal section 179 of the 2006 act, which requires the Scottish ministers to prepare a plan for “improving”, rather than just promoting, energy efficiency. Do you accept that the approach in the bill dilutes the existing statutory provision?

**Colin Imrie:** That is certainly not the intention, but I hear what you are saying.

**Lewis Macdonald:** It might not be the intention, but is it the effect?

**Colin Imrie:** I do not have an answer to

that. We can consider that point. It was certainly not the intention.

**Lewis Macdonald:** I am hearing both an answer and the absence of an answer to the question. The effect of the bill has to be our primary concern. Is it feasible to keep the new provision in the bill without repealing the existing provision in the Housing (Scotland) Act 2006?

**Colin Imrie:** The intention of the bill is to provide a comprehensive approach to energy efficiency. Therefore, it seems to make sense to include the housing provision in the bill. It was certainly not our intention to dilute the current approach and we will reflect on the point that you raised.

**Lewis Macdonald:** Do you recognise that it might be opportune to consider whether amendments could be lodged at stage 2 that would maintain the existing requirement to improve energy efficiency, rather than merely to promote it?

**Colin Imrie:** It is certainly the Government's overall intention to improve levels of energy efficiency in Scotland across the board, and particularly in domestic accommodation.

**Lewis Macdonald:** That is helpful.

You talked about widening the effect of the requirements beyond the housing sector, which is covered by the existing legislation. What is additional in the promotion of energy efficiency sections of the bill, as distinct from the areas covered by your colleagues in relation to existing non-domestic buildings? I think that you mentioned the public sector in your introductory remarks. Is that the extent of the additional requirements under those sections?

**Colin Imrie:** The additional requirements relate to business and industry. They also relate to the public sector, in which a series of activities is already under way. The consultation on energy efficiency and microgeneration looked at a number of other areas, too, such as energy standards for equipment. Many of the issues are reserved or are subject to European legislation. An energy efficiency action plan has to recognise that we need to cover the approach in both reserved and devolved terms. A comprehensive approach is the best way to achieve progress.

**Lewis Macdonald:** You have described extending the provisions, limited though they may be, to a range of different buildings. How

do the provisions fit with the sections that Mr Millar has described in relation to existing non-domestic buildings? In other words, what is the application of the action plan for promoting energy efficiency in relation to existing non-domestic buildings? Is there duplication or a mutual reinforcement? What is the relationship?

**Gavin Peart:** Section 50 looks at the building itself. We are talking about the building fabric and the comfort factors of the building, rather than business energy use and that sort of thing.

**Colin Imrie:** On the business sector, one of the actions that we are undertaking is the setting up of a loan fund for small and medium-sized businesses to enable them to put in place improvements to their premises and to their activities as businesses. We are looking at that comprehensively. The aim is very much to ensure that the specific measures in section 50 and in the proposed action plan under section 48 are complementary and reinforce one another.

**Philip Wright:** I forgot to mention in my opening remarks what may be a relevant point on the advice that the Scottish Government will take from a body called the UK Committee on Climate Change, which was established under the UK Climate Change Act 2008. That committee produced its report, "Building a low-carbon economy—the UK's contribution to tackling climate change", in December, and energy efficiency is a key feature. The Committee on Climate Change views energy efficiency as playing a vital part in reducing emissions.

To pick up on Colin Imrie's point about the need for complementarity between reserved and devolved issues, the UK Government is being encouraged, through that advice, to take action on the reserved elements of energy efficiency. We are being encouraged, through the bill, to take action in devolved areas. Together, we should come up with a comprehensive approach to energy efficiency, in which reserved and devolved matters come together.

**Colin Imrie:** I mentioned a practical example in the form of the carbon emissions reduction targets scheme. The CERT scheme is run under regulations that are set out in the Energy Act 2008, which, although it was passed by Westminster, applies in Scotland just as much as it applies in England. However, it is generally accepted among energy companies and the Scottish Government, and more widely, that the way

in which the scheme has been operated in the UK has tended to favour investment south of the border, rather than north of the border. The exact reasons for that are still being established and discussed in the context of the CERT strategy.

However, one reason is that the cheaper measures that the CERT scheme promotes, such as cavity wall insulation, cannot be undertaken in stone buildings, and there is a much greater number of those in Scotland than there is south of the border. Similarly, the nature of our urban tenement stock is different from that of housing stock south of the border. One of the current key priorities is, therefore, to ensure that the uptake of the CERT scheme in Scotland increases and that Scotland gets its fair share. The ability to tackle that in the energy efficiency action plan—even if it is not specifically the legislative responsibility of this Parliament—is a good reason to take a comprehensive approach.

**Gavin Brown (Lothians) (Con):** I begin by focusing on section 51, which relates to the promotion of renewable heat. Section 51(1) states:

"Ministers must take such steps as they consider appropriate".

That seems a bit woolly, if I can put it that way. There is a clear obligation on ministers to produce and publish a plan in relation to energy efficiency. Given the importance of heat in reaching our carbon targets, why is there not an obligation to produce and publish a plan in relation to heat from renewable sources?

**Sue Kearns:** At stage 2, we intend—subject to ministerial approval—to turn that into an obligation to produce an action plan and update it regularly. We need to do that to create a policy focus and keep the issue within that focus.

**Gavin Brown:** So you intend to lodge an amendment to deal with that.

**Sue Kearns:** Yes.

**Gavin Brown:** Do you also intend to draw up a timescale? The timescale for the energy efficiency plan is 12 months. Will there be a timescale for the heat plan?

**Sue Kearns:** Yes. We have a renewable heat target for 2020; the indicative figure that has been discussed is for 11 per cent of heat to come from renewables by 2020. In order to reach that target, we will have to monitor progress, so we will need to produce a plan

and update it regularly.

**Gavin Brown:** What timescale is likely to be set in the amendment?

**Sue Kearns:** We intend to produce the first renewable heat action plan this summer, and we will then work out a sensible interval for updating it. We are considering updating it once every two years.

**Gavin Brown:** I will move away from renewable heat and back to energy efficiency.

Given the amount of work that has been undertaken—to which Colin Imrie referred—on the consultation, and given the work that has been carried out for a number of years by organisations such as the Carbon Trust and the Energy Saving Trust, our level of knowledge is quite sophisticated.

Under section 48, the Government has a full 12 months to publish its plan for the promotion of energy efficiency—that is 12 months after the provision becomes enforceable, which is some time away yet. Let us imagine that the bill is passed just before the summer recess. Twelve months after that it will be summer 2010. However, legally enforceable targets will be set for 2010. Is it realistic to require the plan to be published more quickly, so that energy efficiency can make a meaningful contribution to the 2010 target? Many organisations that have given evidence to the committee put energy efficiency at the top of the chain—Friends of the Earth Scotland did that most recently.

10:15

**Colin Imrie:** The 12-month period was proposed in recognition of the importance of consultation in the preparation of the plan. A consultation will have to be carried out and responses will have to be analysed. We must ensure that the final version of the plan has been subject to that process and is as solid as possible.

However, it is important to take action straight away, as you said. For that reason, we propose to come up with an outline of the plan in March. In the context of statements that have been made recently, our expectation is that we will be able to publish the outline of the plan later this year, so that it can be subject to consultation, with the aim of ensuring that the plan can be in place as soon as possible.

**Gavin Brown:** I accept that consultation

takes time. Is it the Government's intention to take as much action as it can do before the bill is passed, so that energy efficiency can make a meaningful contribution to the 2010 target?

**Colin Imrie:** Yes, absolutely. A series of measures is already under way and to some extent the plan will bring all that action together. Discussions are going on about how to reinforce such measures in other areas. The reason for having an action plan is to ensure that the matter can be considered comprehensively, so that activity can be added in areas in which there are gaps.

Energy efficiency is already contributing, but if we are to meet the ambitious carbon targets it will have to contribute much more. Energy efficiency is one of the most cost-effective elements of carbon abatement. In many cases, measures pay for themselves in a relatively short time. However, the area is notoriously difficult, because it is about the behaviour of all individuals and businesses in society. That is a reason why the bill focuses on promotion.

**Jamie Hume:** I will add a couple of points about the timing of the action plan's publication and about how quickly we can take effective action. It is worth noting that all European Union member states are required to produce by summer 2010 a renewables action plan that shows how they will meet the 2020 targets. The UK Government consulted on its renewable energy strategy in summer 2008 and is due to publish the final version of the strategy in summer 2009. It will then have a further 12 months in which to produce an action plan.

In the meantime, in recognition of the notorious difficulty of making progress on energy efficiency, which Colin Imrie mentioned, we are framing up an action plan for heat as part of the renewable energy action plan, focusing on the interim steps that we are taking. We are allowing ourselves a degree of flexibility to amend and update the plan as new information comes in. That is the approach that we are all taking to action plans on heat, energy efficiency and renewable energy more broadly. This is about focusing on what we can do immediately to make progress, rather than extending the planning period and attempting to capture everything that might happen during the next decade or so. We can revisit issues further down the line, when it makes sense to do so.

**Cameron Maxwell:** In light of the various measures that we have discussed around energy efficiency, buildings and renewable heat, it would be useful to set the overall context and explain some of the work that we are doing. We have the bill, the interim emissions reduction target of 50 per cent by 2030, the emissions reduction target of 80 per cent by 2050, and annual targets. As an important piece of the climate change work that we are doing, we are trying to set that work in the context of the short to long term to see where all the measures will come in. As has been mentioned, energy efficiency measures sit in the short to medium term, because it is cost effective to deliver a lot of energy efficiency measures. We are trying to identify where the key mitigating, carbon-saving measures will come in in the short, medium and long term, particularly to 2020, but also to 2030 and 2050, and the steps that we must take now to deliver them.

Sue Kearns and Jamie Hume mentioned the proposal for an 11 per cent renewable heat target by 2020. The advice, particularly from the Committee on Climate Change, whose report Philip Wright mentioned, is that if we do not do something about renewable heat now, we will not meet the target of decarbonising heat supply by 2050, which must be done if we are to meet our other targets. We must act now to push the market, encourage money to go into it, and encourage development to allow us to meet bigger targets later on. I thought it important to set all of that in context.

**Marilyn Livingstone (Kirkcaldy) (Lab):** I want to follow on from what Cameron Maxwell said about targets and the mitigating action that we need to take now. I have two concerns. First, as the convener said, there are big fluctuations in costs to local government. It has been said that the proposals will be self-financing, but I cannot see that happening; rather, I can envisage costs to local government being a barrier in the current financial climate. What do you have to say about that? Will you comment on non-domestic buildings in particular?

Secondly, various witnesses have said that there are skills gaps in technologies such as heat pumps rather than in standard energy efficiency work. Those skills gaps cannot be fixed in the short term, as programmes have to be planned, money must be spent, people must be found to be trained, and then they must go through the training programmes. If we want to invest in the new measures—which are welcome—but do not have the

relevant skills in the domestic market, what provision will there be for fast-tracking? Will that be part of the energy efficiency action plan? Everybody says that that plan will be comprehensive but, like the convener, I would like to hear more at stage 1 about costs and planning for skills. We need that if we are to come anywhere near meeting our targets.

**Gavin Peart:** The intention is that the roll-out of the non-domestic buildings provision will be gradual. We are considering the regulations that will follow on from the primary legislation, which will be subject to regulatory impact assessments and the affirmative resolution procedure. Before those regulations are implemented, research will have to be done, and we will have to ensure that we get the best value and that the recommended measures are cost effective. The figures that accompany the draft regulatory impact assessment for the primary legislation have a wide range to provide a context for what are only enabling provisions.

**Marilyn Livingstone:** What is the timescale for the process?

**Gavin Peart:** It will take a number of years. People will get an initial assessment of their carbon and energy performance, after which an action plan will be worked up to give a timescale for implementation. As Alec Millar said, the consultation brought up the issue of whether the cost-effective recommendations should be mandatory. That issue might involve a stage 2 amendment, but we need to discuss the matter with our minister.

**Jamie Hume:** The skills gaps are a significant issue with different aspects. My perspective derives from having started work in the area only relatively recently. Several studies in recent years have considered the skills gaps and needs in renewable energy, the heat industry, energy efficiency and so on, and they have pointed to a challenge and an opportunity.

I mentioned earlier the possible focus of our Scottish action plan for the heat industry. It can certainly look at the skills needs and assess not just the numbers but how to deliver the skills, training courses and people to the industry. That points to an opportunity because our approach to the heat action plan, the renewable action plan and other activities is also about bringing economic benefits to Scotland. Skills gaps must be addressed in the heat industry, but that will create employment—there will be supply

chain opportunities for Scottish firms in the heat industry as well as in other parts of the renewable industry.

Our action plan must focus on not just assessing the numbers but taking the practical steps that have been described to ensure that we have people ready to do the installation work and other required tasks. That point links broadly to the announcement by the Cabinet Secretary for Finance and Sustainable Growth earlier this week on job opportunities in the renewables sector and the notion of a green-led recovery and green jobs for Scotland, to which we are alert.

**Marilyn Livingstone:** We have heard evidence over past months about the skills gaps. I presume that you consult people who work in the relevant areas, and I believe that much of the work has been done, so I am keen for best practice to be fast tracked. Like the convener, I am concerned about the woolly nature of things that we are asked to take decisions on. If we are to consider a skills action plan, the relevant work should be done now rather than in the future. I am concerned about timescales and cost implications.

**Jamie Hume:** I can offer a bit of reassurance. We are working on key elements of the renewables action plan and the heat action plan now, mapping out the critical powers, deciding what needs to happen between now and 2020 and beyond, and building on existing intelligence. Doing that hand in hand with industry is fundamental to our approach. We recognise that it is important to engage with industry, skills providers and potential employees—all the key stakeholders—in order to deliver.

Over the next month or two, we would welcome the opportunity to brief the committee in more detail on the renewables action plan and the emerging heat action plan—which we will take forward whether or not it comes through as a stage 2 amendment.

10:30

**Sue Kearns:** It might reassure committee members to know that there is a core skills group on renewables. It is led by the Scottish Further and Higher Education Funding Council and Skills Development Scotland, and it includes developers, colleges and a small heat installer. We are on the group, too. It is looking into what we can do to gain quick wins in filling the skills gaps in renewables—we are considering all forms of

renewables, including microgeneration and heat—as well as the long-term measures that will have to be put in place.

**Marilyn Livingstone:** I am aware of that work. If we are going to train more people, there will be cost implications. Big discussions have been held in the Parliament on increasing the numbers of training places and modern apprenticeships. How will the action plan take those costs into account?

**Jamie Hume:** We will have to work out—more fully than has been done to date—a cost benefit analysis for all the proposals on renewables and low-carbon solutions. That analysis will be a key strand in the action plan, and the numbers for hardware, such as buildings and equipment, will have to be clear. Some renewables technologies will have infrastructure implications. We are developing our understanding of those implications and considering exactly what will be required in the long term—the investment that will be required and how it will feed through.

Earlier, we mentioned the regulatory mechanism that Westminster is proposing. Ultimately, measures will trickle through and impact on bills for domestic consumers. Whether we are talking about impacts on consumers, about skills and training costs, about the costs of large pieces of infrastructure or about the balance between public sector and private sector investment, they are all elements that will have to be considered in the renewables action plan and the heat plan within it.

The issues appear not to be fully understood yet, but they are being discussed. I was at the Renewables Advisory Board in London a couple of weeks ago, and we considered those very issues. They are acknowledged as a priority UK-wide, and they need to be explored and understood more fully.

**Colin Imrie:** Marilyn Livingstone mentioned the costs for local government. The bill will simply place an obligation on the Government to provide an energy efficiency action plan. No obligation to spend any money will flow on to local authorities or anyone else. The issues will have to be tackled on their own merits.

I will add to what Jamie Hume said. In Scotland, we could do a lot more work on energy efficiency in order to gain an economic benefit, which would apply to skills as well. It is assumed that putting in loft

insulation is not a highly skilled task, but developing an energy efficiency industry—an industry that is strong in the Scandinavian countries, for example—will require considerable skills, including entrepreneurial skills.

The energy efficiency industry is not a strong part of Scotland's construction industry, but it should be, given the investment that will be required to meet our carbon targets. That is why the announcement was made this week on the importance of targeting economic benefits and jobs from the investments in renewables and low carbon. The various bodies involved will be working on that urgently. We have been in discussions with the Convention of Scottish Local Authorities about getting involved in the process, and we intend to co-operate with it to make progress.

**Philip Wright:** I apologise for making a further supplementary point, but I want to pick up on the costs to local government.

A new instrument is coming along—the carbon reduction commitment. It will apply to the non-energy-intensive sector, including retail and public sector bodies. There is a qualification threshold for inclusion within the carbon reduction commitment, and most local authorities in Scotland will qualify. In effect, a carbon trading scheme will operate between the different parties; local authorities will be part of that and will therefore be obliged to take action. It will encourage action that we know to be cost effective, so it should bring in savings rather than extra costs.

**The Convener:** For clarity, can you indicate where the instrument originates from?

**Philip Wright:** It is a UK-level instrument, although the issue is devolved. The Scottish ministers support it and are partners in it. It is a domestic commitment rather than being EU-driven, although it complements the EU emissions trading scheme.

**Jamie Hume:** I have spoken about analysing the costs and considering the cost benefits to which we have referred, and which Colin Imrie picked up on. We are heading towards an understanding of the commercial opportunities in heat, energy efficiency and renewables for Scottish firms in the supply chain. We need to develop a fully informed understanding that, although investment is needed, there are commercial opportunities in job creation and so on. We

must get smarter about channelling resources in order to realise the maximum benefits for the Scottish economy.

**Rob Gibson (Highlands and Islands) (SNP):** To return to energy efficiency and microgeneration plans, can you give us a flavour of what your consultation has revealed about the ease or difficulty for people in taking up some of the options? What constraints on take-up have arisen in relation to permitted development rights and planning legislation? That is a starting point—I want to get a feel for the issue to understand why you have adopted such an approach in section 48.

**Colin Imrie:** We have acted on a key element of the consultation responses to the strategy that were published in May by establishing one-stop-shop advice centres for consumers. Those are now in place in the west, east and north of Scotland. Increasing the availability of advice is viewed as an essential element in the process of helping people to find ways to change their behaviour. That was one of the strongest points in the consultation responses, in addition to more general issues of raising awareness.

There was also considerable comment about building standards, in new buildings as well as in existing stock. As far as I can see, there is nothing specific on permitted development rights in the consultation responses, but we would be happy to come back with some information if it helped.

**Rob Gibson:** It would certainly help. Although the stated intention is generally welcomed, I am concerned about the difficulties of applying it.

We have heard about the difficulties in relation to skills. I am trying to tease out your sense of whether, once the bill is passed, we can make each of the provisions stack up so that people can get on practically with the job at an early stage. Do you have any further comments on that?

**Philip Wright:** I was going to make a point earlier on why we have included certain provisions with amendments trailed for stage 2. As much as anything, it is to get our ducks in a row so that we can deliver early action.

The Government is being pressed for early action. We took the opportunity last year to consult colleagues across the office to find out what action they felt needed to be taken and what powers they might want in order to ensure that the Government can deliver—as

Mr Gibson says—early action on the various commitments. The strategic overview that Cameron Maxwell mentioned is part of that package. It picks up all the action—not just the action that my colleagues have covered today but action across the Government, for which we already have the necessary powers.

The bill completes our legislative arsenal to address early action, and the strategic overview will bring out the extent to which that is possible. Our approach will also take account of the further advice that we will get from the Committee on Climate Change. We are taking a strategic view, and action will be taken in each of the relevant areas. When the Committee on Climate Change prepared its advice, it took account of the point about take-up that Mr Gibson referred to. One can take a theoretical view of what is possible by way of energy efficiency and what carbon savings might be, but one might not know what the take-up percentage will be, so it is necessary to make some assumptions. The thinking that has been done has taken that into account.

