ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 25 February 2009

Session 3

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ECONOMY, ENERGY AND TOURISM COMMITTEE
6th Meeting 2009, Session 3

CONVENER

*Iain 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:

Nigel Don (North East Scotland) (SNP)

THE FOLLOWING GAVE EVIDENCE:

Michael Alexander (Diageo)
Jon Cape (Renew Services Ltd)
Angela Cullen (Audit Scotland)
Brendan Dick (BT Scotland)
Madeleine Hallward (Energy Retail Association)
Mrs Jennifer MacLeod (West Alness Residents Association)
Phil Matthews (Sustainable Development Commission Scotland)
Andrew Pinkerton (Keppie Design)
Ken Richardson (Chemical Industry Association)
Mark Roberts (Audit Scotland)
Niall Stuart (Scottish Council for Development and Industry)

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 25 February 2009

[THE CONVENER *opened the meeting in private at 09:36*]

10:00

Meeting continued in public.

Energy Inquiry

The Convener (Iain Smith): This is the sixth meeting in 2009 of the Economy, Energy and Tourism Committee. Item 2 is evidence taking as part of the committee's energy inquiry. We will concentrate on issues to do with changing consumer behaviour and energy efficiency in industry and the public sector. A member of our first panel of witnesses, Dr Jillian Anable, has been making every effort to get here but is caught up in problems on the railway network—it is slightly ironic that she has transport problems, given that she is a senior lecturer in transport.

I ask the four other panel members to indicate briefly who they are and which body they represent, after which we will move to questions from the committee.

Jon Cape (Renew Services Ltd): I am the managing director of Renew Services Ltd. I was told that I could make a short introductory statement.

The Convener: Yes—please be very brief.

Jon Cape: I will be brief. We are a co-operative energy services company, which is owned by the customers and communities that we serve. We started out working with one local authority and one housing association. In the main, we fund combined heat and power and district heating systems. In our first year, we were involved in £40 million of projects; we expect the figure to double next year.

We have an agenda for the committee to consider, which is about laws, leadership and leverage—particularly financial leverage. We look forward to explaining our thoughts on actions that you and we can take to get the new energy mix that we need.

Madeleine Hallward (Energy Retail Association): I am here specifically to talk about smart meters and the role that they can play in reducing overall energy demand.

Mrs Jennifer MacLeod (West Alness Residents Association): My association has been involved in an energy efficiency group. We fitted a ground-source heating system in our community centre and we are involved with the Alness transition towns group.

Phil Matthews (Sustainable Development Commission Scotland): I am the senior policy adviser for Sustainable Development Commission Scotland, which is the Government's independent adviser on sustainability.

The Convener: I should have reminded members, witnesses and members of the public to switch off all mobile phones and BlackBerrys. Such devices should not be left on silent mode, because they interfere with the sound system.

We are very tight for time and this part of the meeting will end in an hour's time, so I ask all members and panellists to keep their questions and answers as brief as possible. Witnesses need not answer questions that are not relevant to their interests.

Ms Wendy Alexander (Paisley North) (Lab): A plethora of bodies is involved in awareness raising. We are concerned that accessing advice can be confusing for consumers. What are the panel's views on specific action that would take us closer to a one-stop-shop approach to energy efficiency? Would there be merit in merging the Energy Saving Trust and the Carbon Trust, as has been suggested to us?

Jon Cape: There would be merit in a joint operation, if not in a full merger. We are involved with local energy networks, which bring together a range of energy users in one area. Currently there is a demarcation line: the EST advises the residential sector and the Carbon Trust advises the industrial sector and the wider public sector. There is a need for much more joined-up thinking, and a joint operation to inform and develop local energy network opportunities would be fantastic.

Phil Matthews: As has been stated, the Energy Saving Trust and the Carbon Trust perform slightly different functions and have different target audiences. There are issues to do with having a coherent approach for whichever parts of society are trying to access energy information, and potential for greater co-operation probably exists. However, I am not sure that that necessarily means that the two bodies should be merged.

Rob Gibson (Highlands and Islands) (SNP): I have a question for Jennifer MacLeod. When you started your work in west Alness, what bodies did you meet or seek help from?

Mrs MacLeod: Initially, we worked with Jon Priddy, who is now with Community Energy Scotland—before that, Community Energy

Scotland was the Highlands and Islands Community Energy Company. We also worked with Helen Houston and Ross and Cromarty Enterprise.

Rob Gibson: So you worked with the local enterprise company.

Mrs MacLeod: Yes. We received funding from the community economic development fund and the body that has become Community Energy Scotland.

When we did a project for the whole area, we worked mainly with Scottish and Southern Energy, which funded us. We had an employee who worked with people. With the transition towns group, we are now part of the community powerdown consortium, which has received funding from the climate challenge fund.

Rob Gibson: The point is that you have had to deal with a range of different bodies.

Mrs MacLeod: Individuals do not know what there is to learn from people who can help them. They think that they know all that they need to know, but they may not know how to set their heating controls properly. Many people have not known how to do that and have saved energy just by learning how to do so from someone who has simply gone into their home.

