ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 4 February 2009

Session 3

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ECONOMY, ENERGY AND TOURISM COMMITTEE

4th Meeting 2009, Session 3

CONVENER

*lain Smith (North East Fife) (LD)

DEPUTY CONVENER

*Rob Gibson (Highlands and Islands) (SNP)

COMMITTEE MEMBERS

*Ms Wendy Alexander (Paisley North) (Lab)

*Gavin Brown (Lothians) (Con)

*Christopher Harvie (Mid Scotland and Fife) (SNP)

*Marilyn Livingstone (Kirkcaldy) (Lab)

*Lewis Macdonald (Aberdeen Central) (Lab)

*Dave Thompson (Highlands and Islands) (SNP)

COMMITTEE SUBSTITUTES

Nigel Don (North East Scotland) (SNP) Alex Johnstone (North East Scotland) (Con) Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD) David Whitton (Strathkelvin and Bearsden) (Lab)

*attended

THE FOLLOWING ALSO ATTENDED:

Sarah Boyack (Edinburgh Central) (Lab) Nigel Don (North East Scotland) (SNP)

THE FOLLOWING GAVE EVIDENCE:

Chas Booth (Association for the Conservation of Energy)

Jamie Hume (Scottish Government Enterprise, Energy and Tourism Directorate)

Colin Imrie (Scottish Government Enterprise, Energy and Tourism Directorate)

Sue Kearns (Scottish Government Enterprise, Energy and Tourism Directorate)

Elizabeth Leighton (WWF Scotland)

Cameron Maxwell (Scottish Government Climate Change and Water Industry Directorate)

Alec Millar (Scottish Government Directorate for the Built Environment)

Gavin Peart (Scottish Government Directorate for the Built Environment)

John Stocks (Carbon Trust)

Fergus Tickell (Northern Energy Developments Ltd)

Elaine Waterson (Energy Saving Trust)

Philip Wright (Scottish Government Climate Change and Water Industry Directorate)

CLERK TO THE COMMITTEE

Stephen Imrie

SENIOR ASSISTANT CLERK

Katy Orr

ASSISTANT CLERK

Gail Grant

LOCATION

Committee Room 6

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 (lain 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 mechanism. In February, regulatory 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 nondomestic buildings. The Sullivan report, which was published in December 2007, 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 nondomestic 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 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 buildingsbut 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 arbitrary numerical targets, or ANTs. 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 systemsthinking approach, which argues that a targetdriven 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. people will unemployed Many be 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-vourself 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 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 CO₂ 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 CO₂, the energy that is produced is used in homes. Direct CO₂ 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_2 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 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.

Leighton: 1 Elizabeth 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-totreat 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, costeffective 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

the On 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 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 $\in 1.3$ 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 $\in 50,000$ at a time, which is about $\in 30,000$. The cost of the scheme is about $\in 17$ per person per year. Introducing the same scheme at the same rate in Scotland would cost about $\in 170$ 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 Scotlish 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 lain 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 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 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.

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