**Rob Gibson:** That is helpful.

**The Convener:** With Christopher Harvie's forbearance, I will let Sarah Boyack come in at this point, as her question is on a similar issue.

**Sarah Boyack (Edinburgh Central) (Lab):** I want to follow up on Philip Wright's comment about having all the equipment in one's arsenal to tackle the issue quickly.

There are two specific gaps in the bill, the first of which is on incentives. Dave Thompson asked about fiscal incentives, particularly the incentive of taking money off people's council tax bills. Evidence from England and Wales suggests that local authorities have used that mechanism highly successfully to promote energy efficiency. What are your views on that? There is a reasonable degree of cross-party support for a practical mechanism that gives householders an incentive and which allows partnerships to drive energy efficiency to develop between power utilities and local authorities. The Energy Saving Trust suggested its use after carrying out research several years ago and reinforced the proposal in its publication last June, but we do not have the legislative capacity for such a measure in Scotland; we need to amend legislation.

The second gap relates to planning. Rob

Gibson asked a highly pertinent question about permitted development rights—which many people believe are a blockage to developing existing buildings—but my question is about new buildings. Nearly two years ago, the Scottish Government adopted a Scottish version of the Merton rule whereby, for all major new planning developments, developers must reduce their projected carbon emissions by at least 15 per cent through the use of on-site renewables. As well as being good from the point of view of householder renewables and renewable heat, the requirement helps to increase energy efficiency. What plans are there to extend its application? Do you intend to extend it to cover all new buildings? Rural areas are missing out because large-scale developments are less common there. Such a measure could be included in the bill.

**Gavin Peart:** We will have to come back to you on that as Scottish planning policy 6 is not in my policy area. We will take a note of what you have said and get back to you.

**Sarah Boyack:** Would it be possible to get an update on the impact that the Merton rule has had? I know that the authorities that are pushing its use are monitoring its effect.

**Gavin Peart:** I do not have any—

**Sarah Boyack:** I do not mean from you personally. Perhaps some information on its implementation could be provided after the meeting.

**Gavin Peart:** We can always ask.

**Sue Kearns:** That rule might not be such a panacea; in fact, it might have had some unintended consequences. Some developers have installed a biomass boiler when they could have used the gas grid, just so that they could tick the box and meet the obligation. When that has been done in urban areas, it has caused some air quality problems, and some local authorities in urban areas now view biomass in a fairly negative light. We are having to consider that, and guidance on air quality and biomass installations for urban authorities will be produced shortly. The rule can have unintended consequences.

**Sarah Boyack:** You talk about unintended consequences, but is it not the absence of clear emissions guidelines from Europe that has caused the uncertainty? I know that my local authority was forced to drop such proposals from its schools developments because there was uncertainty, but there is no evidence of health problems. Such

schemes are widely implemented south of the border and in rural areas. The unintended consequence is due not to the application of the planning policy but to the absence of clear guidance on standards from central Government.

10:45

**Sue Kearns:** We are catching up, in that we carried out research on air quality and biomass last year. The intention is that air quality colleagues will produce guidance for local authorities on how to site such kit appropriately. We need to ensure that there is appropriate siting and that abatement technology is put in place. The UK Government is catching up as well, in that it is also producing guidance. I certainly agree that we need to get up to date on that.

**Sarah Boyack:** However, to be clear, the requirement should be not for biomass but for any form of renewables on site.

**Sue Kearns:** Developers have opted for biomass because they know how to put boilers into developments. Biomass is easier for them because they just need to think about installing a biomass boiler rather than a gas boiler. The problem is that developers have not always thought properly about whether heat pumps or similar technology is more appropriate.

**Sarah Boyack:** My other question was about incentives, which Dave Thompson also asked about.

**Jamie Hume:** I cannot offer a particularly conclusive answer on that as we have not discussed the issue since I have been in post. Perhaps Sue Kearns will know whether previous consultations have considered it as a policy option.

**Sue Kearns:** The issue has never come up in the context of renewable heat.

**Colin Imrie:** However, the issue has come up in the context of discussions on proposed energy efficiency measures. We do not have a specific answer at this point, but I am happy to come back with more details on that, permitted development rights and the Merton rule.

**The Convener:** That would be helpful.

**Jamie Hume:** We will look at Sarah Boyack's suggestion. We might be interested in taking the idea forward and considering how it might work. We will come back to the committee with our thoughts on that.

**Christopher Harvie (Mid Scotland and Fife) (SNP):** First, I want to ask for a definition of targets, which loom considerably in the bill. An American school of thought associated with the Chicago school—not of economics but of management studies—is highly sceptical of arbitrary numerical targets, or ANTs. How international are the targets? The British economy managed to maintain a fair degree of moderation of increase in emissions, but that can largely be put down to the abandonment of manufacturing. Manufactures have been imported from China, where there are no such inhibitions. Is there an element of avoidance of moral hazard in the selection of targets?

**Jamie Hume:** On our approach, I referred earlier to the need for engagement. As we discussed previously, it is notoriously difficult to achieve movement on some issues. Members might also be familiar with the support of our minister—Mr Mather—for John Seddon's systems-thinking approach, which argues that a target-driven approach is not the way forward. As I said, the challenge is to produce an action plan that focuses clearly on what practical things need to be done, by whom and by when if we are to achieve progress. We want to focus on that to create enough of a centre of gravity around which all the different players can coalesce so that, by making visible what everyone is doing, we can move forward in an agreed way rather than just provide people with an arbitrary target.

You make a valid point, which was also picked up when we consulted on the proposed target of 11 per cent for renewable heat. We had some rather lengthy submissions arguing whether the target should be 11, 14 or 16 per cent. Given the magnitude of the step change that is required, a percentage point here or there is less material than whether we are able to generate the collective action that is necessary to move forward. In that sense, our action plans are clearly focused on the critical path of what needs to happen, by whom and by when so that we can start the ball rolling. Therefore, we are not necessarily thinking in a target-driven way, even though we might need to publish targets to make clear the direction of travel and our aspirations.

**Colin Imrie:** Jamie Hume is right that this is about changing the way in which we operate collectively. However, a small number of outcome-based targets can focus the mind. There is no doubt that the

European decision to go for getting 20 per cent of all energy from renewable sources has focused minds positively across Europe and the UK on the importance of renewable generation.

The European target on energy efficiency is to reduce energy use by 20 per cent by 2020, but no obligations are associated with the target. That is because energy efficiency is cost effective, but it is very difficult to do, which is why the primary focus is a combination of legislative and promotional measures.

**Christopher Harvie:** I want to elaborate on that. Most of our targets will have been made as a result of the enormous economic growth of the past decade. We are not going to see that growth in the next decade, even at our most optimistic.

One thing that we will see, and it has not been mentioned here much at all, is the human factor. Many people will be unemployed or underemployed as a result of the crisis that we are heading into. They are the potential insulators, energy reducers and the like, but there does not seem to be very much planning for that in the macro figures. One thinks of the very few people that one ever sees cycling in Scotland, or the huge amount of do-it-yourself that goes on that could surely be shifted towards low-energy characteristics with the proper appeal. Is that planning being undertaken, with a view to the likely employment situation during the next two or three years?

**Jamie Hume:** I echo what Colin Imrie said, and in that context, the Scottish Government's decision to go for the more ambitious 20 per cent target rather than the UK's target of 15 per cent, is significant and focuses minds in the way that Colin Imrie described.

We were talking earlier about the economic and employment benefits and about the supply chain opportunities for Scottish industry. In recognition of that and of the need to start thinking in totally different terms about how to approach the agenda, we are working closely on the potential opportunities with bodies such as Scottish Enterprise, Highlands and Islands Enterprise, Scottish Development International and local authorities. Whatever happens in the sector must not be isolated and driven by a targets mentality but must be real and must relate to the employment situation on the ground, including the opportunities that might be created by unemployment in other sectors.

Our ambition is to develop a cross-cutting action plan that picks up on economic opportunities and thinks differently about our approach. It is fair to say that that applies to our approach to the energy challenge and opportunities more broadly.

**Philip Wright:** I will answer Christopher Harvie's point from a more general, climate change point of view. You make good points about your short-term concerns, but it is essential that we keep an eye on the long term. That is why we have the 80 per cent target, which was informed by science and comes from the global situation. That is then reflected back to the EU and the individual countries. Yes, we have an economic recession. We will take our emission reductions from anywhere during this early phase, but we must keep our eye on the long-term goal—the 2020 European target, the 2030 target in the bill, and the 2050 target.

**Christopher Harvie:** And meanwhile, over the past 10 years, we have committed ourselves to a retailing policy that has led to the building of vast supermarkets across the country. These buildings not only have social implications but are associated with colossal heat loss and demands with regard to the mobility of freight and customers. How do we reverse that kind of development?

**The Convener:** That might be slightly outwith the scope of the bill, although I suppose that it could come under section 50.

**Colin Imrie:** As I stressed with regard to the energy efficiency action plan, energy efficiency must be promoted across the board. An essential element of that will be every town's big supermarket, and the various implications of such an approach will have to be considered. I do not envisage the energy efficiency action plan tackling such a fundamental planning issue, but it might well come up in other forums.

**Philip Wright:** Larger retail outlets such as Tesco and Asda will have to take action under the carbon reduction commitment. As Colin Imrie has made clear, the matter that Christopher Harvie raises is more of a planning issue, but I believe that my planning colleagues are taking it very seriously and are trying to reverse some past decisions.

**Nigel Don (North East Scotland) (SNP):** I thank the convener for allowing me to sit in on this morning's meeting. I have been wondering what interests I should declare. I do not think that I have any, although I

suppose that, as a former member of the Institution of Chemical Engineers, I have an abiding interest in the laws of thermodynamics. In that context, I was struck by Alec Millar's comment that 40 per cent of heat loss comes from buildings. I hope that I have got that right; if so, my first question is about where the other 60 per cent comes from.

**Gavin Peart:** No. More than 40 per cent of CO<sub>2</sub> emissions come from buildings. Domestic buildings contribute 25 or 26 per cent and non-domestic buildings about 17, 18 or 19 per cent.

**Nigel Don:** Okay. Do you know how much come from power stations?

**Gavin Peart:** I think that that is a different sector.

**Philip Wright:** It is quite difficult to answer that question. We can give you the statistics if you want, but I should point out that power generators supply the domestic sector, which means that, although power stations emit CO<sub>2</sub>, the energy that is produced is used in homes. Direct CO<sub>2</sub> emissions from the domestic sector come from the use of solid fuel, while the electricity supplied by power stations is caught by the EU emission trading scheme. The relationship between power stations, home energy use and emissions is a tricky one.

**Nigel Don:** That is my very point. Energy efficiency anywhere is, of course, an important issue and surely the best way of reducing energy costs is simply not to use the energy in the first place. We need to recognise that a very large proportion of CO<sub>2</sub> emissions comes from power stations and I am slightly concerned about ensuring that the relationship between what is in front of us and the global target—by which I mean the target for the whole country—for reducing emissions is being properly addressed.

**Philip Wright:** A key part of the bill is the net Scottish emissions account, which we will use to report whether we are achieving our targets. Key to that is the EU emission trading scheme, which allows trading between EU countries. I can go into more detail on that, but I very much doubt that the committee will want me to do so. The emissions associated with the electricity used in the home are actually emitted from power stations, which effectively have an allowance. If a station exceeds its allocation, it has to buy allowances from another country, which is where the savings will be made. All we will

take into account in the net Scottish emissions account will be the allocation to, say, Longannet power station. That is factored into the arithmetic that we will follow when we report on progress against the annual targets, which have still to be set. The relationship is very complex.

11:00

**Nigel Don:** I have no desire to get us into that complex relationship. Is it not possible that carbon capture and storage, for example, at Longannet could make far more difference than everything else that we are talking about added together?

**Colin Imrie:** I will answer that, as I am responsible for power generation in general. We are developing policies in parallel that envisage that, over time—by 2020 and then 2030—Scottish power generation will be predominantly low carbon. That will happen through a combination of promoting renewable generation and accelerating the introduction of carbon capture and storage in thermal plants. You are right that the introduction of carbon capture and storage will make a significant difference, as will the increase in renewable energy.

Philip Wright has explained that, because power generation is in the traded sector, the way in which it counts towards our emission targets is complex and needs to be understood. However, one reason why energy efficiency is a crucial part of the exercise—as well as heat—is that reductions in emissions from power generation alone will not allow us to meet our 80 per cent target. It is clear that, to meet the target, action must be taken across the board. The energy sector as a whole, including energy efficiency, power generation and renewables, is crucial, as is heat in its more general sense and, of course, transport, which is not being considered here.

**Cameron Maxwell:** I have a point that is partly about timescale and partly about cost effectiveness. Carbon capture and storage will have to go through a development phase, so there is a requirement to take up cost-effective energy efficiency measures now. We might have decarbonised electricity and heat in the long term but, in the short to medium term, we will not have those in sufficient quantities, so we should choose cost-effective energy efficiency options. In the long term, it is useful to compare the cost of saving energy with the cost of producing energy using carbon capture and storage,

because that will not be free.

**Lewis Macdonald:** Sarah Boyack's proposed member's bill, which she has discussed with ministers, covers microgeneration as well as energy efficiency. Why is there no direct reference to microgeneration in the Climate Change (Scotland) Bill?

**Colin Imrie:** The reason why the bill refers to energy efficiency and not microgeneration is that microgeneration is considered, in the context, to be a reserved matter and outwith the scope of the bill. However, as I said, it is our clear intention to cover microgeneration in the energy efficiency action plan.

**Lewis Macdonald:** The judgment that microgeneration is reserved raises wider questions about some of the other aspects of the bill. Nigel Don raised the issue of where emissions come from. The most recent Scottish Government figures that I have seen suggest that 45 per cent of energy is used for heat and about 26 per cent is used for electricity. The bill has provisions on renewable heat. The Government proposes a target of 11 per cent of heat coming from renewable sources but, in setting that target, what account is taken of electricity as an alternative to existing sources of heat?

**Sue Kearns:** We are certainly considering the impact that electricity-to-heat technologies will have on the grid. We have to factor that in and we are thinking about the issues, such as the use of heat pumps. Another aspect is that the move to electric vehicles will have implications for electricity generation.

**Lewis Macdonald:** Absolutely. That is what I want to understand. Much of the detail is not there at the moment but, hopefully, it will be by the time the bill gets to stage 2. The Government talks about 11 per cent of heat coming from renewable sources. Does that include heat taken from the grid?

**Sue Kearns:** At the moment, it is biomass, solar and heat pumps. Part of the renewable electricity that is generated, the target for which is 50 per cent, will go towards the renewable heat target. That is how we are looking at it at the moment, but I agree that there is more thinking to be done.

**Lewis Macdonald:** Does that create a risk of having potentially conflicting targets or tracks of development? In other words, by seeking to promote renewable heat separately from renewable electricity, you must run the risk of missing the point.

**Jamie Hume:** I was talking about where the targets were derived from. It is about meeting the overall 20 per cent target for energy—electricity, heat and transport. There is flexibility within those three categories of usage. If we see a big shift towards electric vehicles, the energy will be renewable only if the electricity is from renewable sources. That is why it is important to track progress and make the necessary adjustments. I do not think that the targets are incompatible.

We are not going to have all the answers in a few months, but we will be further forward than we are now. Within the renewables action plan, we are seeking to do a cost benefit analysis by working out the benefits in terms of energy generation, carbon reductions and economic benefits, and balancing those against the cost.

The fact that we have activity on renewable heat and renewable electricity in a single place within the Government ensures that the link-up is made. It is fair to say that the whole bill has brought together these parts of the Government. We are working much more closely than happens in other areas of the Government. There is a degree of interconnection between officials and stakeholder groups. Bringing all those together and ensuring that this entire agenda moves forward in a coherent way is absolutely our focus.

**Lewis Macdonald:** On the energy efficiency action plan, I think that you said in response to Gavin Brown that there would be a need to consult again. Would such a consultation be the third in three years? It would certainly be the second. What do you expect to learn that you have not learned already before publishing a plan?

**Colin Imrie:** In publishing a plan, it is important that we ensure that it is up to date and reflects the developments since the previous consultation, which was in 2007. There will be a number of developments. I give the clear commitment that we will not seek to reinvent the wheel. What has already been learned through the previous consultations will be included in the document that is produced.

**Lewis Macdonald:** If I understand the bill correctly, the plan will be updated every 12 months in any case.

**Colin Imrie:** The intention is to provide a final version of the plan, following the consultation, within 12 months of the act coming into force and to review the plan at

least every three years.

**Lewis Macdonald:** Section 49(3) states that there should be a report on the plan within 12 months of its publication. If I understand the section, it also says that the plan should be updated every 12 months thereafter. Is that meant to be every three years? What does the 12 months in section 49(3) refer to?

**Colin Imrie:** Section 48(3) states that the plan must be published 12 months after the act comes into force. Section 48(4) states that the Scottish ministers must review the plan and, in effect, publish a new one. The maximum period of time set out is three years. Section 49 states that ministers must report to the Parliament every year on the implementation of the plan.

**The Convener:** That concludes questions from members. There are a number of areas on which officials have indicated that they will come back to us, and it would be helpful if they could do so as soon as possible—we are on a fairly tight timetable, as we must report to the lead committee. It strikes me, however, that there are a number of significant policy matters that still require to be clarified. It might be helpful for the committee to invite the minister to give evidence to clarify some of the policy issues, for example on whether the Government intends to lodge an amendment to provide for a renewable heat action plan, which has been referred to.

I would like clarification on the Government's policy direction on energy performance certificates for non-domestic buildings. There are significant differences between the seven approaches that were referred to in the consultation document. There is also the question that Lewis Macdonald raised, right at the start, about whether or not there was any change in the statutory requirement to improve energy efficiency. There were also some further aspects to explore in relation to the energy action plan.

If the committee agrees, we should probably schedule an additional session and invite the minister in to update the committee on the thinking for what is likely to be introduced at stage 2.

**Members indicated agreement.**

**The Convener:** In the meantime, I thank the extensive panel of officials for their very helpful evidence this morning. We look forward to their further responses to the

points that were raised.

11:11

*Meeting suspended.*

11:18

*On resuming—*

**The Convener:** We will now hear from our second panel on the Climate Change (Scotland) Bill. We have an opportunity to hear from a range of organisations about how content they are with the general principles of the bill and whether they want it to be amended. Should we toughen up the expectations of the Scottish ministers or, as we heard last week, introduce mandatory energy standards for new houses at national home energy rating 7 at least? I invite the witnesses to introduce themselves and to make brief opening remarks before I invite questions from members.

**Elizabeth Leighton (WWF Scotland):** I am senior policy officer with WWF Scotland and today I am representing Stop Climate Chaos Scotland, which is a campaigning coalition of more than 30 organisations.

**Elaine Waterson (Energy Saving Trust):** I work as a strategy manager for the devolved nations at the Energy Saving Trust. My job involves leading our policy work for Scotland, Northern Ireland and Wales. The Energy Saving Trust works to reduce carbon emissions in the household and road transport sectors. Through our network of advice centres, we advise around 130,000 people on energy efficiency every year.

**Fergus Tickell (Northern Energy Developments Ltd):** My name is Fergus Tickell, not Fegus, as it says on my name plate. The "r" has been thrown away, in the words of the Proclaimers song. I am managing director of Northern Energy Developments—a renewable energy company that specialises in bioenergy from wood. I am also on the board of Scottish Renewables and I have been a member of the FREDS bioenergy and renewable heat groups.