Lewis Macdonald (Aberdeen Central) (Lab): I want to follow up on Jon Cape's answer and ask a little more about where the issues might lie in considering the lack of joining up, if you like, between publicly funded bodies. In your experience, are there specific things that cause delays or duplication of work in dealing with carbon reduction?

Jon Cape: By definition, local energy networks need to bring together disparate stakeholders. What we are talking about is quite new to public agencies, private energy users and tenants and householders in communities. They need to get their heads around quite new ways of doing things. If a local energy network serves them all, there will be many mindset changes to make.

The starting point is that agencies that can provide initial developmental support are in bunkers: the EST is in the residential bunker and the Carbon Trust is in the industrial bunker. The Carbon Trust also funds work in local authorities, which gives us a bit of a bridge in. We have found that there is scope to bring together the two parties, but bringing around the same table the range of support agencies and energy using agencies is quite a task.

Lewis Macdonald: Are those bodies too centrally controlled? Where they operate in localities, do their officers have local discretion? Can they operate with local partners without having to check back with the head office?

Jon Cape: I think so. I would not make criticisms in that sense. It is more a matter of policy leadership and changing mindsets so that people think of local energy networks as being mainstream rather than oddities. In Finland and Denmark over the past 30 years, local energy networks have become mainstream. We must change mindsets so that people are used to such an approach.

The Convener: Who should take the lead in ensuring that there is a better one-stop-shop approach for the consumer who is trying to find advice? Should it be the energy companies, the Energy Saving Trust, the Government or local authorities? Which bodies should be trying to make it easier for the consumer to find out what is available, and perhaps even promoting that? One of the big issues is that too many bodies are involved, and no one knows what they are doing.

Jon Cape: Several panel members will probably comment on that. My view is that it depends on the consumer's circumstances. For example, they might live in an area in which strong community organisations—such as the transition town model, which has been mentioned, or the going carbon neutral Stirling project—are being resourced to provide support for local people. Those are examples of the best local provision of such support and guidance. However, that will never be the uniform picture.

To an extent, it is a case of horses for courses, but where possible we should be trying to get a local one-stop shop within a local community-controlled entity—such as the transition town model or the going carbon neutral project—by using the utility resources and Government funding to that end.

The Convener: I will move on to the issue of smart meters. Madeleine Hallward might have some particular things to say on the subject. There is a general recognition that smart meters are an important way forward, but how do we roll them out? That is the key issue.

Madeleine Hallward: To pick up on one of the points that Jennifer MacLeod made, people do not know what there is to learn. The smart meter is an important piece of infrastructure that can help people to understand how they can reduce their energy consumption and, therefore, their carbon emissions. With regard to the example that Jennifer used of people setting their heating controls, because people rely on estimated bills and meter readings, they are divorced from the impact of turning their thermostat down a degree or having the central heating on at a lower temperature for longer rather than a higher setting

for a short amount of time. They do not—understandably—understand how those decisions affect the overall cost.

Because of the visual display element, smart meters will help to put people in touch with the decisions that they make and the effect that those have on their bill and on the amount of carbon that they emit. Unless we have the smart meter infrastructure, it is hard to see how many of the programmes that we are talking about today—the services that are provided by Jon Cape's company, and community programmes such as the one that Jennifer MacLeod leads—can be implemented in the best possible way or evaluated afterwards.

Do you have any specific questions?

The Convener: The key questions in relation to the roll-out of smart meters are around the decisions that need to be taken and who needs to take them.

Madeleine Hallward: As you might be aware, Lord Hunt said in October last year that the Government has decided to issue a universal mandate for smart metering, so that every home in Britain will have a smart meter by 2020. The industry was very pleased to hear that, and is keen to crack on with the work. We expect the roll-out to consist of a 10-year programme, and we are currently waiting for a mandate to be announced that will set out certain key criteria about how that will be implemented.

We hope that the announcement, when it comes, will include what is necessary to ensure that the implementation of the project is not delayed. It will need to specify the market model; define in broad terms the functionality of a smart meter; define the communications network; and outline the governance structure for the project that is being rolled out. If we get a mandate during the next month or so, we are confident that we can meet the Government's timelines and roll out smart meters in a timely manner.

The Convener: What are the key constraints in relation to, for example, availability of equipment and of enough people who are trained to fit new meters? Those issues need to be resolved, and action might be required from the Scottish Government to ensure that adequate training places are available and that businesses are supported to develop the technology to go with smart meters.

What specific recommendations would it be useful for the committee to give the Scottish Government on what it can do to assist the roll-out of smart metering? Can anything be done to speed up the process? You are talking about a 12-year period to ensure that every home has a meter. What additional things could be done to get smart meters rolled out in six, seven or eight years instead?

10:15

Madeleine Hallward: The key recommendations would be that a timely announcement is needed and that the Government must ensure that the policy statement about the mandate contains the four key elements that I described. Until we have that announcement, it will be hard to work backwards to determine what other processes or decisions are necessary.

Much depends on the market model. If there is a fully competitive market model, it may take longer to roll out smart meters. However, a slightly different model—such as centralised communications or regional franchise—would have different effects on what changes need to be made to the market. Those are the three models that the Government is currently considering.

