ECONOMY, ENERGY AND FAIR WORK COMMITTEE

SCOTTISH NATIONAL INVESTMENT BANK

SUBMISSION FROM Energy Saving Trust

Thank you for providing the opportunity for the Energy Saving Trust to input into the Economy, Energy and Fair Work Committee’s consideration of the Scottish National Investment Bank Bill. Please find following our written submission and note that our response is limited to the questions related to the Energy Saving Trust’s specific areas expertise the sustainable and efficient use of energy in the household and road transport sectors.

1. What are the advantages or otherwise in establishing the Bank as a public limited company?

2. What in your view are the fundamental characteristics of a national investment bank?

3. Is the level of capitalisation proposed sufficient for the Bank to deliver its desired impact? Please expand.

4. What is your view on the proposed costs in the set up and day-to-day running of the Bank?

5. What governance arrangements ought to be in place?

6. How can we ensure the market is ready for the investment opportunities the Bank can offer?

Given the scale of Scotland’s climate change and fuel poverty targets and the pace and scale of change that these necessitate we see an important role for the Bank in providing patient capital to projects that support the decarbonisation of Scotland’s economy.

If local energy projects are to be supported by the Bank we believe that, in order to ensure that these markets are ready for the investment opportunities the Bank can offer, there will be an increased need for the type of promotion and development support that is currently provided to projects through programmes such as the Scottish Government’s Community and Renewable Energy Scheme (CARES) and the District Heating Loan Fund (DHLF).

The provision of this kind of development support is essential to help to ensure that there is a continual steam of investment ready projects that can be funded by the
Bank. Under the CARES programme, which is administered by Local Energy Scotland (a consortium led by the Energy Saving Trust with Changeworks, the Energy Agency, SCARF and the Wise Group), on behalf of the Scottish Government, this support includes option appraisals, assistance to achieve the consenting of projects and ensuring there is a competent project team in place to enable delivery. CARES has local Development Officers that provide expert advice from project concept to financial close as well as development funding to kick-start local energy projects. This activity plays a key role in getting projects to the point where they are 'investment ready'.

Under the DHLF programme, which is delivered by the Energy Saving Trust on behalf of the Scottish Government, relevant activities include promotion to stakeholders and potential applicants and the provision of expert advice and support to applicants (including signposting to additional sources of finance) at all stages of project development, implementation, commissioning and post-commissioning. The value of this work for district heating projects should not be underestimated. This is a sector that is still developing and one in which projects are complex and bespoke and involve a wide range of stakeholders, many still with relatively little experience of the technologies involved. Many projects would not progress to the point where they are ‘investment ready’ without the informed expert support provided by the DHLF programme team. This includes assessing applications, undertaking project appraisals, technical and financial due diligence and ongoing risk monitoring of projects. Additional support and guidance is provided by an expert advisory panel.

With this in mind the Committee might be also interested to note that there may be scope to learn from the experience of the Development Bank of Wales in this regard. Under the Welsh Government Energy Service, the Energy Saving Trust works with communities in Wales to help them develop projects which are then financed by the Development Bank of Wales. We would welcome the opportunity to provide additional information about our work in this area if the Committee would find this useful.

7. What ethical and equalities considerations do you think should inform the Bank’s ethos and decision making?

8. It is proposed that the Scottish Government will set the strategic direction of the Bank but the body itself decide on its investment approach. What is your view on this “mission-led” approach?

We are supportive of the proposed “mission-led” approach as it has the potential to focus the Bank’s efforts on providing finance to further develop Scotland’s low carbon economy. In this context we support the calls, that have recently been made by others, that the Scottish Government’s commitment that the transition to a carbon-neutral society will be a key mission of the Scottish National Investment Bank, be set out explicitly in the legislation. This would help to ensure that this mission remains a core part of the Bank’s direction over the longer term.

9. Is there any other aspect of the Bill you wish to address? Please elaborate.