**John Stocks (Carbon Trust):** I am the Carbon Trust's manager for Scotland and I head the trust's activities with businesses and public sector organisations.

**Chas Booth (Association for the Conservation of Energy):** I am the senior press and parliamentary officer for the Association for the Conservation of Energy,

or ACE for short, which saves time. We undertake research and we campaign to reduce overall energy demand to ensure a secure and sustainable energy future. Our work reflects the interests of, and is largely funded by, our members, who are major manufacturers and installers of energy-saving equipment throughout the UK. ACE is a member of the Scottish fuel poverty forum and—as of last month—of Stop Climate Chaos Scotland. We are also a regular contributor to the energy debate in Scotland.

**The Convener:** I sympathise with Fergus Tickell; I am very used to getting one of the letters in my name dropped. I have not managed to train this committee not to do that.

Several of you listened to the evidence from officials about possible amendments at stage 2. Have you any comments on whether chapter 3 of part 5 might need amendment at stage 2?

**Chas Booth:** We share many of the concerns that members have expressed—in particular the convener's concern that the bill is a work in progress with many gaps. We have heard that a lot of measures will be introduced at stage 2, but that might mean that they could be rushed through.

The previous panel was asked whether we have sufficient weapons in our armoury. Using that analogy, if we rely on the weapons that are currently in the bill, we have a couple of peashooters when what we really need are a couple of cruise missiles. The current weapons in the bill are insufficient to deliver the level of the Government's ambition—the 80 per cent cut in emissions that is stated in part 1. We need a great deal more.

**John Stocks:** I will make a couple of points that relate to the conversation with the previous panel. It has been made clear in the past couple of hours that people understand what energy efficiency means. It is about ensuring that we get maximum benefit and utility from every kilowatt hour of energy we use.

The term "energy efficiency" is redefined in section 48(8). I think I understand why—it is something to do with devolution. However, energy efficiency and its importance are not defined in that section, which is an omission. I would like energy efficiency to be defined as a primary objective in the bill. I would also add consideration of clean, low-carbon energy sources and the carbon footprint of the goods and services that we all use.

The other thing that comes to mind—it came out in Lewis Macdonald's questions about promotion and obligations—is that there is a distinct difference between promotion and regulation. That comes into sharp focus in the relationship between the Carbon Trust and the Scottish Building Standards Agency. Yesterday we presented our low carbon buildings award to three absolutely fabulous buildings that have carbon footprints that will cut the mustard in 2050 with a decarbonised electricity grid. They are the leaders.

There is an important role in ensuring that people understand that we can build such buildings today, and that they can be built for not much more than conventional buildings. If we can get that accepted and get people doing it now as the norm, it would allow the Scottish Building Standards Agency to raise the drawbridge behind the people who do not want to do it voluntarily. Regulation and promotion are both important, but are different.

**Fergus Tickell:** I will confine my remarks to renewable heat. I do not know nearly as much about energy efficiency as the others on the panel.

I welcome the provisions in the bill, and the recognition that renewable heat is vital in meeting the targets. However, the bill probably needs to be strengthened in respect of ministers' obligation not just to promote but to deliver. That suggests that those of us who work at a practical level to deliver renewable heat and other forms of renewable energy projects have to be given the tools to do that.

I am bound to say, given officials' earlier comments, that I am not totally convinced that the scale of the challenge of delivering the renewable heat targets—even at 11 per cent—is fully recognised. It is an immensely complicated area that involves the commercial and industrial sectors, which have been very much neglected in the renewable energy framework. There is no significant comment in the framework on the way in which the commercial and industrial sectors can help to deliver renewable heat and we must also consider new domestic and non-domestic buildings, and retrofitting of such buildings. Each of those has a different set of challenges but, from what I have heard so far this morning, I am not convinced that people really understand the scale of the challenge.

**Elaine Waterson:** As others have said, it is great that the bill recognises the importance

of energy efficiency and renewable heat, but an area in which it could be strengthened is regulation of the domestic sector. The bill allows for some regulation in the non-domestic sector, but there is nothing on regulation in the domestic sector. Given that the domestic sector is responsible for about 34 per cent of Scotland's energy demand, it would be useful to include provision for regulation of the domestic sector in the future. That is not to say that we want regulation now; rather, it is that promotion and incentives will take us only part of the way.

**Elizabeth Leighton:** I second Elaine Waterson's remarks on the domestic sector. Given that the sector is responsible for more than a third of our emissions, there is a gaping hole in the bill in that respect. Regulation of the sector was recommended in the Sullivan report, "A Low Carbon Building Standards Strategy for Scotland", which suggested that we should consider existing building standards, enhance energy performance certificates and keep an eye on the future direction of the European energy performance of buildings directive, which will strengthen energy efficiency requirements. I agree that we should have provision in the bill to enable or enhance EPCs.

The idea of exploring the potential to strengthen the language by changing "promote" to "improve" came up earlier. There is little doubt that "promote" dilutes the requirement in the Housing (Scotland) Act 2006 to "improve" energy efficiency. There must be scope to maintain that and to import that language into the bill, rather than repeal the requirement, and to maximise, rather than minimise, devolved powers in that area.

We welcome the fact that the action plan has finally been put on a statutory footing, and we look forward to its arrival. We have waited a long time for this: we urge its publication as soon as possible, as has been called for by several members of the committee. We recommend that it include targets for energy efficiency and that progress is reported, either in the annual report or as part of an emissions reduction plan addressing demand reduction, energy efficiency and renewables.

11:30

We need a broad range of incentives. We know that, even with 100 per cent take-up, the existing measures would take us only to a reduction in emissions of between 20 and

23 per cent. We need a full package that includes loans, local tax incentives and grants tailored to needs.

I concur with comments about renewable heat: we need a plan with targets and reporting. At the moment, the information that we have from the Government is rather sketchy. We believe that a target should be set based on good evidence, rather than using a subtraction method. Instead of saying, "This is what we are getting from the other sectors, so we will take the remainder for renewable heat," we should assess the potential and set a target based on that.

My final point is linked to part 4 of the bill, which deals with the duties of public bodies. Targets for energy efficiency cannot be set from the centre—the public sector must be involved. Stop Climate Chaos Scotland believes that primary legislation should place a duty on public bodies to contribute to reduction of emissions.

**The Convener:** I ask Chas Booth to elaborate on the rearmament that we need to do to take us from peashooters to cruise missiles.

**Chas Booth:** Elizabeth Leighton has described the cruise missiles that are needed. The bill's big gap is in respect of domestic energy efficiency. As Elaine Waterson said, domestic use accounts for about 34 per cent of final energy demand and about a third of emissions. Tackling domestic energy efficiency ties in with many agendas, including the carbon agenda. In the context of the bill, we are discussing statutory targets that will come into force this year, but there is already a statutory target for fuel poverty, which the committee discussed last week. At current rates of investment and with the current powers in our arsenal, the Scottish Government will not meet that target, which is to abolish fuel poverty by 2016. We need considerably increased investment and powers to ensure that we bring buildings with the poorest energy efficiency up to standard. If we do not make a real effort to do that, Scotland will be cursed with a group of people in the hardest-to-treat houses who will be permanently fuel poor.

Mention was made of the energy assistance package, which will target investment at the fuel poor. From April, for the first time, the package will include air-source heat pumps and solid-wall insulation. We warmly welcome that, but we do not think it goes far enough. Ground-source heat pumps, which could do even more to lift

people out of fuel poverty, have not been accepted into the programme. Admittedly, the cap on maximum investment has been raised, but only to £6,500. You cannot get both solid-wall insulation and an air-source heat pump for that money—it is one or the other. It is not reasonable to ask people who are in fuel poverty to make a choice between proper insulation and a decent heating source.

Fergus Tickell mentioned that he is not entirely sure that the Government recognises the scale of the problem: I wonder whether it recognises the urgency of the problem. Climate change is an urgent issue and we need to make quick, cost-effective cuts in our emissions. The quickest, easiest and cheapest way of doing that is to improve energy efficiency. In many ways, that has a negative cost, as was mentioned earlier. When insulation measures are installed, they pay for themselves very quickly. When officials talk about gradual implementation and consulting again on an energy efficiency action plan, we are frustrated, to put it mildly. We would like Government to get on with things.

**Fergus Tickell:** It is important to emphasise the urgency of the issue. As I said earlier, the apparent omission of the commercial and industrial sectors from the renewable energy framework and the approach to renewable heat means ignoring the lowest-hanging fruit in respect of the mass use of renewable heat.

Chas Booth talked about energy efficiency measures in the domestic sector as being the quickest way of achieving the greatest gains. I think the commercial industrial sector has the potential to do the same on the renewable heat side of the equation.

**John Stocks:** I am not sure that I totally agree with Fergus Tickell. The business sector is similar to the domestic sector, and energy efficiency is the easiest and quickest win. I agree with him that, particularly in Scotland's national drinks industry, the waste streams of certain industrial processes are energetic. Initiatives around them, such as the one that Diageo is progressing at the Cameron Bridge distillery, represent a very big prize. Generally, however, I would argue that energy efficiency is the best, easiest and most cost-effective win for industry.

**The Convener:** As part of our energy inquiry, the committee visited the Cameron Bridge distillery to discuss the proposed biomass plant. I am aware of similar

initiatives around Scotland, such as the one at the Quaker Oats plant in Cupar.

**Rob Gibson:** Earlier, I asked the civil servants about the state of the information they have. The frustration that you feel seems to be related to our having focused money to apply. We can make it easier to apply that money by having a clearer picture of current evidence, for example, on the ease or difficulty of the uptake of each of the methods of energy efficiency that we have been talking about, or the constraints that arise from permitted development rights. Is there a need for us to have a clear view of what is holding us back? If so, should we include in the bill provisions to deal with that or should we ensure that the following secondary legislation deals with such detail? Many of the things that you have talked about are things that need to be done, but we have to decide what should be included in this enabling bill.

**Elizabeth Leighton:** Enabling provisions on the domestic sector must be in the bill. We have waited a long time for the civil servants to arrange a consultation on existing homes and climate change. The intention was to have something ready that could go into the bill, but time has dragged on and, unfortunately, we are not in that position.

However, that is not to say that we should not include in the legislation enabling sections that would allow for secondary legislation to be brought in on the back of that consultation. The reviews of the energy efficiency grant schemes and microgeneration schemes have pointed to the approaches that should be taken. For example, we need loan schemes, a range of incentives based on need and so on. The information is at hand, but the Government has not yet introduced any proposals. I recommend that an enabling provision that would allow appropriate secondary legislation be included in the bill.

**Rob Gibson:** I think that the intention is to have many initiatives delivered by the means that you describe. Am I right in thinking that, apart from the issue around domestic buildings, which you would like to be included in the bill, there is nothing else that you think should be included?

**Elizabeth Leighton:** I think that Chas Booth wants to answer that.

**Chas Booth:** My concern is not just about what is missing in terms of which areas are not covered—the domestic sector is the big

one. I am also concerned about what is missing because measures that are included in the bill do not go far enough. For example, the provisions on non-domestic energy only give ministers the power to require a wider roll-out of energy performance certificates. We think that energy performance certificates are useful, particularly with regard to rented buildings, because they inform the tenant what their approximate fuel costs will be.

Recent research from Denmark, which has had an energy performance certificate scheme since 1996, suggests that the scheme makes no significant impact on carbon emissions from the buildings involved. The bill's provisions on energy efficiency in the non-domestic sector therefore rely on a measure that some evidence suggests has a negligible effect. If I return to the analogy of weapons in our armoury, that suggests that we do not have the proper weapons.

We would like some form of compulsion and that should go alongside finance—organisations should have a fund to which they can apply for investment in energy efficiency. The small and medium-sized enterprises loan scheme, which used to be called loan action Scotland and is now called the energy saving Scotland small business loans scheme, is useful. That scheme was worth about £7 million—that figure has recently increased slightly. The SMEs to which we talk say that that scheme is fantastic, and its investment costs per tonne of carbon are really low. We would like that to be rolled out and we would like a domestic version of that scheme.

Two ways forward are possible for what the bill should require of people. The previous panel mentioned one option that was laid out in the Government's consultation on non-domestic buildings last year, which involves the energy performance certificate. The certificate will list cost-effective improvements that a building owner could undertake. The Government proposed that some of those improvements should be mandatory—for example, the building owner would be required to undertake them within a year or a couple of years. That would be a useful and helpful way forward and it would not be a problem, as long as cost-effective finance was available.

Shortly after the Government's consultation on non-domestic buildings was published, we ran a consultation event in conjunction with the Scottish Government, the Built

Environment Forum Scotland and Third Wave Consultants Ltd. That event was attended by a number of people from the public sector and the private sector and by building owners, who agreed almost unanimously that some compulsion is needed. Their only caveat was that a level playing field must be provided and that compulsion should not apply to one sector but not another. The people who attended were in favour of the proposal, so I was greatly surprised to hear the previous panel say that the proposal is contentious. We think that such a measure would be favourable and that people would accept it.

**The Convener:** Does Rob Gibson want to follow that up?

**Rob Gibson:** No. The point has been made and we shall note it.

**Marilyn Livingstone:** You will hear no disagreement from me about the need to push on as quickly as possible. If we are to meet our targets, we must get serious. You might have heard me ask earlier about a couple of serious barriers. I think that Elizabeth Leighton talked about area-based initiatives. We have heard evidence about skills shortages in the Highlands and Islands, which do not have skilled people to install heat pumps—that is a huge skills gap. I want to hear your views on the skills and training agenda. With the best will in the world, even if our action plan is up and running and we have funding for it, if we do not have people to deliver measures, that is a huge barrier.

My colleague Sarah Boyack asked about planning. What are the panel's views on that?

I agree with Chas Booth that the question is how we target action on the most fuel-poor people. My questions focus on that.

**Elizabeth Leighton:** One reason why area-based approaches are recommended is that they can achieve economies of scale. However, significant investment must be provided to create the demand, so that industry invests in Scotland and SMEs are kept in Scotland to develop skills and fill the skills gap. Then we can win the energy efficient economy that Colin Imrie talked about earlier—we can win those jobs. If we do not have the right level of investment linked to the right amount of regulation, that cannot happen. Provision will be too spotty and there will be a scatter-gun approach such as we have now across Scotland—a stop-go approach.

11:45

On the second question, on permitted development regulation, I was interested to hear that the first panel of witnesses could not say what happened to the consultation on that. There was consultation on that and we were hoping for a more positive approach to installation of microrenewables, but that has not been forthcoming. I would be interested to hear that panel's response on that. Clearly, there is much room to make it easy for people to install microrenewables—instead of telling them that they cannot have a solar thermal panel on the south side of their building because somebody might have to look at it, but that they can have it on the north side. That is not very helpful. I agree that there are still significant blockages that are preventing people from installing microrenewables when they want to do so.

**John Stocks:** I disagree with Marilyn Livingstone: there are skills shortages throughout the supply chain, not just in renewables. There is a shortage of people who are skilled in ordinary energy efficiency. The Scottish energy officers network, which is the local authority energy managers meetings, is like musical chairs, only with more posts than people. We need energy managers who are trained in ordinary energy efficiency as well as people who can install renewables technologies.

We need to look across the whole range. Yes, we need installers, but we also need to train the building services engineers and the architects who design our buildings so that they understand what a low-carbon building is and the importance from day one of designing low-carbon buildings. There is a shortage of such training among the full range of professionals, from engineers through to the people who carry out the installation work, and across the board, from energy efficiency to all the renewables technologies.

**Marilyn Livingstone:** How far away are we from knowing where the gaps are?

**John Stocks:** A long way, I suspect. My evidence is anecdotal; it is not hard evidence. I have heard of people changing jobs, and vacancies just sit there. People have come to me to ask whether I know of anybody who can fill a post. I know that there are gaps, but I do not have hard, numerical evidence of that.

**Fergus Tickell:** Skills are a major issue. The fundamental point is that people are not

going to skill up to install and maintain renewable heat systems unless there is demand for those systems. Especially in difficult times, businesses do not spend money speculatively in the hope that some Government policy will work in the relatively short term. That is a fundamental issue, and the two things must go hand in hand. Scottish Government ministers must realise that addressing the skills gap is a key part of the promotion of renewable heat and energy efficiency.

There are a range of different technologies for renewable heat, which require different skills. For example, a different set of skills is required to install a biomass heat system in a house from the skills set that is required to install a ground-source heat pump. In the course of the FREDS renewable heat discussions, the pertinent point was made that having a scattering of one technology throughout the whole off-gas area, with one installation here and one installation there, does not promote the development of local skills to support those installations. It is, therefore, important to cluster installations as far as possible. For example, the installation of a cluster of biomass boilers in a particular area will support a local business that can both install and maintain them. Also, that business will be able to deliver a much better quality of service to the individuals or businesses that want to install such systems, thereby reducing the risk and encouraging more people to install them.

**Elaine Waterson:** I echo the point that Elizabeth Leighton made about permitted development and the importance of microgeneration technologies having permitted development status. Not only is it a hassle for consumers to have to go to the planning department and wait for a significant amount of time before they get planning permission, but there is a cost associated with that.

Permitted development is important not just from the householder's perspective but from the community's perspective. Communities that are looking at a distributed energy scheme, whether that is powered by a wind turbine or something else, really struggle with the planning process, so it makes sense for permitted development rights to be extended to community-scale developments.

**Chas Booth:** I want to make a quick comment on skills. I disagree slightly with John Stocks. On manufacturing energy efficiency equipment, our industry has a lot of

capacity at the moment because of the downturn in new build, which has dropped off dramatically. One of our members has mothballed one of their factories in England, and another has put on hold the development of a new factory where insulation materials were to be manufactured. At the moment, we have capacity.

Obviously, I primarily represent the industry that manufactures insulation materials, but we are in touch with the people who install those, and I have also heard of those companies laying off staff recently. That is happening partly because of the drop in new build, but also because the CERT scheme, which is the main funder of energy efficiency improvements, is very stop-go by nature. One minute the energy companies are installing lots of cavity wall insulation; the next minute, they stop that because they have reached their quota. There is a lot of frustration in our industry.

Fergus Tickell spoke about our ability to plan for the long term, and that is what we would like from Government. We can best achieve that if sectoral targets are set. For example, the energy efficiency target could be to improve the general level of energy efficiency in Scotland by 20 per cent by 2020, which is the same as the European target. That would give our industry something that it could use to plan investment, upskilling and training.

I certainly agree that skills are a key issue that we need to keep a close eye on. However, at the moment, the industry has capacity.

**Christopher Harvie:** I want to raise one bogeyman that has not appeared so far: methane. Various statistics show enormous increases in the production of methane, which is a highly toxic substance. Its impact, in association with ozone, is reckoned to be up to two thirds of the impact of carbon dioxide. A lot of methane comes from human and animal waste. All those cows grazing quietly in a field are economically more pernicious than Jeremy Clarkson.

There are positive ways in which methane can be used as a fuel. Despite its considerable toxic menace, we ought to consider the possibility of leaching it off from the 45 per cent of supermarket food that is uneaten, discarded and left to rot in landfill sites, and converting it into power. Coming up from London on the train yesterday, I noticed a landfill site near Peterborough that

was tapped for methane production. What are the options?

**Elizabeth Leighton:** You bring up a valid point; we need to look at land use across the board, whereas the bill tends to focus on forestry. However, your point is outwith the scope of today's discussions.

The Stop Climate Chaos Coalition would be supportive of the production of energy from organic waste. Some supermarket chains are already setting up facilities to produce energy from organic waste, and we are seeing the onset of green gas, as well as green electricity, which is a good thing. However, we would be wary of any proposal that would send us in the direction of burning waste for energy when the waste could be recycled, because that approach is not sustainable.