At the moment, it is fair to say that the industry is keen to understand what the market model will be so that it can work backwards from that to determine what changes need to be made. Broadly speaking, the industry has always calculated a 10-year roll-out. Two or three years at the beginning would be taken up with planning the process, and the bulk of smart meters—90 to 95 per cent—would be installed over about five years. Depending on the length of the planning stage at the beginning, there would be two or three years towards the end of the project for mopping up and ensuring that everything was running smoothly. The early planning stage—the first two or three years—is when we would start thinking about training enough people to ensure that it was possible to fit all the meters quickly and in the most efficient way.

The other point to note is that BEAMA—the trade association that represents the meter makers—is keen on smart metering. There are many meter manufacturers in the United Kingdom who would be able to produce the smart meters.

Jon Cape: I will add two comments on smart metering from Renew's point of view as a local network operator. First, the new regime should allow for local network operators to manage local metering as well as other services. Secondly, there has understandably been widespread concern about prepayment meters being at a higher tariff than other meters. The higher tariff is partly because there is genuinely a higher administration cost. There is a Scotland-wide scheme for smart payment cards that cover a range of different transactions for local citizens, and we are working actively on linking a smart prepayment meter—for customers for whom that

is the right solution—to the local authority smart card system. That will make the admin cost more or less the same and remove the reason for the higher tariff for prepayment meter users.

Madeleine Hallward: The industry hopes that smart meters will enable customers to switch between prepayment tariffs and standard credit or direct-debit tariffs as they choose. It will not be necessary to change the meter to do that, which, as Jon Cape points out, will remove many of the additional service costs that lead to higher tariffs for some prepayment users.

Christopher Harvie (Mid Scotland and Fife) (SNP): Smart meters need smart consumers. In Britain, we apparently have a functional literacy rate of about 20 per cent and a large elderly population. I cannot programme the recorder for the television any longer—that has been the case for some years—and have grave doubts as to whether the consumer uptake on which you are banking will occur. There must be a degree of adaptation and tutoring for the people who will have to make the decisions. That could be a major problem, particularly among people with learning difficulties and the elderly. I cannot fathom what trying to instruct my 90-year-old parents how to handle a smart meter would be like.

Madeleine Hallward: Parallels can be drawn between the roll-out of smart metering and the digital switchover. The implementation of the smart meter programme will involve replacing 46 million meters throughout Britain and visiting about 25 million households. Accompanying that, there will need to be a public education campaign, just as there has been for the digital switchover. No matter what market model or method of implementation is used, that education campaign will be important. Suppliers will have to communicate with their customers about what having a smart meter means, what it enables them to do and how it can save them money or reduce their carbon emissions—they will decide which approach is most likely to tempt consumers into engaging with their smart meter.

It is expected that simply installing smart meters will result in a 1 per cent reduction in energy use and carbon emissions. Although that sounds like a low number, it is 8 per cent of the United Kingdom's 2010 carbon emissions reduction target, so it is significant. However, when we add on a public education campaign and programmes that are targeted at particular customer groups, we can start to make bigger savings. Activity in other countries suggests that that will happen. For example, in Ontario, there was a 6 per cent average energy conservation effect; in Finland, it was 7 per cent; and in Norway, a demand-response programme led to a reduction of 24.5 per cent. We can start to understand that, although smart meters are to an extent an end in themselves, they are also a means to an end.

Dave Thompson (Highlands and Islands) (SNP): Several of the points that I was going to raise have already been picked up, but I will follow on from Christopher Harvie's important point about education and tutoring. I will broaden the issue slightly. I have recent experience of a housing association installing air exhaust systems in some houses. That has caused several tenants problems, many of which have arisen because not enough time was spent with the tenants prior to the systems being commissioned, so they misunderstand how they operate. The issues can be complex. On the front of the main unit, which is about the size of an American fridge, apparently, there is a switch. If someone switches off the unit, that is an absolute disaster. The normal thought process that people go through is that, if they switch off their heating, they save money. However, if someone switches off one of those units, the next time that they switch it on, there is a huge energy cost for reheating the 70-odd litres of water that are in it. People who switch them on and off, thinking that they are doing the right thing, are suddenly faced with massive electricity bills. That is just one example of the problems—I am sure that there are many others.

I have similar worries to those that Christopher Harvie raised. I am worried that, if we combine new technology—the stuff that is going in mainly in off-grid areas, where people cannot get gas—with smart meters and all the rest of it, many people will get confused and we will not achieve the results that we hope for. People could end up with huge bills. In particular, people who are on prepayment meters and who do not have a lot of money might get into serious debt.

Madeleine Hallward: I agree. That example shows how important it is to communicate with customers about what smart metering means and how it can benefit them. All our members are aware of the importance of doing that, whatever the implementation model is. The method of communication depends on whether the market model is a street-by-street model or a supplier-by-supplier one, and we are waiting for the decision on that. However, we are certainly aware of the importance of communicating with customers.

Dave Thompson: Somebody raised a point about the number of people who can install meters. That brings me to the broader point that, if there is a huge meter installation programme and other equipment is being installed at the same time, manufacturers and installers will be tempted to grab whomever they can to install the meters—people who might not be fully up to speed with the technology and might rush the installation because they will want to get as many as possible done.

They might not have enough time, or possibly enough knowledge, to give the appropriate education and tutoring to consumers. Do any of the witnesses share that worry?

Mrs MacLeod: Definitely. Gas arrived in the west end of Alness about six years ago and there are still people there who do not know how to work the controls because they were not taught. Even if you show them what to do and give them the manual, a lot of people do not take in the information properly, although they think that they do at the time.

When we had an employee for the saving energy project, we found that she got through to people better by telling them that they could save money. They were not switched on to energy efficiency or reducing their fuel use but if she could tell them that they could save money, she got through to them. Then she asked them, "Do you know how to operate your controls? Can I show you? Can I set them for you?"

We have been talking about a one-stop shop, and I think that we need a one-stop shop at a very basic level. We need someone who can go into people's homes. With the new transition towns movement, we will have an employee three days a week, and perhaps he or she will be able to do that sort of thing on one of those days. However, we had someone five days a week before, and they had to go back to people.

A lot of people did not know about the social tariff and that it was possible to get help in that way. As part of the one-stop shop, we also need local benefits advice. A range of issues at the bottom level needs to be looked at.

Madeleine Hallward: The point about the number of installers is important, and suppliers are aware of it. The number that will be needed partly depends on the market model, and that is where the planning stages of the roll-out become important, because that is when we will be able to calculate how many highly trained fitters we will need, how many there are already and how many people will need to be retrained. The industry is taking that into account and is aware of it.

Jon Cape: I have a similar point about the wider canvas of smart meter roll-out. We are working hard in local authority areas. A new energy mix in a local area is a matter not just of doing the immediate projects but of thinking through what the mix between local energy networks is like, where the use of microrenewables is right and so on. Different skills are needed, as is work with colleges to build up those skills so that we do not get bottlenecks, which we can anticipate ahead of time.

I echo what Jennifer MacLeod said about community engagement. We have been delighted to get support for our larger projects from sources such as the climate challenge fund, so that we can have a full-time person working on community engagement. The provision of that special resource means that that is working well, but we need to think through the longer-term mechanisms, given that the climate challenge fund is a three-year programme.

Gavin Brown (Lothians) (Con): On smart metering, which I am in favour of, I am not sure whether Madeleine Hallward will have an answer today, but what is the approximate unit cost for the manufacture and installation of a smart meter in a house? Although the market model has not been decided yet, does the Energy Retail Association have a view on who ought to bear that cost? Is it the consumer, the energy companies or the Government, or is it a blend of those?

Madeleine Hallward: The Energy Retail Association and its members have always said that the investment that is needed for smart metering will be an industry investment.

On the individual unit cost, I am sorry to have to repeat myself, but it depends on the market model. Until we know how economies of scale can be maximised and what the roll-out model is going to be, it is very difficult to calculate the cost on a household level. Individual companies have made representations to the Department of Energy and Climate Change about the overall cost of the project, which they estimate will be between £6 billion and £10 billion. That investment would be met by the industry. The intention has always been that the industry would pay for the smart metering project and that the consumer would bear little or minimum cost. I hope that that answers your question.

The Convener: The consumer always pays in the end, but I hope that there will be savings in their electricity bills to cover the cost.

10:30

Lewis Macdonald: I will step back a little. Some questions were raised in the previous evidence session about the impact on consumers of carbon-saving technologies—or technologies designed for that purpose. I would like the views of the panel, perhaps starting with Phil Matthews, on the balance of policy prerogatives, which is part of what the committee needs to consider. There are a number of policy drivers, but perhaps the two crucial ones are carbon saving and fuel poverty. Those are not the same, and I am interested in your views on how effectively Government policy, both in Scotland and at the United Kingdom level, balances those two and whether we should consider smarter ways of combining them.

Phil Matthews: It is a big issue. You are right that they are not exactly the same, although action on fuel poverty obviously contributes towards meeting climate change targets. Our concern about the community actions that we are discussing is that the people who access grant funding and so on tend to be better educated and more affluent, while the people with most energy need in relation to fuel poverty have less available income to invest and possibly some limitations in going through the application process.

Our concern is that the energy action not only delivers carbon savings but is targeted, as far as possible, at the people who are most in energy need in respect of fuel poverty, and I am not sure that that is happening. Welcome though all the funding is through the climate challenge fund, the Scottish community and householder renewables initiative and all those programmes, we need much more action on fuel poverty. We said in our recent report that the additional funding for fuel poverty is welcome but that it will not deliver the 2016 target for elimination of fuel poverty in Scotland. A step change is required in the resources for fuel poverty measures.

Lewis Macdonald: I suppose that there is a bit of a risk that, as smart meters allow people to get more energy use for their money, they might not necessarily reduce their carbon output. They might increase their carbon output, and those who are living in poverty will not necessarily save money. I am sure that Madeleine Hallward will have a view on that issue.

Madeleine Hallward: Smart meters are an enabling technology. The two-way, immediate, 100 per cent accurate information that they provide to customers on their energy use will mean that some vulnerable groups, such as elderly people on a fixed income who might be tempted not to use their heating throughout the day, might be given confidence to keep their heating on and stay warm and well over the winter.