**Fergus Tickell:** I think that almost all the large landfill sites in Scotland, and probably almost all in the UK, now capture methane from landfill gas for electricity generation. I will not comment on the contribution of cattle, but it is clearly substantial. Vegetarianism is probably the only answer for us in that regard.

The future of biogas is important. One of the real problems in delivering renewable heat is that some of the greatest opportunities for doing so are in urban and suburban areas that are on the gas grid. The gas network presents an infrastructural opportunity for the mass delivery of renewable fuel in the form of biogas. I am conscious that considerable work is going on to identify biogas opportunities and how biogas might be introduced into the gas network. Centrica is probably rather nervous about all of that at the moment, but it is clear that there is an opportunity for that type of delivery to be developed.

**Lewis Macdonald:** I have a couple of questions that follow on from our earlier evidence session.

A number of witnesses will be aware that the Government officials simply did not have an answer to my question about the effect of replacing the requirement to improve energy efficiency, which is in the Housing (Scotland) Act 2006, with the proposal in the bill, which is merely to promote energy efficiency. Do the witnesses have a view on what the effect of that would be? The officials said that there was no intent to dilute the existing provision.

**Elizabeth Leighton:** As I said earlier, I think that the effect of repealing section 179

of the 2006 act and having a requirement simply to promote energy efficiency would be a dilution. From my discussions with civil servants, I understand that they have difficulties in that area as a result of trying to understand exactly where the line between devolved and reserved matters is drawn. However, surely it is not beyond the wit of civil servants to sort that out, maximise our powers and make it clear that the bill should include a requirement to improve energy efficiency. If there are issues outwith that, they could be noted. I would prefer that approach rather than going to the lowest common denominator and saying that we want to promote energy efficiency, because promotion is, after all, more about words than action. Improving involves a commitment to action.

**Chas Booth:** I agree with Elizabeth Leighton and Mr Macdonald that the effect would be to dilute the provision in the 2006 act. I understand that the reason for repealing the provision is that it is thought that there would be an overlap, but does that matter? I do not know. Perhaps it does, but surely there must be some way forward that ensures that section 179 of the 2006 act is not diluted.

I wonder whether the revitalised Calman commission might want to consider the matter. Perhaps that is a slightly cheeky comment, but there is certainly a grey area between the responsibilities of the Scottish Government and those of the Westminster Government on energy efficiency. Lawyers have told me that it is okay for the Scottish Government to promote energy efficiency, but not to deal with delivery. That seems unsatisfactory.

**Lewis Macdonald:** It strikes me that repealing the provision in the 2006 act is unnecessary and that the two provisions could comfortably live together if the officials' description of the bill as building on existing legislation is accurate. Is that the view of the witnesses, too, or has someone come across a legal obstacle to that?

**Chas Booth:** I can see no legal obstacle.

**Lewis Macdonald:** My next question is about another issue that was raised earlier: incentives, primarily for householders, but also for community schemes.

I think that Elizabeth Leighton talked about the potential for providing loans, grants and local tax rebates. From your knowledge of the experience of organisations that operate

south of the border, what is your view of the effectiveness of the arrangements that apply there? Could they be readily applied in Scotland?

12:00

**Elizabeth Leighton:** My understanding is that the arrangements have been effective in incentivising the take-up of insulation measures and in attracting CERT funding by creating partnerships of local authorities, energy companies, utilities and local community groups. Additional incentives could make Scotland a more attractive funding environment for the CERT scheme. The funding environment is one of the reasons why we do not have our fair share—in inverted commas—of CERT funding.

**Elaine Waterson:** I agree with Elizabeth Leighton that council tax incentives have, in theory, a big role to play in encouraging consumers to take action. We at the Energy Saving Trust did a huge amount of consumer research a number of years ago in which we explored the idea of council tax incentives with consumers across the UK. A key finding was that the level of incentive does not have to be that high. Talking to people about tax rather than energy efficiency is much more exciting for them and has a big impact. That approach has a big marketing advantage as well. As Elizabeth Leighton said, many of the schemes down south have been particularly successful and have incentivised significantly greater numbers of people to take action than would have been the case if just the CERT scheme had been available.

**Fergus Tickell:** The previous witness panel mentioned the provision of grants through the community and householder renewables initiative, the biomass support scheme and so on. Those grants are welcome as a way of getting something going in the heat sector, but they are inefficient as a way of delivering support. They tend to be challenge funds to which people must apply in almost a competitive way to secure funding. They also tend to be irregular, so there is no continuity and the skills base is not developed. I therefore welcome consideration of a renewable heat incentive.

I talked earlier about scale, and the figures that I got from Scottish Renewables suggest that, in the domestic sector, about 1,500 renewable heat systems are installed in Scotland every year. To put that in context, if the 11 per cent target is to be met from the

domestic sector, as is implied in the renewable energy framework, we must increase the number of renewable heat systems that are installed to 25,000 a year. There must therefore be innovative thinking about financial incentives, and in that respect, council tax rebates are interesting.

There are major challenges around the development of the energy supply companies that might run district heat schemes or deliver energy to commercial or non-domestic developments. One of the big challenges is the lack of indemnity. Such systems often have only one customer, or a relatively small number of customers. Customers can disappear and may not be replaced by others that have exactly the same demand profile for heat. Distilleries, which I think John Stocks mentioned earlier, are a good example in that regard. Many distilleries are off-gas and use heavy fuel oil to heat their stills. They also tend to be a long way from anywhere else and have a nasty habit of shutting down for periods. Despite Diageo's development in Fife, many distilleries are not particularly interested in becoming energy generators. There is therefore a big opportunity to encourage energy service companies to develop so that they can service that market. However, ESCOs cannot get funding in such situations because they cannot indemnify themselves against a distillery or any other heat user shutting down for a period. A project cannot be financed on that basis. Government must consider other, innovative ways of encouraging different types of renewable heat delivery.

**Elizabeth Leighton:** On tax incentives, the whole package is needed. We deal with a range of technologies and installations. Jamie Hume suggested earlier that we do not need to consider council tax incentives because the renewable heat incentive will come on stream, although not for 18 months or so. However, that incentive will not apply to the many householders who simply want to do up their loft or have cavity wall insulation. Even solid wall insulation will not be covered. We need a range of measures that will fit the range of needs for the range of houses.

**Chas Booth:** I have a brief comment on council tax discounts. Last month, the Northern Ireland Executive announced that it is introducing rate rebates—it has rates, rather than the council tax. Under that scheme, houses that are renovated to the highest energy efficiency standard will

receive a five-year rate rebate, which is a substantial incentive. It is disappointing that, yet again, Scotland is being overtaken and another devolved nation in the UK is taking the lead.

Mr Macdonald referred to energy efficiency loans. We would point to the German energy efficiency loans scheme, which has been running for some time. The Germans invest about €1.3 billion per year in the scheme, the idea of which is that householders can apply for a low-interest loan for whole-house eco-renovation. People can apply for up to €50,000 at a time, which is about £30,000. The cost of the scheme is about €17 per person per year. Introducing the same scheme at the same rate in Scotland would cost about £70 million per year, which is possibly too much to fit into this year's budget, but we hope that Governments will consider it in future.

**The Convener:** I was not aware of the Northern Ireland scheme. It would be worth while for the committee to have more information on that. However, the danger with that approach is that it is non-targeted. With a five-year rebate for houses that achieve the best energy efficiency rating, the ones that are nearest to achieving that already will get the rebate fairly easily, but people for whom that is hard to do will not necessarily be able to afford it. Does such a scheme target resources where they are most needed, which is the hard-to-heat and hard-to-insulate housing?

**Chas Booth:** I do not accept that houses that are already fairly energy efficient are necessarily easier to get to the zero carbon level. Your colleague Rob Gibson was one of the MSPs who engaged in the MSP home energy challenge that we ran with Friends of the Earth Scotland last year. At the start of the year, Mr Gibson's house was the most energy efficient, but there was a limited number of measures that he could install to make it better. He could not take any insulation measures, because his house was already fully insulated, and his options were limited to microrenewables. On the other hand, Mr Harper, who won the prize, achieved that by topping up his loft insulation, replacing his rather ageing boiler with a more energy efficient one and installing draught-proofing. Therefore, it might not be easy to get houses that are already energy efficient to the zero carbon level.

My understanding of the Northern Ireland

scheme is that it is graded. People who achieve a certain energy efficiency level receive a six-month rebate, and those who achieve a better level receive a year's rebate—and so on, up to the maximum of five years. I can research the scheme a bit more and provide information to the committee, if that would be useful.

**The Convener:** I will resist the temptation to say that I am disappointed that Mr Harper's house was so badly insulated.

**Lewis Macdonald:** In much of what has been said, there is a suggestion that part of the reason for the deficit in CERT spending in Scotland is precisely a result of the absence of such schemes. Are there any other opportunities in the bill that will help to ensure that more CERT money is spent north of the border? Are there any opportunities that are not taken in the bill to improve the attractiveness of Scotland for energy company investments?

**Chas Booth:** To clarify, Scotland does not get its fair share of CERT money. Under the predecessor to CERT, which was called EEC—the energy efficiency commitment—Scotland received about 7 per cent of the funding, yet we have 9 per cent of the homes. If those proportions are still the same, we are clearly not getting our fair share. On how the issue should be addressed, I welcome the Scottish Government's establishment of a CERT strategy group, through which it is discussing with the energy companies how they can ensure better investment in Scotland.

I suggest that the group's programme needs to change, however. This is a Westminster issue. At the moment, if loft insulation is installed in Kirkwall, that saves a lot more carbon than if the same loft insulation is installed in Cornwall, but the CERT scheme does not recognise that. There is a blanket carbon allowance no matter where the insulation is installed. If we had regional grading that more accurately reflected the carbon that would be saved through the installation of such measures in Kirkwall, for example, that would be the easiest way to ensure that Scotland got its fair share. At the moment, energy companies are not investing in Scotland because it is more costly to deliver a carbon saving here compared with the south-east of England. If the scheme more accurately reflected the carbon saving, that issue could be addressed.

**Lewis Macdonald:** And that would

presumably help to address Iain Smith's question, too.

**Chas Booth:** Yes.

**Elizabeth Leighton:** I will respond on what might be done in the bill to encourage greater investment through the existing CERT scheme as it is run now. One approach would be to ensure that there are clear targets and a clear reporting procedure on the energy efficiency action plan—perhaps with a view to improving it. If it is clear what the targets are, it will be clear to industry what direction is being taken—there will be annual reporting and scrutiny, and that will drive more investment.

On the public sector duty, if local authorities had a clear duty to contribute to the agenda, they could drive more area-based approaches, which could develop across Scotland. That would provide a good funding environment and good economies of scale for the CERT scheme.

**Gavin Brown:** John Stocks said that there should be a definition of energy efficiency in the bill. Will you, either now or by way of a written submission, give the committee more detail on what ought to be included?

My second question is to the panel in general. It is a question on renewable heat that I asked the Government officials earlier. In my view, the obligation that has been placed on the Government in relation to renewable heat is not very onerous, so I was comforted to hear that amendments will be lodged. Those amendments are not just desirable; they are imperative if the bill is to have teeth in this regard. What else is required? What other provisions ought to be included in section 51 that cannot wait for further regulations and so on? I think Fergus Tickell will have views on this.

**John Stocks:** It would be a challenge to draft some words for the bill on the hoof, so I will hang back and submit something in written form. Primarily, there must be an obligation on us all to get the absolute maximum utility from every unit of energy that we use in a building. That would be a reasonable definition of energy efficiency. I would like to revisit the point, however.

If we reduce demand, we reduce the amount of renewable energy that is needed to achieve a certain percentage of carbon reduction. We also reduce our call on the earth's resources, we reduce our bills, and the investments that we make can generally be much more cost effective, easy and

reliable, even if “insulation” does not have the same ring to it as “wind turbine”. Investments in those important areas will deliver the goods. I will leave renewable heat to Fergus Tickell.

**Fergus Tickell:** It is a difficult question, in that we do not know what might emerge at stage 2. There needs to be an absolute commitment to finding an effective financial mechanism to support the installation of systems. There has to be clarification at some point in the progress of the bill that the intention is to promote renewable heat in all its forms and for all its uses. The lack of recognition of the commercial potential for renewable heat is a major problem.

12:15

John Stocks disagreed with me slightly when I said that that was the low-hanging fruit. Energy efficiency is important for business—it is not an either/or situation. At the moment, there is some support for renewable heat through the renewables obligation; there is banding within the obligation to give additional benefit to combined heat and power. That is important, but it does not do the whole job. Fifty per cent of the heat that we use in Scotland goes to commercial and industrial activity and 50 per cent goes to domestic activity. There is a huge opportunity. Industry is leading the way in large-scale deployment of renewable heat in Scotland. I refer to projects such as those of UPM-Kymmene at Irvine, Diageo, Balcas—which is investing at Invergordon—and Tullis Russell. However, there are many more opportunities. I would like ministers to make a firm commitment not to rely just on the domestic sector to deliver the targets that they have set for renewable heat.

I am not sure that I have answered the question, but I have given an overview of what I think needs to be achieved. I am much more concerned about what we can achieve through the bill than about what is said in it specifically.

**Elizabeth Leighton:** My point relates to the definition of energy efficiency. We need to keep our eyes on the prize, which is to reduce emissions and, therefore, our energy demand. Often we focus on energy efficiency, but that will not necessarily lead to a reduction in energy demand. An AAA-rated fridge that is big enough for someone to walk into it does not lead to a reduction in demand. We need to keep an eye on that issue in the action plan. We must understand

how improvements in energy efficiency can lead to reductions in demand, and what they mean for reductions in emissions.

**John Stocks:** I agree. Demand should be included somewhere in the definition of energy efficiency, as we need to minimise demand for our activity.

**The Convener:** You are welcome to have a stab at an amendment in writing and to send that to the committee.

**Gavin Brown:** The energy efficiency plan has been touched on. I questioned the Government on whether a 12-month period was needed between the activation of section 48 and publication of the plan. That is important, because if the plan does not come into force until the middle of 2010, it will not have a big impact on the 2010 figures. If we fall at the first hurdle in 2010, we will have further to go to catch up, which could have a detrimental effect on momentum and motivation. I appreciate that consultations take time, but how quickly do you think a plan could be pulled together, once section 48 has been activated?

**Chas Booth:** We were first promised an energy efficiency strategy on 7 December 2004, so we have waited quite a long time for it. As recently as November last year, the Scottish Government committed to setting

“out in 2008 our Energy Efficiency and Micro-generation Action Plan, outlining the actions we are taking and plan to take across Government.”

The Scottish Government clearly has something drafted and ready to go. I understand that it does not want to publish it because it is worried that the plan will appear too weak, partly because of concerns about whether responsibility for energy efficiency is devolved or reserved and where the line between promotion and delivery lies. I share your view that 12 months is much too long—a couple of months are all that is needed. The Government has already consulted on the energy efficiency strategy, so I fail to see why another consultation on an action plan is needed.

**Elaine Waterson:** Although some energy efficiency issues are devolved, others are reserved, and much of what Scotland needs to do to deliver on its plan will have to build on what is happening at Great Britain or United Kingdom level. That means that, to some extent, the Scottish plan will have to wait for the UK Department of Energy and Climate Change to finalise and publish its action plan and wider strategy, because that

will give Scotland a better sense of what policies will be delivered in the country under reserved powers and what it will need to add under its devolved powers.

**Elizabeth Leighton:** We could get into something like the iterative phase of consultation, with things simply going on and on. The Government could publish what it knows now; after all, a lot of research and reviews have been carried out and I, too, have been at meetings where we have been told, "This is just around the corner". Something must be sitting on a computer somewhere.

The longer we wait, the more money the economy is losing. Businesses are waiting for clear direction. The DECC consultation is due to be launched this month, which means that the action plan will not be published for many months. The bill provides the opportunity to review and amend the energy efficiency action plan based on what happens at UK level, so Scotland should go now with what it has.

**The Convener:** Does the action plan have to wait for the legislation to be passed, or can it be developed in parallel?

**Elizabeth Leighton:** There is no reason why it cannot go ahead now.

**Chas Booth:** I absolutely agree.

**The Convener:** A couple of comments in the financial memorandum struck me as being quite strange. For example, with regard to the renewable heat and energy efficiency provisions, the Government claims essentially that no additional costs will fall on the public purse. Is there any point in having an energy efficiency action plan that does not result in additional costs to the Scottish Government?

**Chas Booth:** I have not read the financial memorandum in detail—

**The Convener:** There is no detail in it.

**Chas Booth:** The Government might be driving at the fact that energy efficiency has a negative net cost. In other words, you get back the money that you invest as a result of, for example, lower fuel bills. However, there will need to be some public sector investment to deliver the carbon savings set out in the bill.

**The Convener:** I think that you are being rather optimistic. If that was the case, the financial memorandum would have given some indication of the costs and likely return

on investment.

**Chas Booth:** I might have misunderstood the question.

**The Convener:** The financial memorandum states that the duty to promote an energy efficiency action plan

"is part of current planned activity, is not expected to give rise to additional resources and will be met from within existing Scottish Government administration budgets."

A similar comment is made about the renewable heat provisions.

**Fergus Tickell:** As I understand it, the suggestion in the DECC consultation is that, as with the renewables obligation, the cost of a renewable heat initiative would ultimately be recovered from the consumer.

**Lewis Macdonald:** Does that mean that the incentive funds that we have discussed might well be implicitly ruled out before the plans are even published?

**The Convener:** I suppose that the question is whether the Government should be building into the financial memorandum some up-front funding for all of this, even if it ultimately gets the money back.

**Elizabeth Leighton:** Even if the Government does eventually get its money back, incentives such as the loans scheme that we talked about would, like the small business loans scheme, involve some up-front provision.

We have also discussed what sort of capacity building would be involved so that area-based schemes could carry out the street-to-street work. Obviously, CERT will not pay for all of that, so we need a real upscale in investment. WWF Scotland has estimated that the current investment in the domestic sector, including CERT, private investment, householder investment and Government investment, needs to be doubled.

Finally, going back to our discussion about the use of the terms "improve" and "promote", I note that paragraph 183 of the financial memorandum says that chapter 3 of the bill

"aims to improve the energy performance of non-domestic buildings and improve energy efficiency generally across Scotland."

**Chas Booth:** I think I misunderstood the question about resources. Were you referring to resources within Government to deliver the energy efficiency action plan?

**The Convener:** Yes.

**Chas Booth:** There is a question about that. I have heard that publication of the energy efficiency action plan has been delayed partly because the Scottish Government's energy efficiency team is very small. They are dedicated and hard-working and do fantastic work, but they must be underresourced if they are, say, having to brief ministers for budget negotiations with the Greens and negotiations with Sarah Boyack over her bill, and to produce an energy efficiency action plan, all at the same time. Surely they should have the means to chew gum and walk at the same time—or whatever the phrase is. As a result, internal resources in the Scottish Government might well be an issue, especially if—as the previous panel made clear—energy efficiency will be a key delivery mechanism for cutting carbon.

**John Stocks:** There are number of successful loan funds, including the central energy efficiency fund, which operates in the public sector in Scotland, the Salix fund, which operates with Scottish money in the higher and tertiary education sector, and the small business loans schemes we and the Scottish Government operate. Although those schemes are self-financing, they have had to receive up-front public money. Any thoughts that we might have harboured of getting private sector money to bolster our own loans scheme have been temporarily put on ice with the current situation in financial markets.

**The Convener:** That concludes questions. I thank the witnesses very much for a very informative and helpful session that will, I am sure, inform our report. If any other points come to mind after you leave, please feel free to send them in writing to the clerks.