As you say, we want certain groups to use more energy. Other groups can use the information to reduce either their spend, as Jennifer MacLeod said, or their carbon emissions. Smart meters can help to target groups of people, whether we want them to have the confidence to switch on their fire or whether we want them to think about the impact of having their boiler on all day instead of for just a couple of hours in the morning or evening.

Your wider question was about carbon emissions reduction and fuel poverty. With programmes such as the carbon emissions reduction target programme and its predecessors—energy efficiency commitments 1 and 2—there has possibly been a tendency to hope that, by reducing carbon emissions, we help to solve fuel poverty. Although those programmes have been successful at reducing carbon emissions, they have shown that we need separate, targeted programmes to increase energy efficiency and tackle fuel poverty.

Some people will be taken out of fuel poverty by increasing the energy efficiency of their homes but, as Jennifer MacLeod said, other people will be taken out of fuel poverty by their maximising their incomes, perhaps through claiming the maximum amount of benefits to which they are entitled, and through their being taught how to reduce overall consumption and get a better tariff. Programmes are required that recognise the need to reduce carbon emissions, improve energy efficiency and increase people's incomes and the need to have aligned but separate strategies for each.

Jon Cape: Given our stakeholders, Renew was set up with twin fundamental objectives, which relate to both CO_2 emission reduction and addressing fuel poverty. The best technical solution differs, depending on where someone is, and we basically make a broad distinction between reasonably dense urban areas and more rural areas.

We started off from a neutral position on the appropriate solutions but, as a result of the work that we have done, we are now looking to the kind of shift that has taken place in the past 30 years in Denmark and Finland, which have moved from a low base of local energy network provision to a position where about 60 per cent of their energy comes through local energy networks, including heat pipe and power line networks. Those local networks represent the best and most efficient way—in economic and carbon emission terms—of delivering heat and power to all sorts of communities, from high-rise developments and new housing to existing low-rise communities, in which we have some major projects.

An energy plan in a local area can look for early wins by taking people off electric heating or by creating synergies by tying in with municipal waste strategies and so on. Further—this is a specific recommendation that we would make to you—an energy plan should involve anchor public sector energy customers as a result of the public sector buildings estate shifting to CHP. It will be a bit of a stretch to meet the Government's target for moving Government buildings to CHP by 2010, but we back the effort to do so and think that a fresh effort should be made.

We submit that such a shift should not be done in isolation and that, where the conditions are right, those buildings should be seen as anchor customers for wider local energy networks. That would enable the public sector estate to play a leadership role in energy consumption. In

situations in which you have all the early adopter conditions, there is an opportunity to get a double win by tackling fuel poverty as well as CO_2 emissions through one scheme.

In the more rural areas, particularly the off-gas areas where microrenewables are best placed to deliver the solution, the Committee on Climate Change envisages shifting around 4 million homes to renewable energy. Solutions that make sense financially in the long term and eventually save people money will cost more initially. The Scottish Government's fuel poverty renewables pilot showed that shifting from oil or electric to a heat pump solution could save a householder around £1,200, but there would be an up-front cost and, to be blunt, the public sector grant will not meet the cost of delivering that for 4 million homes in the UK.

Those factors mean that this area is a natural one for the energy service company models that we advocate, particularly the co-operative model. Using such a model could help to fund the radical work that will be involved in shifting 4 million homes in off-gas areas across the UK to microrenewables. If we introduce private funding to a community-controlled model and make use of the public sector grants that already exist, we will not be adding to the cost to the public purse.

Mrs MacLeod: In the west—I say that because we are on the east coast—the attempt to reduce carbon emissions is putting people into fuel poverty. Someone in Skye and Lochalsh telephoned me to ask for help because of a problem that has arisen there. A housing association is introducing renewable energy in its new houses but, until such time as the renewable system is on the go and more houses are built, which will bring down the cost, the small number of houses that have been built are running on oil, which is costing the people who live in them a great deal. The intention was good, and I am in favour of renewable energy, but those people have been put into fuel poverty as a result.

Lewis Macdonald: What will eventually be used instead of oil?

Mrs MacLeod: I think that there will be a woodchip-based community energy system. That will be wonderful but, at the moment, the people who have moved into the first batch of houses are paying a lot for their energy and were given no help in finding assistance.

Lewis Macdonald: That brings us back to the earlier questions about the co-ordination of different public agencies. Is there an institutional answer? Is there a way in which the different strategies of Government can work more closely together so that they do not create the perverse effect of pursuing one objective while damaging another?

Phil Matthews: There is a lot of good work—more than there used to be—with the climate challenge fund, the Scottish community and householder renewables initiative and other initiatives. To deliver strategies effectively, a coherent approach is needed from top to bottom, with leadership from national Government, local authorities and other public bodies, as well as physical incentives, advice and grants. As others have said, it is about hands-on interaction to explain the more complex aspects to people. Many of the levers exist in some form, but there is a need to draw them all together into a much more coherent package.

Lewis Macdonald: It has been suggested to the committee that there should be support for renewables—such as microrenewables—at the point of consumption through Government planning and development rights. The Scottish Government recently announced that such rights would be provided in some areas but not in other, critical areas. Does the Sustainable Development Commission Scotland have a view on that? We expected to hear from the Scottish Government about microgeneration of wind power last year, but we have just heard that it will not make a decision.

Phil Matthews: We are supportive of the principle of microrenewables. Some technologies are currently more effective than others—some need a bit more development. There are a lot of significant site-specific issues for microwind: it works very effectively in some areas of Scotland—if you put a turbine on a house in Lerwick, you will get a good payback—but in many other areas you do not necessarily get that payback. The media is covering many of those issues. It picks up positive and negative aspects of the technology, so people are often not clear about the best option for them.

Lewis Macdonald: But is it not for Government to give a lead? As advisers to Government, should you not be telling it, "Don't delay bringing in microwind, the development will happen"?

Phil Matthews: In some instances, microwind can play a role; in others, it may not be the appropriate technology because of the overall carbon footprint of the manufacturer and so on. There is huge potential in Scotland, particularly in off-grid areas but also in cities, for renewables more widely, such as ground-source and air-source heat pumps. We would like those technologies to be enhanced and supported by Government—they must be part of the future energy mix.

Ms Alexander: It is a given that the energy efficiency of microwind will vary from site to site, but do I take it from what you say that you think

that the planning process has a role in establishing it?

Phil Matthews: Microwind in particular?

Ms Alexander: Yes. You appear to suggest that, because there are different levels of energy efficiency from microwind, it is appropriate in some locations but not others. The mechanism that currently establishes whether it is appropriate is the planning system. Is it right that the planning system should make such a judgment on a householder basis?

Phil Matthews: It is appropriate that microwind is subject to a planning decision, which also considers issues such as visual impact. My concern is about the energy and carbon gain from a micro wind turbine. There is good evidence that, in some areas, there is a substantive gain. It is a clean energy source that is generated within the home, so there are not the losses in distribution and so on that there are with other forms of electricity generation. In other areas, it may not be appropriate. There is a definite role for public bodies such as the Energy Saving Trust and the Carbon Trust in advising the public and others who want to install micro wind turbines whether it is appropriate.

There is a plethora of technologies, but there is also energy-demand reduction, which we see as the most important thing of all. It is important that the best technology in terms of cost and carbon is delivered for each site involved. In many cases, that technology is very site specific. For example, ground-source heat pumps are appropriate in some locations, particularly where new developments are being built, but they are not necessarily appropriate where there are large areas of concrete or installation difficulties. High-level advice must be given to people to ensure that their decision is based on the best possible information.

10:45

Ms Alexander: There is, of course, a world of difference between giving advice and prescribing whether an individual householder can go ahead with what they perceive as a technology that would contribute some of the energy that they use. Given the fact that we are trying to minimise bureaucracy, it is slightly strange to say that we will proscribe someone's having a personal wind generator because some public body might assess that device as less efficient in that location than in others.

Phil Matthews: I am not suggesting proscribing; I am talking about allowing individual choice on the basis of the best possible advice, which is different.

Ms Alexander: So microgeneration should not be regulated. That goes to the heart of the legislative issue before the Parliament: should people have the option of erecting a wind-powered microgenerator or should that be subject to regulation? Perhaps you do not have a position on that, but it is the live legislative issue in the Parliament around microgeneration and has been for the past year. An understanding of where the Sustainable Development Commission Scotland stands on the issue would be helpful, as it dominates the legislative issues surrounding microgeneration.

Phil Matthews: I have not looked closely into the planning aspects, and I am not personally aware of huge numbers of applications for wind microgeneration being submitted in Scotland just now.

Jon Cape: Yes, the issue dominates, but it is not right that it does so. In most urban settings, those technologies are not the right solutions—there are far better ones. There are lots of planning and regulatory issues to be discussed about local energy networks, which, in densely urban settings, give people a much better carbon payback as well as a financial payback. There are many ways to move on the policy debate, which it is urgent to pursue.

Dave Thompson: It is essential that we move things forward, but we must ensure that the drive to get reductions in carbon emissions does not disadvantage people. As Jennifer MacLeod said, folk are currently having to pay to be guinea pigs in an experiment because of the delay in getting the policy pushed forward. There is also the case that I talked about, in which people are having to dig into their pockets because of their housing association's decisions. Those folk should not have to fund that.

We are engaged in a learning process and we all want to see microgeneration work. However, we do not want people to be disadvantaged by the policy, especially people on lower incomes who cannot afford such things. What are the panel's views on the need for a mechanism—a fund or whatever—that would allow compensation to be paid to people who were put in that position. I am thinking of a formal mechanism that would give them a right to have the extra costs reimbursed where it could be proved that such costs had been incurred.

Jon Cape: Our founding member is a housing association. I agree with the gist of what Dave Thompson says, but I would express it slightly differently. The reason for setting up an energy services company model to fund the initiatives that we are talking about is that that model can, and probably does, take a long-term view of funding a programme. If there is a high up-front cost for an

interim solution over X months or whatever, that is taken into account in the 25-year planning horizon. The body that sorts out the peaks and troughs is the co-operatively owned energy services company, not the individual tenant. That is how things should work.