At next week's meeting, we return to our energy inquiry with evidence from the Office of Gas and Electricity Markets and others on issues such as the remit of the regulator and transmission charging.

**Lewis Macdonald:** We agreed earlier to take evidence from ministers on the matters that we have just discussed. Is it the intention to decide on further steps following that evidence?

**The Convener:** Yes. We have to prepare a report for the lead committee within the timescale that has been set out, but the clerks and I will discuss how to fit an evidence session with the minister into our programme.

*Meeting closed at 12:28.*

## Scottish Parliament

### Economy, Energy and Tourism Committee

*Wednesday 4 March 2009*

[THE CONVENER *opened the meeting in  
private at 10:04*]

10:18

*Meeting suspended until 10:33 and  
continued in public thereafter.*

### Climate Change (Scotland) Bill: Stage 1

**The Convener (Iain Smith):** Colleagues, I open the public part of the eighth meeting in 2009—and the second meeting this week—of the Economy, Energy and Tourism Committee. Today's main item of business is evidence on the Climate Change (Scotland) Bill from the Minister for Transport, Infrastructure and Climate Change. I welcome him for what is probably his first appearance before this committee. I ask him to introduce his team and to make any brief opening remarks.

**The Minister for Transport, Infrastructure and Climate Change (Stewart Stevenson):** Convener, I do not intend to make any opening remarks. I am sure that committee members will be able to fill the time with questions.

Members have a list of the officials who are with me. I intend to do the majority of the speaking, but I will draw on my officials for any technical or legal explanations that are required. I am happy to move straight to questions.

**The Convener:** As the minister will know from the *Official Report* of our previous meetings, members were concerned about some lack of clarity on the policy direction of the bill. We have asked the minister to come before us today to clarify some of those issues. I ask Wendy Alexander to kick off the questioning.

**Ms Wendy Alexander (Paisley North) (Lab):** Good morning, minister. As people will be aware, the witnesses who joined us to discuss the energy efficiency provisions in the bill—in chapter 3 of part 5—were concerned that there are no targets on energy efficiency. Chapter 3 contains no

provisions on how performance on energy efficiency will be measured, on how progress will be reported or on what contribution energy efficiency might make to the emissions reduction targets for 2030 and 2050. Why was that deemed to be the right approach?

**Stewart Stevenson:** Sorry, let me write down all those points—although I will be happy to be reminded if I miss out any of them.

We are in a slightly difficult area in relation to the mix of devolved and retained powers, in that energy efficiency is a shared responsibility for the Scottish Government and the Westminster Administration. I do not think that that sharing of responsibility should cause any great difficulties, as I have no indication that people are unwilling or unable to work closely together.

The member asked why the bill does not identify the contribution of a particular sector to our 2030 and 2050 targets. The important thing to say is that all sectors of our economy and all elements of public, business and private life will need to make appropriate contributions. Given that 2050 is a very long time out, successive Administrations—and, I imagine, successive ministers, as I am targeted to be 104 in 2050—will need to develop responses over the period. Clearly, those responses will be driven by the available scientific advice, which must be the key thing that drives us. The moment that we start to impose political decision making that runs at odds with the scientific advice, we go down a very dangerous route that risks damaging the consensus that I hope we will achieve on the principles. Of course, there will continue to be engagement, debate and challenge on matters of detail.

We are doing a number of things on energy efficiency. As members will be aware, building regulations have recently been introduced that will require from 2010 a 30 per cent carbon reduction for domestic and non-domestic buildings. In that respect, we are setting targets for new builds. However, I am quite prepared to acknowledge that current estimates suggest that about 60 per cent of buildings that will be in use for domestic purposes in 2050 will be buildings that have already been built. We will need to develop strategies for those as well.

**Ms Alexander:** I ask the minister to remain at the highest level in explaining why the bill contains no targets, performance measurements or reporting requirements on

energy efficiency. He seems to have offered the reason that energy efficiency is an area of shared responsibility or competence. Undoubtedly, the European Union has shared competences with national Governments and devolved Governments, but the EU has set a target for improving energy efficiency by 20 per cent by 2020. Let me probe the minister on his implication that the impediment is that energy efficiency is a shared responsibility. Was there any direct discussion with the United Kingdom Government on setting a target, such as the 20 per cent reduction that the EU has adopted?

**Stewart Stevenson:** Let me go back just a little bit before responding directly to the member's question.

The bill will require us to produce an energy efficiency action plan, on which we will be required to lay a report before Parliament every year. There is some work there.

I am simply making the rather obvious point that we have some shared responsibilities. Have there been discussions at official level? Yes, of course. Officials work closely with Westminster because approximately—this is a broad-brush figure—one third of activity in Scotland that will matter to the climate change agenda is the responsibility of Westminster and two thirds is the responsibility of the Scottish Government. It is natural and necessary that we should work together, and indeed that we should work with Europe. We have provided input on a number of European initiatives. Thus far, we have found ourselves in agreement with the responses of the Westminster Administration in that regard.

**Ms Alexander:** The minister mentioned the energy efficiency action plan. He will have noted some anxiety among witnesses about the timetabling of the action plan. I want to press the minister for clarity on that.

As he will be aware, licensing is a topical issue this week. The secondary legislation arising from the Licensing (Scotland) Act 2005 will not be implemented until autumn 2009. Further, the secondary legislation arising from the Planning etc (Scotland) Act 2006 will not be implemented until at least the end of 2009. What are the precise implications of the phrase

“no later than 12 months after the day on which this section”—

section 48—

“comes into force”?

When—roughly—does the minister expect the bill to complete its parliamentary passage? That will be followed by a period before royal assent is granted, then followed by the commencement of provisions, which might be later if the provisions require secondary legislation. Can the minister clarify whether section 48 will come into force following the commencement of secondary legislation, and does he anticipate that that will be at least three years' hence, which has been the case with the Planning etc (Scotland) Act 2006 and the Licensing (Scotland) Act 2005?

Given that the energy efficiency action plan was first envisaged in 2005, it might be helpful if the minister committed to a date rather than tying its publication to an indeterminate point in the future. Can he offer us any clarity on when we are likely to have the action plan? Is it possible that it could be three years after the discussions in Parliament?

**Stewart Stevenson:** The member asked me a range of questions. It would be presumptuous of me to anticipate Parliament's meeting a timetable that I might have in mind for the Climate Change (Scotland) Bill. I would certainly like the bill to be passed around the middle of the year, but I am in the hands of Parliament on that. The co-operation and collaboration of the members present and those elsewhere would be welcome.

We plan to publish the energy action plan shortly after the passage of the bill, and to outline some proposals in that regard without waiting for the passage of the bill. The member can therefore take substantial comfort that the period of three years that she suggested is entirely disjoined from what the Government plans.

**Ms Alexander:** Why cannot the minister simply put a date on it? This is an executive action; why do you not simply name a date now?

**Stewart Stevenson:** I come back to the fact that the provisions of the bill as passed will to some extent determine the way forward. It would be presumptuous of me, as a minister—and I think that I would attract some criticism—if I took for granted the parliamentary process. If, on the other hand, the members present, perhaps representing the majority of the members of Parliament, can give me an absolute date for when the

bill will be passed, I might be able to take action. However, the member will recognise that essentially I have said that action will be taken during this calendar year—sooner rather than later—which is entirely different from the three years that the member suggested.

10:45

**Gavin Brown (Lothians) (Con):** The time set out for publication of the energy efficiency action plan is 12 months from the date of commencement of section 48. Even in the best-case scenario—if the bill follows your desire and is passed quickly—we could be into the middle or indeed near the end of 2010 before the plan is in place. Given that carbon emissions targets have been set for 2010, I am concerned that if no plan will be in place until the middle or the end of that year, energy efficiency will not make the contribution that it can make to cutting emissions. At our previous meeting, a range of bodies provided good evidence that, because a lot of the work has already been done, 12 months will not be needed to put the plan in place; indeed, it has been suggested that only three months will be required. Is there any way of speeding up the process to ensure that energy efficiency can make a meaningful contribution to the 2010 target?

**Stewart Stevenson:** We plan to publish our outline proposal in the next few weeks; I cannot give you an exact day at the moment, because a number of processes still have to be gone through. In any case, the proposals will be published very shortly and, as I have said, the plan will be published after the bill's passage.

That said, we are not sitting on our laurels; we are taking a range of actions to ensure that we continue to make progress. For example, as a result of changes to the planning system, we have already published energy performance and emissions reductions targets for 2010. It is perfectly correct to highlight the ability to take action without legislation, which is something that we are seeking to do.

**The Convener:** Before we turn to questions on specific sections, I have a general question that is relevant to the three areas that the committee is considering, including energy efficiency and other energy aspects. Is the Parliament being asked to take too much on trust with the bill? Although an awful lot of work will put flesh on some of

the bill's bones, most of it will be carried out after the committees complete their stage 1 consideration. For example, you mentioned the outline of the energy efficiency action plan, which officials at a previous meeting said would be produced by March.

With regard to the non-domestic sector, the consultation on energy performance certificates closed in November. However, although the report on the consultation was due to be finalised, the committee has not yet received it. We would be interested in finding out the results of the consultation, as they will presumably affect the direction of policy.

As I made clear at the previous meeting with officials, the scenarios outlined in the financial memorandum are vastly different in their costs to local government, central Government and businesses. The committee will not be able to scrutinise any of that properly simply because we do not know the policy direction that the Government will take. In addition, with regard to renewable heat, the renewables action plan will not be published until June.

We are being asked to pass the bill before we see any of that detail. Is that not too much for the committee and the Parliament to take on trust? Should we not have more detail about the Government's policy direction before we are asked to reach a view at stage 1?

**Stewart Stevenson:** Let me begin by accepting a pretty obvious point: in every bill, there is a tension between what is contained in primary legislation and what is drawn forward in secondary legislation. It is quite proper that there is a debate on whether in any particular bill the right balance has been struck in that respect.

Given the 2050 target, the Climate Change (Scotland) Bill probably looks further forward than any other bill that the Scottish Parliament has dealt with. Within that timescale are a number of timetables for targets, which have been driven by the scientific advice. The Parliament has processes for dealing with secondary legislation, and that will be the right time to engage with such matters. It would be useful if the specific concerns of committees and committee members were drawn out at stage 1. To be consensual, we will wish to examine what comes out of stage 1 and consider how we might respond at stage 2.

The draft renewables action plan was published as part of the renewable energy

framework at the end of last year. That provides some visibility of what there will be in relation to renewable heat. The committees of the Parliament always have the right to look at anything in advance.

It is not unprecedented to hold further evidence sessions at stage 2, if that is appropriate. If that were the way to deal with some of the issues that we are not able to bottom out just now, the Government would be happy to co-operate and collaborate and to appear at that stage, if appropriate. I would not like to compromise the timetable unduly, but we could certainly appear at that stage.

Of course, the whole point of the bill is to produce a statutory framework to reduce emissions on a long-term basis. There are specific proposals in part 5 of the bill, but we need a lot more than that.

**The Convener:** The Finance Committee's report on the financial memorandum states:

"The Committee also considers that in a number of areas insufficient policy direction has been provided, which has made it difficult for local authorities and businesses to be able to assess the financial impact of the proposals."

That is the point that I am trying to make. If there is no clear policy direction, it is difficult for committees to assess whether there are issues. In essence, we are being asked to provide not a blank cheque but a cheque on which we are not quite sure where the decimal point goes in relation to some of the areas, which is a major concern. It is difficult for us to know whether the proposals, such as those on energy performance certificates, will be adequate or whether they will be overburdensome, because we do not know in which policy direction the Government is going. We have not even seen the report on the consultation that we were promised. Do you accept that more detailed work on the policy direction should have been completed before you introduced a bill that gives ministers fairly open-ended powers?

**Stewart Stevenson:** Energy performance certificates are already part of the landscape. We might be talking about further provisions that will come forward later. I can never remember what ACEP stands for. Will someone remind me?

**Gavin Peart (Scottish Government Directorate for the Built Environment):** It is the assessment of carbon and energy performance, which builds on the existing system of energy performance certificates.

**Stewart Stevenson:** We have gone some

of the way in drawing forward some of the measures.

In the early stages, one of the interesting things about improving the energy efficiency of buildings is that, for many owners of buildings, there will be quick returns on their investment. When you reduce the energy consumption of a building, whether a domestic or non-domestic building, you reduce the bills that have to be paid for consuming energy. There are a lot of low-hanging fruit out there, which means that there is substantial enthusiasm for improving energy efficiency, regardless of Government policy or legislation.

It is certainly the case that more will come forward. The decimal point is a pesky little thing in certain circumstances. In the financial memorandum, we seek not to give false certainty about what is a framework bill that covers a long period of time but, rather, to give the best possible indication. As we approach many of the interventions, we will of course provide further financial information.

**The Convener:** I have a final question before we look at the individual sections of the bill in more detail. You said that it is open to committees to take evidence at stage 2 if they feel that it is necessary. Will you give us an assurance that the Government will co-operate with the timetable for stage 2 to ensure that if committees feel the need to take additional evidence at that stage, there will be sufficient time for them to do so?

**Stewart Stevenson:** It is not for me to speak for the Minister for Parliamentary Business, who represents our interest in such matters. However, I am interested in ensuring that, to the extent that it is possible, we flesh out any policy initiatives that we take and give Parliament the maximum possible understanding of the implications of anything that might be done. Like previous Administrations, the current Administration seeks to support committees' efforts to understand anything that we do at stage 2.

**Gavin Brown:** I will follow up one of the convener's questions. Will the obligations under section 50 fall on the landlords or the tenants of non-domestic buildings?

**Stewart Stevenson:** The owners will be responsible.

**Gavin Brown:** You say that people will get money back right away but, if the tenants pay the cheaper energy bills from saving energy, the owners will not receive a return.

**Stewart Stevenson:** To an extent, that will depend on the commercial arrangements between the owner and the tenant. In business life, I as the owner of an asset adopted the general principle that I wanted investments that I made to be reflected in revenue. In any event, investment in improved energy efficiency creates an asset that is more valuable in the long term. It is for owners to ensure that they have contracts with their tenants.

**The Convener:** Rob Gibson will ask about section 48.

**Rob Gibson (Highlands and Islands) (SNP):** Good morning, minister. We are interested in the suggestion in the evidence from the Carbon Trust that energy efficiency should be defined as a primary objective in the bill. What is your response to that?

**Stewart Stevenson:** The bill's objective is to reduce carbon and carbon dioxide equivalent gases—the greenhouse gases. Diluting that by establishing other primary objectives would create difficulties, because an energy efficiency objective might be pursued in competition with the 80 per cent target that we are setting for 2050. Such matters are of value and merit and should be judged in the context of how they enable us to progress to the 80 per cent reduction. I am prepared to accept that even the 80 per cent reduction is indirect, since we are actually trying to contain the increase in the temperature on the earth to no more than 2° to 2.4°C from the baseline figure. If we keep moving objectives up, we distort policy making.

**Rob Gibson:** Energy efficiency is a major part of our efforts to achieve the target, yet we are presented with supplementary evidence in which the question of straying into reserved matters arises—you referred to that. The debate about whether the word “improve” or “promote” is used certainly concerns us, because of how it affects existing legislation. We need more clarity on how using the word “promote” might risk the Scottish Government straying into reserved matters. Why are you concerned about straying into those matters if—as you said—you have close relationships with the London department?

**Stewart Stevenson:** We recognise the issue that the member raises. We are considering how to reflect that concern at stage 2 and ensure that people are clear about our intentions.

We must be conscious of competences, but I am entirely happy to put it on the record that the policy is to improve energy efficiency. The question whether we can incorporate the word “improve” in the legislation is simply to do with the devolved competence of the Parliament. I am entirely happy to ensure that we deal with and talk to colleagues at Westminster on that. We believe that we can, to an extent, make the change that is sought, but until I have further advice, I cannot give the committee a commitment to do so. We certainly understand the issue and we are seeking to deal with it.

11:00

**Rob Gibson:** In that case, why do you not consider introducing provisions in the bill that would require energy efficiency measures and improvements as the starting point for your discussion? I am surprised that, at this stage in your discussions with London, the issue has, to date, not been clarified.

**Stewart Stevenson:** There are certain issues. We do not have competence on energy matters as such. However, in the creation of a legal framework, we will work with colleagues at Westminster. After all, we share a common purpose with Westminster, which has increased its carbon reduction targets, based on advice and a consideration of the situation. Westminster's targets encompass what we do, so it is in the UK Government's interests to support the efforts that we will make in Scotland. We are discussing the issue with the UK Government. I believe that we will find a way in which to support the UK Government's objectives and therefore, simultaneously, our objectives. When we have completed those deliberations, the outcomes will feed into the energy efficiency action plan.

**Rob Gibson:** Will we have clarity before we reach stage 2?

**Stewart Stevenson:** Um—yes. The reason why I hesitate is simply that I do not want to anticipate the exact nature of the agreements and outcomes that we will reach with Westminster. I am absolutely convinced that there is good faith on both sides. In fact, using the word “sides” is wrong. Both parties want to ensure that we get the outcome that we need and I have a high degree of confidence that we will do so. That might be by persuading Westminster to take action within its competence or by establishing with Westminster what we might do within our

competence that is consistent with its views. We can resolve the problem in a variety of ways, but please accept that we are engaged extremely strongly in ensuring that we do so.

**Rob Gibson:** It would help us at stage 2 if the issue was clear, as that would reduce the amount of questions that need to be asked.

**Stewart Stevenson:** We are actively engaged on the matter. I cannot commit another party in the discussions to a particular timetable, but I, too, want the issue to be resolved within that timescale.

**Lewis Macdonald (Aberdeen Central (Lab):** I want to pursue the issue. It is a month since we raised the matter with your officials, who assured us that there was no intention to dilute the existing law, although they said that they would have to get back to us on the effect. However, the supplementary evidence that we have received from the Government again refers to intention, but not to effect. There is concern, which was reflected in Rob Gibson's questions, about the uncertainty. Do you accept the view of many of the witnesses who gave evidence a month ago that your proposal to publish a plan for the promotion of energy efficiency is a dilution in relation to housing, compared with the existing law in the Housing (Scotland) Act 2006?

**Stewart Stevenson:** There is certainly no intention to dilute. The reason why we are having discussions is to ensure that we provide a legally binding response that ensures that no dilution is possible.

**Lewis Macdonald:** You will be aware that, when Malcolm Chisholm took the Housing (Scotland) Bill through Parliament, the wording was not raised as a difficulty. Have Westminster ministers directly raised a difficulty with you on that?

**Stewart Stevenson:** We have identified a potential difficulty and it is agreed that the subject should be discussed with Westminster. I am highly confident that we will achieve a satisfactory outcome. The policy objective is to ensure that we provide no opportunity whatever—I could not put it more strongly—for dilution of what Malcolm Chisholm successfully took through the Parliament. We are simply trying to deal with technical issues and not trying to deviate from the policy in any sense.

**Lewis Macdonald:** Have you discussed the issues with ministers at Westminster to try to resolve the concerns?

**Stewart Stevenson:** The discussion is at official level, just to be clear.

**Lewis Macdonald:** So it is being discussed at that level. Thank you very much.

**The Convener:** The change is that, in section 48(2), the word "promotion" is used in relation to living accommodation instead of "improve", which is the wording in the 2006 act. Section 48(2) concerns only a part of the overall plan for the promotion of energy efficiency, so is it not possible simply to repeat the words of the Housing (Scotland) Act 2006 in it, rather than dilute the provision? If we had the competence to include the wording in the 2006 act, surely it is competent to have exactly the same wording in the bill.