The energy services company model can also take a wider view. I will give you another example, which I will anonymise. To its credit, a housing association installed a renewable energy project but, regrettably, it miscalculated individual households' standard energy loads and is, as a consequence, having to charge high prices for energy. There is also a big energy unit that is run by the national health service at a hospital quite close by. A bit of joined-up thinking would have brought together the hospital, which is a big energy user, and the relatively small 80-home housing association to create an optimal local energy network that would have been able to charge tenants on the basis of an optimised scheme and a long-term, 25-year time horizon. That would have gone a long way towards avoiding the problems that we are currently seeing.

Dave Thompson: My worry is that such problems could discredit the whole renewable energy drive—people might want nothing to do with it.

Marilyn Livingstone (Kirkcaldy) (Lab): What is the best approach to tackling poor energy efficiency standards in Scottish buildings? What would be your key priorities?

Jon Cape: Are you talking about existing or new buildings?

Marilyn Livingstone: Both.

Jon Cape: We need to consider the whole energy mix of a building—how energy is provided, as well as its energy efficiency. All new homes are supposed to be zero carbon by 2016, and all other new buildings should be zero carbon by a few years after that. The current approach involves a gradual building up of the renewables component from 20 per cent or so to 100 per cent.

However, for larger new developments—the threshold could be 300 homes—we should already be requiring 100 per cent of buildings to be zero carbon, because local networks can deliver that cost effectively. The threshold could be reduced from 300 homes to 250 and then to 200 and so on until 2016, when every new home will be zero carbon. Such an approach would give the correct signal. The problem is that 20 per cent renewables provision in a home does not produce the solutions that 100 per cent renewables provision produces, so we are not learning the right lessons as we gear up for the 2016 target. We should kick off by requiring larger-scale projects to hit that target now.

On existing buildings, serious consideration must be given to local heat planning, in order to identify synergies and areas in which investment can be effective. In all our projects, we start by optimising passive energy efficiency, but there are always limits to what we can do. If there is no cavity wall, do we put external insulation on walls, which can be prohibitively expensive? By optimising passive energy efficiency, we have found—this is a new finding—that in reasonably high-density low-rise housing stock, such as typical council or housing association stock as well as owner-occupied stock of similar density, retrofitting of local energy networks is providing the best solutions on fuel poverty and CO_2. That is the experience in Denmark, too.

Marilyn Livingstone: Should such retrofitting be mandatory?

Jon Cape: The committee should consider the Danish precedent. In Denmark, when a local network has been started, new occupiers of buildings are expected to come into the network over time. The approach has worked well and is worth considering. However, I am talking about a careful and gradual approach, rather than one in which everything changes overnight.

Madeleine Hallward: Greater rationalisation of energy efficiency programmes is needed. For example, many households are targeted by both the central heating programme and the CERT approach, so there can be a fight over programmes that involve fitting similar measures. Billions of pounds are being spent every year, but we are focusing on the same sorts of houses and measures while failing to target those who are fuel poor. Consideration needs to be given to how we strip out duplication and poor targeting in order to ensure that we have an energy efficiency programme that encourages people to be mindful of the need to reduce carbon emissions while taking into account the fact that some people are incentivised by reductions in energy costs.

There should also be better co-ordination among stakeholders. Community groups can share information with local authorities, which might have better information about the quality of housing stock. Local authorities can in turn share what they are doing with Government departments. People need to be aware of what is happening around them and how they can take advantage of grants that are offered by Government and measures that are offered by suppliers, for example. The able-to-pay sector should be incentivised to make their homes energy efficient; people who are not able to pay should be quickly identified and targeted with effective measures.

Mrs MacLeod: We need to consider the home owners who would have been tenants 20 or 30 years ago but who have been encouraged to become home owners. They are struggling; they cannot afford to put in energy-efficient systems and do not know where to go for advice. More is needed in that respect. I am talking about individuals; it is different for people in council housing estates where the council puts in the various energy efficiency measures.

While I am at it, on the central heating that older people are being encouraged to install, especially away in the wilds, some pretty nasty cowboy types have been doing the fitting and some dreadful stories have come out of it. My cousin is one such older person—you will be relieved to hear that I will not go into detail. I have heard some awful stories about the people who have been fitting the central heating. People are being left out of pocket when they should be warm and out of fuel poverty.

Phil Matthews: I would echo all the comments that have been made already. It is worth looking at examples such as the plans for Comrie that are being funded through the climate challenge fund, and in which there is a coherent approach to the upgrade and energy performance of all the housing in the town. That is also being linked to information on behaviour change, how the system is working, transport, local food production and so on. A coherent approach in which we do everything together offers potential financial gains through economies of scale, and can also deliver greater carbon gain than if things are done piecemeal, as they have sometimes been done in the past.

Jon Cape: I have a final point that links to the committee's next evidence session. In many cases, as well as public buildings being anchor stakeholders in local networks for retrofit to existing residential buildings, private firms and companies can be anchor energy customers. In some cases, they can also be private energy providers. This, too, goes back to taking a policy leadership role and extending people's mindsets so that they think about new ways of doing local energy networks. That debate should be had with the private industrial players.