**Stewart Stevenson:** It is certainly our objective to achieve that, but the mechanism by which we protect what has already been passed will need to await the conclusion of discussions. I am not turning away in any sense the concern about the use of one word in one piece of legislation and the use of another word in a different piece of legislation. It is precisely because we accept that a point is properly being raised on that issue that we seek to ensure that we deal with it appropriately, and I am confident that we shall.

**Lewis Macdonald:** Do you understand that the concern about the wording is merely a reflection of the wider concern about the lack of targets and the lack of precision on what will be included in the energy efficiency action plan?

**Stewart Stevenson:** I think that I covered that in my previous remarks, but I acknowledge what Lewis Macdonald says.

**Marilyn Livingstone (Kirkcaldy) (Lab):** Given the important and effective contribution that microgeneration can make to reducing emissions, why has the Scottish Government not included targets on it? I will frame that with a question on fuel poverty. Increased use of microgeneration technologies, such as air-source heat pumps and solar panels, would particularly benefit the 30 per cent of the population who are off the gas supply and who pay really high prices for inefficient oil heating systems. How much of the proposed member's bill on microgeneration will be taken into account? That proposal has been put on hold until we see what happens with the bill.

**Stewart Stevenson:** I am not able to

respond in detail on Ms Boyack's proposed bill because it has not been published. When that bill is introduced, I will be able to make detailed responses on it. However, on the substantive question, power generation is a reserved matter, so we cannot deal directly with it. However, we can remove the inhibitions that make it difficult for people to install microgeneration technologies, and the work that we are doing on permitted development rights is geared to that. It is enabling work.

I am personally entirely familiar with fuel poverty and off-gas heat: fuel-oil heat, in essence. Because we had half a metre of snow, my wife managed to have a day without any fuel, which she did not enjoy much. However, we are changing the fuel poverty programme from April 2009 to allow microgeneration in a new energy assistance package. We are proactively seeking to engage people in that way.

Marilyn Livingstone also referred to air-source heat pumps. We have not yet included those in the changes in permitted development rights because of difficulties that we and the Westminster Administration are experiencing in getting an adequate definition of noise. In the countryside, such noise is probably not a big issue, but in urban settings it could be more significant. Additional work on air-source heat pumps and wind turbines is under way, which I hope will inform further changes that we could—I emphasise the word "could"—make later this year on permitted development rights.

**Marilyn Livingstone:** I may want to come back to that, but my next question is on skills. We have heard that 16,000 jobs are going to be created, but previous witnesses have told us that there would be skills gaps if we were to move to use of air-source heat pumps. If there are already skills gaps in the industry, how are you working with other departments to ensure that the required skills will be available across the industry?

**Stewart Stevenson:** The Scottish Higher and Further Education Funding Council has set up a renewables core skills group, which is dealing with that issue. That group includes representatives from the sector skills councils, Skills Development Scotland, the higher and further education sector and the power companies—Scottish and Southern Energy, Scottish Power and Scottish Renewables. In addition, the sector skills councils are doing research for the Government on long-term sectoral needs,

which covers all the issues that the member has raised, from installation of microgeneration to wind farm maintenance and marine energy contractors. We are certainly engaged on the issue and working with partners.

**Marilyn Livingstone:** In the evidence that we have taken, one of the main issues that has been raised with us across the board is the concern around the lack of skills. Something urgent needs to be done on that. What discussions have you and your department had with the bodies that you mentioned in order to press that point?

**Stewart Stevenson:** I have just spoken of the action that is being taken right now, which is drawing to the table the appropriate people. It is a question of striking the right balance between the increasing demand for the skills and the number of installations, and of getting the timetables synchronised. We expect the number of renewables installations to rise, although it will not rise like a cliff face the moment that permitted development rights are changed, but will ramp up over time. The action that we are taking right now is likely to be fit for purpose in that sense. The skills for the renewables sector will be included in the renewables action plan, which will be published no later than the end of June.

**Sarah Boyack (Edinburgh Central) (Lab):** I want to pursue the point about the development of microgeneration. I am conscious that, although we have national renewables targets, we do not have any householder renewables targets. The minister might want to consider that such targets would be a sensible way of driving the industry and driving the agenda for all Government agencies. It is now two years since Scottish planning policy 6 was introduced, which is about driving householder renewables and combined heat and power systems for new developments, but no research has been undertaken to monitor the implementation of that policy, nor do we have any research on retrofitting of microgeneration and householder renewables. Would a Scottish Government target help to push the agenda? Do you have an estimate of the contribution that microgen could make to achieving the Government's aspirations on energy efficiency and renewables?

11:15

**Stewart Stevenson:** I will step back to a

relatively high level and make a rather obvious point. Microgeneration is one contributor to improving the energy efficiency of dwellings and non-domestic buildings but, of course, it is not the only one. To an extent, we will achieve best success if we set targets for energy efficiency rather than mandate particular interventions that people must make.

That said, SPP 6 seeks to aid delivery of a 15 per cent reduction in CO<sub>2</sub> or other greenhouse gases. Such a reduction should be part of the material considerations in the planning process. Last year, we also issued guidance in planning advice note 84, which is entitled “Reducing Carbon Emissions in New Development”. One general difficulty is the lack of skills in carbon assessment among planning officials. That has been a constraint, but work is being done to address it.

Microgeneration is part of an overall policy framework. It is a key part of the considerations in the planning system.

**Sarah Boyack:** I know that the minister is enthusiastic about the agenda, so my question is meant to be helpful.

**Stewart Stevenson:** I will treat it as such.

**Sarah Boyack:** As one of the authors of SPP 6, I know that our political intention was to drive energy efficiency and use of whatever microgeneration, small-scale renewables or combined heat and power system was appropriate at the time. Two years on, I understand that implementation of the policy is not monitored. Do you even have a sense of how many local authorities have put the policy in their local plans? A survey by Friends of the Earth Scotland identified that hardly any local authorities had made progress.

The technology is well established and is moving ahead in the rest of the UK. The Department of Trade and Industry estimated that we could obtain 30 to 40 per cent of our electricity from such technologies. Do we have an opportunity to set national targets—the Government’s policy intention suggests that we do—for everybody to introduce such measures and to take a much more proactive approach in order to encourage local authorities to sign up to the agenda?

**Stewart Stevenson:** It is suggested that only eight of the 34 planning authorities are fully engaged in implementing SPP 6. I mentioned some of the difficulties, but we expect the policy to be implemented much more widely.

In a sense, we must be technology blind and not imagine that we can second-guess the developments in a range of microrenewables technologies. Debate continues about whether wind turbines in urban settings have a net carbon benefit—in rural settings, they probably do. On the other hand, it is pretty broadly accepted that photovoltaics and water heating from solar energy take a short time to provide a return on investments—I mean that in financial and carbon terms.

We must support the efforts to develop technologies. There will be technologies in , for the sake of argument, 2030 of which we know nothing today, which is why it is important that we create frameworks within which we can respond.

The challenge is for building designers, particularly in relation to new buildings, to choose what is appropriate for the building and design it to be energy efficient. For example, we know that a building that is a perfect cube offers less surface area for heat to escape than a long, low, single-storey building of equivalent volume does. Many compromises need to be made in building design. It is important that those who are responsible for that have opportunities to be innovative, and that we do not do things that can stifle innovation but create the wherewithal to show what requires to be done, and allow others to determine the appropriate technologies with which to do it.

**The Convener:** I wonder whether it is hip to be square, then.

**Stewart Stevenson:** It is now, convener.

**The Convener:** We need to move on to consider section 50, which is on the energy performance of non-domestic buildings. The Government has announced its intention in respect of building regulations to change the consultation’s target for new build carbon emissions reduction from 50 per cent to 30 per cent. Can the minister outline why the Government has decided on a lower target than was originally intended?

**Stewart Stevenson:** One of the key things that the Sullivan report said in that regard was that further work should be done on the costings. That work has been done and it informed our conclusion that we should at this stage consider a 30 per cent target for 2010. It may be useful if I quote something that we received in the past few days from Lynne Sullivan, who chaired the panel. She said:

*Economy, Energy and Tourism Committee, 3rd Report, 2009 (Session 3) —  
Annexe B*

"I'm pleased that the Scottish Government is acting on our report and has undertaken the 'costings' research recommendations. Since the Panel met over a year ago, the building and property industry throughout the UK is in a different financial position. The Minister's announcement of a 30% reduction in emissions for both new housing and non-domestic buildings is still an exemplary outcome, showing leadership in this vital area."

When she refers to the "exemplary outcome", she is of course highlighting the fact that we have the most challenging standards. I think that that is welcomed. It is simply a question of getting the right balance in working with the industry on its delivery capability. We would expect to see further requirements for improvement in energy standards in subsequent updates of building standards over the three-year cycle.

**The Convener:** I hear your answer, minister, but does it not suggest a lack of ambition in what we seek to achieve, given that the standards that we are trying to improve are among the poorest in the world? Certainly, compared with Scandinavia, our standards for domestic and non-domestic buildings are pretty poor.

**Stewart Stevenson:** I would take issue if I may, convener, with the suggestion that we have the poorest standards. On the contrary, we have in many ways led many other jurisdictions to follow our example. One of the interesting things about the panel that was brought together for the Sullivan report was that we brought people from Scandinavia and Austria to participate in it. Interestingly, they were astonished at how much ahead of them we were in certain respects. We had expected much more of a one-way street in that they would be informing us of their progress—they made a substantial contribution—but all three people on the panel took away substantial experience from Scotland. At the moment, we are probably only marginally behind Finland, and our minimum standards for insulation are substantially better than those in Denmark, for example. Far from our standards being poor, by setting the target of 30 per cent on top of what we have already done, we are setting standards that are higher than anywhere else in the British Isles and in the majority of jurisdictions in Europe.

**Ms Alexander:** Given that this is the only opportunity to legislate on the matter that is likely to arise in the current session of Parliament, should enabling provisions be included in the bill to increase energy efficiency in the domestic sector as well as in

non-domestic buildings?

**Gavin Peart:** Do you mean for existing dwellings?

**Ms Alexander:** Yes—in relation to section 50.

**Stewart Stevenson:** I think that we have within our competence the necessary powers to go forward.

**Ms Alexander:** So, in the Government's view, the standard is appropriate for non-domestic buildings but inappropriate for domestic buildings.

**Stewart Stevenson:** Sorry?

**Ms Alexander:** I am probing the distinction between domestic and non-domestic buildings.

**Stewart Stevenson:** We have set the same targets for both.

**Gavin Peart:** That is for new buildings.

**Ms Alexander:** Yes, but I am talking about the retrofitting of existing buildings.

**Stewart Stevenson:** We believe that we can make the necessary progress under the existing legislation. Nonetheless, I am always happy to be advised if there is a particular inhibition in our legislative competence or powers that we have not spotted. I would be happy to hear now or later from Wendy Alexander or the committee on that subject. It is certainly not my intention to deprive myself or my successor ministers of powers to take necessary action.

**Lewis Macdonald:** I have a follow-up question on the separation of domestic and non-domestic buildings in relation to general permitted development rights. You have drafted a provision—albeit a limited one—in relation to the domestic sector, but you intend to address the non-domestic sector separately. Can you explain why? What are the differences that, in your view, justify a separate process for the non-domestic sector?

**Stewart Stevenson:** Lewis Macdonald must remember that non-domestic buildings will be on a different scale from domestic buildings—although that is, inevitably, a very general statement—and a different process will be needed to make a substantial contribution to changing their energy efficiency. For example, the retail distribution centres in West Lothian are immense, and that would probably be something that we would want to pursue through the normal

planning system. There are successful examples: for example, rainwater recovery systems have successfully gone through the planning system in West Lothian, and the Michelin factory in Dundee has wind turbines that are substantially larger than we would allow through permitted development rights, which have successfully gone through the planning system. A range of things can be done.

To be candid, the scale of what can be done under it makes the provision that we have drafted for domestic buildings of limited value in relation to non-domestic buildings. I am open to ideas about the matter, although we might cross an important line if we were to open up the process to non-domestic buildings. We are seeking to allow people, without their having to go through the planning system, to make changes that will generally not be regarded as a problem by neighbours, or in terms of their visual impact. The things that people might want to do for larger non-domestic buildings would probably fail that particular test.

11:30

**Lewis Macdonald:** If I understand the answer correctly, it is less encouraging than I had hoped it would be. I had expected you to address the differences and suggest that you would provide general permitted development rights in certain respects for non-domestic buildings, but you seem to be saying that you do not see a case for general permitted development rights for them, at all.

**Stewart Stevenson:** No—I am not seeking to say that. If we were to apply to non-domestic buildings exactly the same rules that we have applied to domestic dwellings, the impact of such development would be substantially less. That is a rather obvious point, because of the constraints on the height and location of wind turbines and the fact that one can have only one of them. The constraints are probably less onerous in relation to things such as photovoltaic technology and solar water heating. Nonetheless, the benefits are different, simply because in non-domestic buildings we are dealing with a much more diverse range of buildings in terms of geography, size and purpose. The planning system has not thus far been shown to create major problems for non-domestic buildings in that regard. Generally, when changes are being contemplated for non-domestic buildings, it is often the case that that is part of a wider set of changes that the owners of the buildings

are making. For example, with regard to a building that I visited in West Lothian, substantial investment was made in ways of collecting rainwater, which could then be used in processes inside the building. That does not directly relate to climate change, of course, although reducing water usage is helpful. The planning system appears to be responding to the agenda, although I am happy to listen to views to the contrary.

**Lewis Macdonald:** You would not rule out general permitted development rights.

**Stewart Stevenson:** I would not wish to rule anything out; I am just saying that there is less scope for that.

**Lewis Macdonald:** In some senses, you seem to be implying that there is more scope, because a renewable unit at a large non-domestic building clearly has a much greater carbon-saving impact than one at an individual house.

**Stewart Stevenson:** I am absolutely happy to accept that point, because it is self-evidently true. If you can cover the south-facing roof of a large warehouse with a photovoltaic array or solar water-heating apparatus, that will make a substantial contribution, and is something that we would wish to encourage. I am simply dealing with the narrow point of whether that should be covered by the planning system or by permitted development rights. I am not in any sense trying to deny that that would be a good thing to do. I absolutely accept that it would be.

**The Convener:** Turning to my hobby-horse topic of the enhanced energy performance certificates, is the minister in a position to give us an indication of the policy direction of the Government in relation to EPCs? The seven scenarios that are included in the documentation with the bill range from having a fairly limited enhanced EPC that would accompany the sale or rent of larger public buildings, with additional guidance, through to enhanced EPCs for all non-domestic buildings, with compulsory uptake of recommendations. That is a fairly broad scope. Could you give us an indication of what level the Government intends to go for?

**Stewart Stevenson:** We expect to publish the response to the consultation next week. In the early years, we are likely to think in terms of option 2. However, if we do not make the appropriate progress, we think that a policy that follows the lines of option 5 is likely to be pursued. We are making progress

in that regard.

**The Convener:** So, if insufficient progress is made under a regime that involves increased guidance and the promotion of the uptake of recommendations for larger buildings, the intention is to move over time to a regime under which there would be compulsory uptake of recommendations for all buildings.

**Stewart Stevenson:** We will be driven by the outcomes that we achieve. In other words, compulsion will be necessary if the outcomes are not achieved. That is rather self-evident. However, this agenda is so important that we would not wish at this stage to rule out for ever and absolutely the use of compulsion.

**Marilyn Livingstone:** Who would police that? Who would the enforcement body be?

**Gavin Peart:** The bill leaves it open, but we have certainly had some dialogue with the Convention of Scottish Local Authorities on that point, and there has been a lot of support for local authorities being involved in the enforcement side of things.

**Marilyn Livingstone:** What would be the cost of that? Has that been discussed?

**Gavin Peart:** We are considering a system of penalty charge notices, which would mean that the cost would not affect local authorities too much, as they could recoup the costs of the actions that they took.

**Stewart Stevenson:** To make the obvious point, until we bring forward a proposal, we are not formally making any response on the issue of costs. However, it is not our intention to create burdens for local authorities that they would be incapable of bearing. That would run entirely against the spirit of the Government's desire to work as equal partners with local government.

**The Convener:** You say that you are considering going for scenario 2. The explanatory notes say that the average annual cost to the private sector of that option could be as much as £9.6 million, and would cover

"the commissioning of building surveys, calculating energy and carbon performance of buildings, formulating action plans and carrying out building work."

Under scenario 5, that cost could rise to £64.7 million. What are the differences that account for that rise? Is the difference to do with additional bureaucracy, or does it involve additional work being done on

buildings, which would, presumably, result in better energy efficiency?

**Gavin Peart:** It comes from the work that would be done on the buildings.

**The Convener:** So you would get more bang for your buck from scenario 5 than scenario 2.

**Stewart Stevenson:** Well, you clearly get more bucks for your bang.

In engaging with the issue in detail at this stage, we are attempting to anticipate what we will bring forward. Our position does not represent a commitment on where we will end up. However, it is proper that we inform people of our direction of travel. As I said, we will publish the results of the consultation process next week, and you will then have an opportunity to read what has been said on the subject. The issue of the costs for all the parties concerned will be an important part of determining what direction we end up taking.

**The Convener:** We would welcome seeing a copy of the responses to the consultation, but we would also like to see the impact assessments that have been done and an indication of what energy efficiency improvements you would expect to be made in non-domestic buildings as a result of each of the scenarios in the explanatory notes. It will be hard for us to judge whether the Government's decision to go for scenario 2 is correct if we do not know how it compares to the other scenarios in terms of improvements to energy efficiency, which is what the bill is about.

**Stewart Stevenson:** As I said, the explanatory notes reflect our thoughts at the moment. In due course, we will announce our definitive position, with the information that committees such as this one will need in order to make the necessary judgments.

**The Convener:** With respect, that information will be necessary if we are to make a realistic judgment about whether what is in the bill is adequate for it to complete stage 1.

**Stewart Stevenson:** Sorry, was that a question?

**The Convener:** It was a statement with an implied question mark at the end of it. Do you accept that we need that information to be able to judge whether section 50 is adequate?

**Stewart Stevenson:** I return to a point that I have made before. The bill is a framework

bill. The details of how its provisions will be implemented will largely be in secondary legislation. When the Government presents secondary legislation or policy documents, committees and parliamentarians generally will be able to probe the accompanying explanations and justifications, as is appropriate.

**The Convener:** With respect, it is for the Parliament to decide whether what is in the bill at stage 1 is adequate. An indication of where secondary legislation is likely to go is a key aspect of any stage 1 consideration of a bill.

**Stewart Stevenson:** I add a tiny wee point. I should have said earlier that we plan to provide the lead committee with a range of draft secondary legislation at stage 2. That is one reason why I said that it would not be a great surprise if there were further committee engagement at stage 2.

**The Convener:** I repeat the point that the Government has to get the bill past stage 1 before it can get to stage 2.

**Christopher Harvie (Mid Scotland and Fife) (SNP):** I want to ask about non-residential buildings, with special reference to supermarkets and the bundle of energy issues connected with them. Scotland has seen a revolution in its retail landscape over the past decade. Large out-of-town supermarkets have been reported to contribute more than 5 per cent of Scotland's energy emissions.

When you consider such buildings, will you be considering only the buildings? These are buildings that have to be warmed and cooled at the same time, but they are also at the centre of a system that emits a great deal of carbon, with freight transport going in and motor car traffic going in and out. Will you be considering alternative methods of organising retail so that it has a less deleterious impact on the atmosphere?

**Stewart Stevenson:** Today's evidence session is about particular parts of the Climate Change (Scotland) Bill. I am sure that the member, and other committee members, will have noticed our intention to include international shipping and aviation in our considerations. Clearly, that will address part of the freight issue. We are also investing substantially in the railway network. Continuing the policies of the previous Administration, we have a range of freight grants. If I recall correctly, no Administration so far has been able to spend its entire

budget for freight grants. We are therefore encouraging people to come forward with more and better applications.

The member asked about the location of supermarkets and about travel to them. The challenge is undoubtedly large. As far as we are able, we want to ensure that public transport to out-of-town shopping centres is improved.

The member also mentioned heating and cooling, which are taken into account in the national calculation methodology, which has to implement the European Union directive on the subject.

The member has raised some pretty big issues, but he should be content that they are on the radar and come within the range of what we are trying to do.

**Christopher Harvie:** An almost analogous situation is the consumption of energy in defence establishments. I was recently in St Andrews and heard a tremendous racket coming from the air base at Leuchars, which was a jet engine being tested—God knows what the carbon consequences of that were. With large defence establishments in Scotland, the buildings probably account for only a fraction of the energy use, given the energy demands of transportation to and from the establishments and the testing of equipment. To what extent are you capable of influencing that?

11:45

**Stewart Stevenson:** The carbon reduction commitment applies to defence establishments. Therefore, notwithstanding the potential for matters such as Crown immunity to come into play, at UK Government level—I am not responsible for what goes on in defence establishment territory in general terms—the subject is inside the tent of the broader agenda that is being pursued. I suspect that we might be travelling slightly away from where the committee hopes to go, but I am happy to respond in those terms.

**The Convener:** It might be encouraging for Christopher Harvie to know that at least the fuel for the Royal Air Force base at Leuchars comes in by train and is then piped into the base. That is one positive aspect.

We will move on to section 51.

**Gavin Brown:** When the committee considered the bill previously, the issue of council tax rebates for renewable heat and

other efficiency measures was raised. There has been success south of the border with that type of initiative. At that previous meeting, the Government's position was that the council tax was to be replaced by a local income tax, on which there was to be a great announcement a week later. Given the content of that announcement and the fact that the council tax will remain, certainly for the parliamentary session, will the Government revisit the issue of a council tax rebate?

**Stewart Stevenson:** We have indicated that we seek to freeze the council tax for the duration of the parliamentary session. The freeze is a huge contribution to the domestic economies of the houses concerned. The member is right that our proposals for a more equitable, income-based way in which to fund local government are merely deferred and not abandoned. It is worth saying that stakeholders have not raised the issue with us. There is a plan to produce a renewable heat incentive, which is probably an easier and more appropriate approach.

**Gavin Brown:** The council tax freeze is welcome, but it is not linked directly to energy efficiency or renewable heat. The issue has been raised by stakeholders, which is why the Government, via Colin Imrie, the deputy director of the Government's energy markets division, responded to the committee directly on the matter. I take issue with the point that the matter has not been raised. Given the success south of the border, will the Government at least examine the results there and reconsider the possibility of a council tax rebate?

**Stewart Stevenson:** I am always happy to consider these matters and work with my ministerial colleagues on the subject. However, the member should accept that, for the time being, we are focusing our efforts on a council tax freeze. The important point is to support people who wish to make their houses more energy efficient or to install microrenewable technologies. We already have a range of measures in place through the Scottish community and householder renewables initiative, the Scottish rural development programme, the energy saving Scotland network, small business loans and the public sector central energy efficiency fund. There are also broad enabling powers in the Energy Act 2008 to establish a renewable heat initiative, and further work is being undertaken on that.

**Lewis Macdonald:** The Energy Saving

Trust has done research that has shown the effectiveness of council tax rebates. Surely you are not saying that because you have accepted a delay in your plans on local government taxation, the opportunity to promote energy efficiency through fiscal incentives should simply be abandoned.

**Stewart Stevenson:** We can promote energy efficiency in a positive way by supporting changes that can be made. We are considering other options, including loans and cashback offers. There is a variety of ways of proceeding on this agenda. We are quite open-minded but, within a constrained financial position, we have to come to conclusions about which intervention will deliver the biggest bang for the buck, to use a phrase that has already occurred in the meeting.

**Lewis Macdonald:** The minister will be aware that Northern Ireland has followed England and Wales in going down that track. They clearly regard it as a positive and effective way to promote and incentivise people to take up renewables, microrenewables and energy efficiency.

**Stewart Stevenson:** It is for each Administration to take its own view. I will look with great interest at what happens in other jurisdictions. From time to time, I meet other ministers and, more often, I discuss with other ministers what approach they are taking.

**Lewis Macdonald:** It is completely understood that decisions on local government taxation in the next parliamentary session will be taken in the context of that session. In the meantime, would it not show a degree of urgency in promoting energy efficiency to follow the route, for the next few years, that has been taken by those other Administrations in the United Kingdom for the foreseeable future?

**Stewart Stevenson:** We will look with interest. We have other interventions.

**Lewis Macdonald:** That does not sound terribly urgent.

**Stewart Stevenson:** I do not think that I have more to say.

**Sarah Boyack:** Without great hope or expectation of getting a different answer from the minister after those detailed questions, I ask him to consider the fact that, last week, we had a very good presentation from his officials at the cross-party group on renewable energy and energy efficiency.

Their ideas for the energy efficiency work that will be funded by the Scottish Government look similar to work that is being done by the power companies and local authorities south of the border, which have flexibility to choose from a range of options, including council tax rebates. Will the minister consider giving us similar flexibility here? It would require primary legislation to give local authorities that opportunity. When I consulted on the issue for my member's bill, I received a strong response from local authorities in favour of having that flexibility and the option of working with power companies. That is, in a sense, a plea to the minister.

I go back to Lewis Macdonald's point. Primary legislation now would not prejudice any changes that a future Government wanted to make to the taxation system. We have an opportunity to do something now. It would be worth while for the minister to consider the evidence submitted by those organisations that argue that the issue should be on his agenda.

**Stewart Stevenson:** We are pursuing a substantial range of options. This minister, by instinct, is a copyist—if there is a good idea elsewhere, I will grab it with both hands, and both feet as well if that is necessary.

**The Convener:** Section 51(1) says:

"Ministers must take such steps as they consider appropriate to promote the use of heat produced from renewable sources."

One of my colleagues described that—perhaps rather kindly—as "a bit woolly". In response, the official, who is here again today, said that the Government intended, subject to ministerial approval,

"to turn that into an obligation to produce an action plan and update it regularly."—[*Official Report, Economy, Energy and Tourism Committee, 4 February 2009; c 1541.*]

Has the minister approved such an amendment at stage 2?

**Stewart Stevenson:** The process is slightly more complex than the minister simply issuing a fiat on the subject. The consultations on what we will introduce at stage 2 are in progress. I can assure the member that that is one of the issues that are being considered.

**The Convener:** That answer is almost as woolly as section 51(1).

**Stewart Stevenson:** It is the best answer that I am able, procedurally, to give you at

this stage.

**The Convener:** I would be grateful if you could update the committee on that as soon as you can. It would be helpful for any recommendations that we wish to make on the matter.

I have a final question, which might or might not relate to this section—I am slightly confused. The issue of combined heat and power does not appear in the sections that we are discussing. Does it fall into those sections, or should one of the duties of the Government under the bill be to promote combined heat and power, whether from renewable resources or otherwise, given the greater efficiency and reduction in carbon emissions that it can provide?

**Stewart Stevenson:** Again, we return to the word "promote". Of course, energy, as such, is not within our competence. We are engaged with the issue of biodiesel—or biofuels generally. We have been supportive of a number of initiatives, which we expect to see reflected in our action plans.

**The Convener:** I am not sure that that answers my question.

**Lewis Macdonald:** On Monday, the committee visited the Aberdeen combined heat and power plant and saw the benefits for users. That is extremely positive, but an issue that arises is the lack of capital to extend the approach to other areas that did not have the foresight that Aberdeen had six or seven years ago, when the plant was established. In the context of which action plan does the minister expect further steps to be taken in that regard? Will that include a commitment of resources by the Scottish Government to make that possible?

**Sarah Hart (Scottish Government Business, Energy and Enterprise Directorate):** We are currently consulting jointly with the UK Government on heat and energy saving, which includes the issue of combined heat and power. The renewable heat action plan will also look at the renewable heat element. On the steps that we need to take—we are not quite at that stage—as part of the action plan we are considering where we need to go to mainstream that sort of technology where possible.

**Lewis Macdonald:** That is helpful. On the capital funding of schemes and setting resources aside, will there be some adjustment to the financial memorandum to reflect the commitment to put Government

support behind schemes of that kind?

**Stewart Stevenson:** This is not the time or place for me to anticipate the cost of outcomes or to make any commitments in that regard, but if what we bring forward by working with the UK Government—it is important that there is partnership working on that—has financial implications, of course we will have to share them with Parliament.

**Ms Alexander:** I want to ask the minister about the accuracy of the financial memorandum. I appreciate fully that the bill is in many respects an enabling piece of legislation, but might there be merit in revising the financial memorandum? The memorandum states currently that the duty to promote energy efficiency in its wide sense is “part of current planned activity”

and, as such,

“is not expected to give rise to additional resources”.

It seems to me that that sentence is completely incompatible with the number of plans that we expect to be forthcoming in the coming months. We have had a meaningful debate about whether there should be duties in the bill or whether it is appropriate to put those in secondary legislation. However, whichever route is taken, the statement in the financial memorandum that the Government has laid before Parliament that the duty to promote energy efficiency is

“part of current planned activity”

is incompatible with the evidence that we have heard today.

It would be in the interests of Parliament if you would produce a revised financial memorandum, acknowledging that there are areas that cannot yet be specified but stating that there are actions that will have financial consequences, given the number of new action plans that we envisage. Otherwise, the financial memorandum process is simply a nonsense. As a convener of the Finance Committee in the previous session, I do not think that any of us has an interest in having a financial memorandum that states the situation as it does currently. I invite the minister to go away with his officials and reflect on whether a revised financial memorandum might be appropriate—it might lack specificity, but it would at least be accurate in identifying that future costs would be forthcoming.

12:00

**Stewart Stevenson:** I do not want to trade words, but I do not think that financial memorandums claim to be accurate. They claim to be estimates, which is a rather different thing. Accuracy is what we see from outcomes. Inevitably, financial memorandums are an attempt to look forward to the implications of what is done. There is judgment, but they are not absolutist. I just make the general point that financial memorandums give the best available figures, or they should do. I am happy to continue to engage.

In general terms, the comment that is being made is simply that there are no costs associated with the development of the action plan. That is all that we are saying. If any costs derive from the implementation of the action plan, we will of course identify them and bring them forward for the usual financial scrutiny. In a strict sense, one is supposed to produce a revised financial memorandum in response to changes that are made to the bill, rather than in response to changes to the view. However, I am entirely comfortable with the idea that we should continue to engage and to consider the financial costs that are associated with what is a framework bill to take us to 2050.

I return to the point that financial memorandums always give us the best available estimates, and in many cases a range of possible outcomes. To pretend that they tell us exactly what the numbers will be when we review them after the event—in this particular case, and probably in the generality—is a little optimistic.

**The Convener:** When we started the meeting some time ago, I suggested that Nigel Don, who is substituting for another member today, is a utility player. He will take the role of sweeper on the issue.

**Nigel Don (North East Scotland) (SNP):** Utilities might be fairly close to where I am coming from.

When the bill is done and dusted and our grandchildren are reflecting on what we did, they will see an act of Parliament sitting on the shelf, on bits of paper—maybe we will not even be using paper by then. It seems to me that what they will see around them are structures that were built with less energy, structures that are better insulated, and energy utilities that are more efficient. I will take those things in order.

First, what I heard this morning is that

building regulations are being tightened up to reduce the amount of energy that is used in the process and, presumably, to improve insulation. Am I right in thinking that what you are working on affects both domestic and non-domestic buildings in that regard?

**Stewart Stevenson:** Yes.

**Nigel Don:** Secondly, are you aware of any inhibitor in the current regulations that prevents people from insulating either domestic or non-domestic buildings in a sensible way?

**Stewart Stevenson:** Well, I cannot write a blank cheque on that, because, for example, listed buildings and buildings in conservation areas are subject to particular regulations. In the generality, however, the answer is no. There are no inhibitions that are material. That is a rather qualified answer, but deliberately so.

**Nigel Don:** Thirdly, I return to a point that Lewis Macdonald made. We saw Aberdeen's combined heat and power system, which has the huge advantage of being a vastly more efficient process thermodynamically. The minister will be well aware of that. Does the bill contain any inhibitions to the development of such systems? Given that I do not think that there are, what does the Government propose to do to maximise the thermodynamic efficiency of our heat generation, in so far as it is within its gift to do so? I recognise that energy production is a reserved matter.

**Stewart Stevenson:** We already have grants for district heating schemes through the community grants scheme, and we have the Scottish business heat scheme. The issues that arise from having power and heat generation close to domestic dwellings are simply environmental ones that are dealt with in the normal way through the planning process. If emissions are closer to domestic dwellings and indeed offices, there are issues that might not be present when they are much further away.

**The Convener:** I am conscious that the minister is constrained by time as he has a flight to catch—I hope that he has paid the carbon offset.

**Stewart Stevenson:** We have.

**The Convener:** I am glad to hear that.

**Stewart Stevenson:** I would prefer to take the train, but on this occasion I cannot.

**The Convener:** We have not been able to

get to one or two questions. I presume that the minister would be happy to take those in writing and to get back to us on them as quickly as possible.

**Stewart Stevenson:** Absolutely. I am grateful for your co-operation—my meeting in London is at 3.30.

**The Convener:** You will struggle to get back for decision time.

I thank the minister and his team for their attendance. The committee will continue to take an interest in the bill as it goes through the parliamentary process. We will have a short suspension to allow the minister's team to depart.

12:05

*Meeting suspended.*

12:08

*On resuming—*

**The Convener:** If members have any outstanding questions that they want me to put to the minister, they should let the clerks have them as soon as possible. I will ask for a single sheet from the Government outlining all the consultations that are currently taking place and the papers that have been produced by the Scottish and UK Governments.

**Ms Alexander:** I would like a matrix diagram. I tried to produce one myself last week with little boxes but failed miserably.

**The Convener:** I was going to say that we might ask for a Jim Mather mind map, but that might be too complicated for all of us.

We will ask the Scottish Government to outline the timescales for both the UK and Scottish Government consultations, so that we can have a clear picture of what exactly is going on out there, which will also help for our energy inquiry. Please pass any other questions to the clerks.

## **ANNEXE C: WRITTEN EVIDENCE**

### **WRITTEN EVIDENCE SUBMITTED TO THE LEAD COMMITTEE**

In addition to the written evidence set out below, the lead committee for consideration of the Bill – the Transport, Infrastructure and Climate Change Committee – received a number of submissions of written evidence that are relevant to sections 48-51 of the Bill. These can be found at—

<http://www.scottish.parliament.uk/s3/committees/ticc/inquiries/ClimateChangeScotl andBill-responsesetocallforviews.htm>

### **LETTER FROM COLIN IMRIE, SCOTTISH GOVERNMENT (DATED 9 FEBRUARY, 2009)**

At the evidence session on 4 February 2009, I agreed to provide the Committee with clarification over a number of points which had been raised in relation to the energy efficiency and renewable heat provisions contained within the Climate Change (Scotland) Bill.

#### **Q1: Mock regulations for the non-domestic building energy efficiency regulations**

A mock up for regulations for Section 50: Energy Performance of non-domestic buildings will be provided for Stage 2 of the Bill.

#### **Q2: Section 179 Housing Act**

The Committee asked for clarity as to why it was necessary to remove this existing provision which is believed to be stronger than the general promotion duty contained within the Climate Change Bill. The aim of the energy efficiency provision is to promote energy efficiency across all sectors in Scotland, not only housing. This provision will cover policy and actions across all Scottish Government directorates. The reason for the choice that the Bill would “promote” rather than “improve” was due to initial concerns raised over the Government’s legislative competence to “improve” energy efficiency across all areas, as this may stray into the reservations set out in the Scotland Act.

It was never the intention that the repeal of section 179 of the Housing Act and its replacement by section 48 of the Climate Change Bill would remove the commitment to “improve” the energy efficiency of living accommodation. This can be discussed further prior to Stage 2, to ensure that the new provision continues to support the improvement of the energy efficiency of living accommodation.

#### **Q3: Why have permitted development rights not been given for non-domestic buildings?**

As announced in the parliament by Stewart Stevenson today, the relevant Amendment Order [the Town and Country Planning (General Permitted

Development) (Domestic Microgeneration) (Scotland) Amendment Order 2009] was laid before the Scottish Parliament on Friday 6th February 2009. It will now be considered by the Subordinate Legislation Committee and the Local Government and Communities Committee.

Priority is being given to domestic buildings but the intention is to consider non-domestic buildings next. The variety of non-domestic building types, plus the large size of many non-domestic buildings and the consequent scale of microgeneration equipment, indicate that different issues may need to be considered compared to domestic buildings.

#### **Q4: Scottish Planning Policy 6 / Merton Rule**

The committee asked:

*How is SPP6 being applied on the ground in Scotland?*

The policy in SPP6 expects measures to reduce carbon dioxide emissions to be incorporated into building design before the planning application is submitted to the planning authority. Advice has been issued to help applicants do this (see Planning Advice Note 84 Reducing Carbon Emissions in New Development) but applications and decisions are not monitored centrally. It is for planning authorities in their determination of planning applications to apply the SPP policy, taking account of other material considerations. Some authorities apply their own policies to reduce emissions, and these do not necessarily follow exactly the wording used in the SPP.

#### **Q6: Are there any plans to extend the requirements of SPP6? (e.g. to cover developments below 500 m<sup>2</sup> or by increasing the 15% CO<sub>2</sub> emissions reduction using Renewable Energy)**

SPP6 already provides that planning authorities should use the process of preparing their development plans to consider whether local circumstances justify going beyond 15%, below the 500 sq metre threshold, and whether higher standards can be secured for particular developments. The policy target of 15% on-site renewables in SPP6 founds on the 2007 Building Standards and so a review will be necessary anyway when they are revised.

The Scottish Government is rationalising the current series of Scottish Planning Policies, including SPP6, into a single document. This is not a review of established national planning policy but will rationalise policy, expressing it in more concise terms, providing clarity and greater certainty of intended outcomes. This will require a different approach to expressing and explaining national planning policy but the policies will not be altered unless, for an individual topic, some adjustments are considered necessary.

The energy efficiency of all new buildings is addressed through the building standards system, which limits both carbon dioxide emissions and energy demand. Scottish standards are currently the most demanding in the UK. A further review of these standards is presently underway, investigating

improvements recommended in The Sullivan Report – ‘A low Carbon Building Standards Strategy for Scotland’. Research to support the current review indicates that, in the majority of cases, low and zero carbon technologies (including microgeneration) will be essential to meet the next revision to the energy standards.

#### **Q7: Renewable Heat**

The issue of Council Tax rebates and other financial incentives for renewable heat was raised. Under current local government legislation, councils in Scotland do not have the same level of discretionary powers to offer council tax discounts as councils in England. To give Scottish councils similar powers would require primary legislation. The Scottish Government is fully committed to the abolition of the Council Tax and therefore this proposal does not sit with our policy intentions. Following the recent consultation exercise, we will outline shortly how we intend to take forward our plans to introduce a fairer local tax for Scotland.

We already offer financial incentives through the Scottish Community and Householder Renewables Initiative, the Scottish Rural Development Programme, the Energy Saving Scotland small business loans and the public sector Central Energy Efficiency Fund. Broad enabling powers are in place in the Energy Act to establish a Renewable Heat Incentive (RHI). The Department for Energy and Climate Change, in consultation with the Devolved Administrations is conducting further analysis on how effective different structures for the RHI might be in encouraging more renewable heat generation. This work will form the basis of a consultation to be launched later this year on the design and delivery of the scheme. It is important therefore that we understand the detail of how the incentive will work before considering whether additional regulatory or financial measures will be required in Scotland.

**Colin Imrie, Deputy Director, Energy Markets Division, The Scottish Government**

#### **LETTER FROM STEWART STEVENSON MSP, MINISTER FOR TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE (DATED**

I refer to your letter requesting additional information as a follow up to my appearance before the Economy, Energy and Tourism Committee on 4 March 2009.

The questions and their responses are contained in Annex A. I have also taken the opportunity to provide additional information for the Committee on Stage 2 amendments for Chapter 3 of the Bill and this information is contained in Annex B.

I do hope this information is helpful. I am also copying this letter to Patrick Harvie of the Transport, Infrastructure and Climate Change Committee.

**Stewart Stevenson**

**Annex A**  
**Climate Change (Scotland) Bill – Part 5 Chapter 3**  
**Additional information for the Economy, Energy and Tourism Committee**

Question reference	Question	Response
General (1)	<p><i>What do you consider to be reserved and what is considered to be devolved and where are the boundaries in terms of the policies you wish to pursue?</i></p>	<p><u>Energy Efficiency – Sections 48 &amp; 49</u></p> <p>The Scotland Act 1998 devolves powers to the Scottish Ministers concerning “the encouragement of energy efficiency other than by prohibition or regulation”</p> <p>Energy efficiency as it relates to energy markets is a reserved matter. This includes demand management/greenhouse gas mitigation measures such as the Carbon Emissions Reduction Target (CERT) and the Climate Change Levy and the proposed Community Energy Savings Programs.</p> <p>These programs provide the primary support for households and businesses in the UK to undertake energy efficiency improvements. The Scottish Government’s approach is to maximise action from these schemes in Scotland by deploying its own funds to leverage greater action on the ground. The Scottish Government considers that this is the most cost effective way to make important progress in improving the energy efficiency of existing homes in relation to a reserved area.</p> <hr/> <p><u>Energy performance of non-domestic buildings – Section 50</u></p> <p>The regulation of building standards and the assessment of the carbon and energy performance of buildings are devolved matters.</p> <hr/> <p><u>Renewable Heat – Section 51</u></p> <p>There is no reference to heat in the Scotland Act 1998. It is considered a devolved area and therefore Ministers have the powers to promote renewable heat.</p>

<p>General (2)</p>	<p><i>In relation to the above, will it be necessary to restrict the types of initiatives you wish to pursue as a result of certain matters being considered reserved and if so, what are these initiatives?</i></p>	<p><u>Energy Efficiency – Sections 48 &amp; 49</u></p> <p>The Scottish Government considers that it is not necessary to restrict the types of initiatives it wishes to pursue as a result of certain matters being considered reserved. For example the Scottish Government is working to improve the energy performance of existing homes through working closely with energy supply companies to better deliver CERT measures in Scotland.</p> <p>There are constraints on the CERT scheme which can limit its deployment in Scotland, for example the Scottish Government is constrained in relation to CERT as it cannot provide ‘top-up’ funds for those measures where CERT will not cover 100% of the direct costs. Nor can the Scottish Government directly change the CERT rules so as to address the specific factors that make CERT delivery in Scotland more challenging.</p> <p>As mentioned previously, however, the approach the Scottish Government is taking in these instances is to work closely with the energy companies through the Energy Saving Scotland Advice Networks to systemically introduce closer working relationship with insulation installers to drive the uptake of CERT insulation measures. The Scottish Government has also made representations to the UK Government on the differing nature of the housing stock in Scotland compared to England and how this therefore impacts upon the uptake of CERT measure in Scotland. The Scottish Government is confident that this approach will help to ensure that Scotland gets its fair share of CERT activity.</p> <hr/> <p><u>Energy performance of non-domestic buildings – Section 50</u></p> <p>Because it is considered that the regulation of building standards and the assessment of the carbon and energy performance of buildings are devolved matters, activity in these general areas is not considered to be</p>
--------------------	--	---

		<p>restricted by the reservations in the Scotland Act 1998.</p> <p>Renewable Heat – Section 51</p> <p>The Renewable Heat Action Plan will cover measures where Ministers have devolved powers, including: awareness raising and consumer information; skills needs, and encouragement.</p> <p>A regulatory incentive (i.e. an obligation on fuel suppliers) is being developed by the UK Government following the passage of the Energy Act 2008. That Act contains provisions which cover devolved matters. These were subject to a Legislative Consent Motion to enable Scotland to benefit.</p>
<p>General (3)</p>	<p><i>What advice the Scottish Government has asked the UK Committee on Climate Change for in relation to the provisions contained in Chapter 3?</i></p>	<p>The Scottish Government is currently working, through the Committee on Climate Change’s Sponsor Group (which includes the UK Government and Devolved Administrations) to agree the Committee’s corporate plan for 2009-12.</p> <p>In the first instance, the Committee will advise the Scottish Government on the levels it recommends for annual emissions targets. Its views will also inform the methodology adopted to specify a “Scottish share” of emissions from international aviation and international shipping.</p> <p>The Scottish Government is currently considering the information contained in the Committee on Climate Change’s December 2008 report as it relates to Scotland. We have not, to date, requested any specific advice in relation to the provisions contained in Chapter 3 of the Bill. These areas are being considered as part of the Strategic Overview which is described in the response to question (5).</p>

<p>General (4)</p>	<p>Given that the Cabinet Secretary for Finance and Sustainable Growth has pledged to generate 16,000 'green jobs', can you specify how this figure was arrived at and provide a breakdown by different types of technology (e.g. wind, wave, insulation installation etc) and the types of jobs that will be created and, therefore, the types of skills needed? Can you also specify the timeframe for meeting the pledge of 16,000 jobs?</p>	<p>The estimate of 16,000 new green jobs in Scotland by 2020 is based on the UK Renewable Energy Strategy consultation document, which cited a figure of 160,000 new renewable energy-related jobs in the UK by 2020. The estimate assumes that Scotland achieves a 10% share of jobs created across the UK.</p> <p>We consider, however, that the Scottish Government's renewables targets, combined with Scotland's natural resource, energy infrastructure and skills mean that we can go higher than this estimate. The UK estimate is based on an analysis of the potential expansion in centralised renewable electricity generation, renewable microgeneration and domestic biofuel feedstock and refinery activities necessary to meet the EU renewable energy transport targets.</p>
<p>General (5)</p>	<p><i>Can the Minister outline what are the expected contributions from energy efficiency, non-domestic buildings and renewable heat in terms of meeting the various targets set out in the bill?</i></p>	<p>Through the Strategic Overview project, the Scottish Government is working to build up a picture of how and when emission reductions might take place over the next 40 years, setting out in broad terms the key sectors for abatement in the short, medium and long term identifying where the major carbon savings could be made, highlighting the key milestones and actions in delivering the these savings and the barriers to implementation. A discussion document covering these issues is planned for publication in the summer of 2009.</p>
<p>Section 48 Question (1)</p>	<p><i>Apart from living accommodation, which other policies and actions will be covered by the requirement to promote energy efficiency? Will it be necessary to restrict the policy areas covered by the action plan in order not to stray into reserved matters?</i></p>	<p>It is envisaged that the Energy Efficiency Action Plan will include Government policies and actions to promote energy efficiency across all sectors. Whether or not it will be necessary to restrict the policy areas covered by the action plan will depend on the exact nature of the policy or action. Further information on the Energy Efficiency Action Plan will be detailed in the forthcoming outline.</p>

<p>Section 48 Question (2)</p>	<p><i>What is the expected added value of the consultation on energy efficiency before the preparation of the plan for the promotion of energy efficiency is published?</i></p>	<p>A series of energy efficiency measures are already being delivered by the Scottish Government, while others are being developed. The Energy Efficiency Action Plan will bring all these measures together. Consultation is important to ensure that these measures can be considered comprehensively, so that activity can be added in areas in which there are gaps. In addition, consultation will ensure that the final version of the action plan has been subject to critical appraisal from stakeholders.</p>
<p>Section 48 Question (3)</p>	<p><i>Whether, in light of the recent decision of the Public Audit Committee to refer Audit Scotland's report on energy efficiency to this Committee, the Minister thinks there is sufficient leadership shown at the highest levels for energy efficiency in the public sector?</i></p>	<p>The Scottish Government considers that there is sufficient leadership shown at the higher levels of the public sector. The Scottish Government's <i>Leading by Example High Level Groups</i>, and its forthcoming Energy Efficiency Project Board, will raise the profile of energy efficiency in the public sector and enable senior level buy-in.</p> <p>The Scottish Government has provided funds through the Central Energy Efficiency Fund to enable action to happen on the ground. CEEF has provided local authorities, NHS Boards and Scottish Water with £20 million in interest-free loans for capital investment in energy efficiency measures. A further £4 million has been provided to the further and higher education sectors for similar energy efficiency support.</p>
<p>Section 48 Question (4)</p>	<p>Does the Minister believe there are any conflicts between the regulations and legislation covering social housing and his plans for energy efficiency investments as part of the action plan, such as an emphasis on budgets and resources within investment packages for social housing that are not related to energy efficiency improvements?</p>	<p>The Scottish Government does not believe that there are any conflicts between the regulations and legislation covering social housing and our plans for energy efficiency investments as part of the Energy Efficiency Action Plan.</p>

<p>Section 50 Question (1)</p>	<p><i>Whether the Minister has any views on the omission of the domestic sector from the Bill and whether enabling provisions should be introduced to tackle energy efficiency in the domestic sector as well as in non-domestic buildings?</i></p>	<p>The Climate Change (Scotland) Bill will introduce an important new duty on Scottish Ministers to prepare and publish a plan for the promotion of energy efficiency across all sectors in Scotland. The Plan will highlight the range of Scottish Government policies and programmes that will continue to deliver significant improvements in the energy efficiency of the domestic sector within the existing legal framework. This will include recent announcements on funding for a major area-based home insulation scheme and a commitment to bring forward proposals for a significant loan scheme. New legislation to bring forward these measures is not required.</p> <p>The Climate Change (Scotland) Bill seeks to introduce a legal framework for the introduction of energy assessments for existing non-domestic buildings. However, the industrial, business and public sectors are used to working within a range of obligations that protect their employees and wider society (e.g., in respect of health and safety, accessibility, fire safety, etc) that do not apply to the domestic sector.</p> <p>There are currently no plans to introduce requirements for further periodic energy assessments for the domestic sector other than the requirements for Energy Performance Certificates at sale or rent that have just been implemented. As outlined above, this is because we believe that we can continue to make progress in improving domestic energy efficiency within existing legislation.</p> <p>The introduction of regulatory requirements for the energy efficiency of housing would, in any case, be likely to drive out CERT investment. This would be contrary to current policy which is to seek to maximise CERT activity in Scotland and means that many Scottish householders would be denied access to this support.</p>
--	---	--

<p>Section 50 Question (2)</p>	<p><i>In light of the Scottish Government's announcement on building standards on 27 February, whether the Minister has any intention to introduce tougher, statutory building regulations in non-domestic sector, e.g. (i) introducing tougher mandatory building standards for new-builds mandating low- or zero-carbon rating within a decade, or (ii) legislating for energy efficiency in both social housing (introducing a Social Housing Quality Standard) and also in the private rental sector (requiring investments in energy efficiency to be made by landlords at the point of sale etc)?</i></p>	<p>(i) We have the ambition of low-carbon and eventually zero-carbon buildings. After this current review of energy standards in Scottish building regulations there will be at least a further two reviews. These will both occur within the ten years that follow and significant progress will be made in respect of our ambition.</p> <p>(ii) Social housing already has the best energy efficiency standards of any housing sector with two thirds of homes receiving a “good” rating on the National Home Energy Rating scale. A Scottish Housing Quality Standard (SHQS), similar in nature to the Decent Homes standard in England, was introduced in February 2004, though the energy efficiency requirements are more stringent to compensate for more extreme weather in Scotland. Whilst this is not a legislative requirement, social landlords are expected to meet the SHQS by 2015 which will help to further drive up energy efficiency standards in this sector.</p> <p>While energy efficiency standards are generally lower in the private rented sector than in the social sector, a number of factors should assist in improving standards within existing legislation and these are set out below.</p> <ul style="list-style-type: none"> <li>• An EPC showing the energy efficiency of the property must now be provided to prospective tenants before a house is let. EPCs should raise awareness of energy efficiency among tenants as well as giving them more information, and landlords should be encouraged by this to upgrade their properties to make them more marketable.</li> <li>• Landlords and agents accredited by Landlord Accreditation Scotland (LAS) are required to meet the Scottish Core Standards for Accredited Landlords, one of which relates to energy efficiency, insulation and heating.</li> <li>• We are also working with private landlords and their representative bodies to promote greater awareness of new and existing incentives to improve the energy</li> </ul>
--	---	--

		<p>efficiency of the homes they rent out.</p> <ul style="list-style-type: none"> <li>• These incentives include : <ul style="list-style-type: none"> <li>○ Tax relief available under the Landlord Energy Saving Allowance.</li> <li>○ Provision of loans under the Energy Saving Scotland – Small Business loans scheme.</li> <li>○ Opportunities under the Carbon Emission Reduction Target scheme.</li> </ul> </li> </ul>
Section 51 Question (1)	<p>What steps the Scottish Ministers plan to take to promote the use of heat produced from renewable sources? What forms of renewable heat will be promoted and for what uses (domestic, commercial etc.)?</p>	<p>The measures will include: awareness raising and consumer information; addressing skills needs particularly for installation; highlighting building regulations; and the encouragement of heat mapping at a local authority level.</p> <p>All forms of renewable heat technologies will be promoted, including: biomass combustion, heat pumps (air, ground and water source), solar thermal, wind to heat, anaerobic digestion, and geothermal. All scales will be promoted from individual households, level to large scale industrial.</p>
Section 51 Question (2)	<p><i>How the Scottish Ministers intend to ensure the delivery of the use of heat from renewable sources, especially in the context of the challenges posed by different types of building?</i></p>	<p>The introduction of the renewable heat incentive (RHI) at a UK level will play a key role in helping to stimulate the sector in the important period of early growth. The measures taken at a Scottish level will complement the RHI. Therefore activity at the Scottish and UK level should ensure we can meet our target of 11% heat demand from renewable sources by 2020.</p>

<p>Section 51 Question (3)</p>	<p><i>What support will there be for promoting the use of renewable heat? Whether the Scottish Government have any intentions to increase the support available through the Community and Householder Renewables Initiative and the Scottish Biomass Support Scheme?</i></p>	<p>Financial support for installation of renewable heat technologies and feasibility studies is available from a number of grant programmes, including: Scottish Community and Householder Renewable Initiative, Scottish Biomass Heat Schemes; Scottish Rural Development Programme, and Climate Challenge Fund. In addition the Renewables Obligations support biomass CHP plants.</p> <p>The Scottish Government tripled funding on microgeneration and community renewables. We also announced funding of £2 million for the biomass heat scheme.</p>
<p>Scottish Consultations</p>	<p>Energy Efficiency</p>	<p>Future action plan consultation planned.</p>
	<p><i>Energy performance of non</i></p>	<p><i>Action on Climate Change: Proposals for improving the energy performance of existing non-domestic buildings:</i></p> <ul style="list-style-type: none"> <li>• Consultation ran from 2 September to 25 November 2008</li> <li>• Consultation responses published on 22 January 2009</li> <li>• Analysis of Consultation Responses Report published on 9 February 2009</li> <li>• Scottish Government Response published on 10 March 2009</li> </ul>
	<p><i>Renewable Heat</i></p>	<p><i>Making Scotland a Leader in Green energy – draft framework for the development and deployment of renewables in Scotland.</i> This consultation contained a section on renewable heat, including a draft Action Plan.</p> <ul style="list-style-type: none"> <li>• Consultation ran from 8 October 2008 – to 1 December 2008</li> <li>• Consultation responses published on 30 January 2009.</li> </ul> <p>The responses will inform the Scottish Government's Renewable Energy Action Plan due to be published later this year.</p>

Economy, Energy and Tourism Committee, 3rd Report, 2009 (Session 3) —  
Annexe C

UK Consultations	<i>Energy Efficiency</i>	<p>The UK Government is currently undertaking consultations on the following in relation to energy efficiency:</p> <ul style="list-style-type: none"> <li>• Heat and Energy Saving strategy Consultation (concludes: 8 May 2009)</li> <li>• Community Energy Saving Programme (CESP) (concludes: 8 May 2009)</li> <li>• Carbon Emissions Reduction Target (CERT) (concludes 14 April 2009)</li> </ul>
	<i>Renewable Heat</i>	<p>For information on UK Government consultations on renewable heat, please refer to the detailed list of consultations contained on the DECC website at: <a href="http://www.decc.gov.uk/en/content/cms/consultations/consultations.aspx">http://www.decc.gov.uk/en/content/cms/consultations/consultations.aspx</a></p>

**Annex B  
Climate Change (Scotland) Bill  
Intended Stage 2 Actions – Part 5 Chapter 3**

A number of amendments are planned for Part 5 Chapter 3 of the Bill.

**Energy Efficiency**

- It is proposed to seek to amend section 48(2) to replace the word “promote” with the word ‘improve’ to change this provision to “improve” the energy efficiency of living accommodation.
- For information the action plan will aim to promote energy efficiency, having particular regard to improving the energy efficiency of housing.

**Energy Efficiency of Non-Domestic Buildings**

- Following the conclusion and analysis of the consultation on the proposals for improving the energy performance of non-domestic buildings, Stage 2 amendments are proposed to require, through secondary legislation, mandatory implementation of cost-effective improvements to existing non-domestic buildings. This SSI will be subject to affirmative resolution.
- It is not intended that this provision would be utilised immediately and as announced in the response to the consultation, a voluntary approach will be adopted initially to the implementation of cost-effective improvements to existing non-domestic buildings. This regulation making power is intended for future use if a voluntary approach is considered inadequate for delivering emission savings.
- Draft regulations for this will be provided for the Transport, Infrastructure and Climate Change Committee to consider before Stage 2 of the Bill process begins. These draft regulations will also be shared with the Economy, Energy and Tourism Committee.

**Renewable Heat**

- It is proposed to amend the provision to introduce a commitment to produce an Action Plan and to update it regularly.



Members who would like a printed copy of this *Numbered Report* to be forwarded to them should give notice at the Document Supply Centre.

---

Published in Edinburgh by RR Donnelley and available from:

**Blackwell's Bookshop**

**53 South Bridge  
Edinburgh EH1 1YS  
0131 622 8222**

**Blackwell's Bookshops:**  
243-244 High Holborn  
London WC1 7DZ  
Tel 020 7831 9501

All trade orders for Scottish Parliament documents should be placed through Blackwell's Edinburgh

**Blackwell's Scottish Parliament Documentation Helpline may be able to assist with additional information on publications of or about the Scottish Parliament, their availability and cost:**

**Telephone orders and inquiries  
0131 622 8283 or  
0131 622 8258**

**Fax orders  
0131 557 8149**

**E-mail orders  
business.edinburgh@blackwell.co.uk**

**Subscriptions & Standing Orders  
business.edinburgh@blackwell.co.uk**

**Scottish Parliament**

**RNID Typetalk calls welcome on  
18001 0131 348 5000  
Textphone 0845 270 0152**

sp.info@scottish.parliament.uk

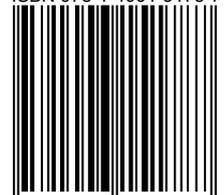
All documents are available on the Scottish Parliament website at:

www.scottish.parliament.uk

**Accredited Agents**  
(see Yellow Pages)

and through good booksellers

ISBN 978-1-4061-5178-7



9 781406 151787