Marilyn Livingstone: We have talked a lot about people who own their homes and those who are in the social rented sector. What about the private rental sector? It is cause for concern.

Jon Cape: Our early projects have a relatively small number of privately let homes. Of course, the incentives are different. The private landlord does not get anything out of putting money into the properties. We have been talking to the Energy Saving Trust about grant schemes that will enable local heat exchanges to be installed so that private tenants can participate in the local energy networks that we are installing in their areas. That kind of financial support is needed, otherwise there are mismatched incentives.

Madeleine Hallward: There is a point about creating a virtuous circle and ensuring that private landlords see virtue in making their properties energy efficient. That depends partly upon potential tenants being sufficiently aware to seek out energy-efficient properties and recognising them as a means of managing costs. Once that is cracked, you can start to tackle the private rented sector much more effectively.

Jon Cape: We have our first instance of a private residents' association coming to us to seek help in funding an efficient solution for their homes collectively. That is the way forward.

Rob Gibson: I have a brief supplementary on extending energy performance certificates into the domestic sector. That is one of the ways in which we might be able to make progress. Each householder would know what is required. Have you any views about that? It could be one of the means by which everyone is alerted to what is expected for their property.

Jon Cape: Yes, it is certainly part of our pitch to say that energy efficiency is one of the benefits for a home owner or a developer of homes. Those homes become more marketable because they have a better-performing EPC.

11:00

Madeleine Hallward: The information that is contained in EPCs can be used effectively to target the homes with low ratings first. There is a need for better co-ordination among all the bodies that hold the different bits of information—they should be able to use that information better.

Marilyn Livingstone: I had a few questions to ask at this point, but I am mindful of the time, so I will let the committee move on.

Christopher Harvie: This question stems from my earlier one. Is not it a worthwhile investment to bring in some sort of school-level qualification in domestic technology that kids must have? Their capacity to pick up complex forms of programming is far greater than that of adults. Once they know how to handle computers, programming TVs is a doddle. That would seem to be a potentially very useful but not very expensive investment that could prove to be of enormous value. Kids like solving that sort of problem: they can do in hours what might take their grandparents a week. It is like the old Groucho Marx line:

"A child of five could understand this. Fetch me a child of five."

Jon Cape: We work closely with eco-schools, which are dying to work together to help young people change their parents' mindsets.

Madeleine Hallward: The issue is partly about cultural change, which is largely being driven by greater awareness among kids, who influence their parents, who in turn influence their parents.

Christopher Harvie: My next question is rather an ominous one. How much of our increase in demand is coming from new technology? It has been said that having a plasma-screen TV is the equivalent of having a four-wheel-drive car in the sitting room. Have we got ourselves into an impossible situation, in which we are trying to catch up with a consumer demand that is going to throttle us?

Madeleine Hallward: Let us consider the amount of energy that has been used in homes over the past 15 years. I now have a BlackBerry, which I did not have 15 years ago. I have a mobile phone, which I did not have 15 years ago. There is also a DVD player and a Sky box. Naturally, I do not leave things plugged in or on stand-by and all the rest of it, but there are gadgets that we all take for granted that we did not have 15 years ago.

One aspect of helping people to understand how they can manage their consumption concerns the use of smart meters. I made a point in conversation the other day about the difference between a liquid crystal display television and a plasma-screen one. Most people do not know about that. People do not have some device that asks them, "Do you really want to buy a plasma screen? You know you can get the same effect from an LCD screen, but the energy consumption is much lower." Unless people are empowered and have such information, which they can use to make considered choices, we will always be trying to catch up.

Phil Matthews: I very much support those views. In addition to the information role of smart metering, Government has a role in choice editing—restricting the availability of high-energy technologies on the market. I do not want to discuss the specifics of different types of TV and so on, but any coherent approach to delivering the climate change targets that we are considering must help to drive the market along a much more energy-efficient path.

The Convener: Should we consider more consumer information being made available at the point of sale, for example on energy use and on the recyclability of technologies? That would inform people about the implications when they are buying something. There is a traffic-light system for fridges and washing machines, but not for computers, laptops or plasma screens. Should the Government or the European Union consider that to ensure that consumers have the right information when they are buying new technology?

Phil Matthews: Yes—but that must be based on a framework in which the basic minimum standard is moving up all the time. There are roles in that respect at the Europe, UK and Scotland levels.

Jon Cape: There is a further bit of joined-up thinking here, about broadband strategy and the next generation of very high bandwidth broadband. That means more technology, and the UK Government is trying to get us to catch up—we are way behind Korea, for example. There is a very good synergy here with the stuff that we do. If the streets are dug up to put in pipe networks, there is a very low marginal cost for putting in fibre at the same time. In Holland, for example, there are areas where people can use community-owned local fibre networks for telecommuting much more effectively. People here have dismissed telecommuting, because the quality of the experience is pretty low just now, but with a 100MW network, which is the same as in an office, or in this building, that provides a great deal of scope for reducing the carbon footprints that are left by physical commuting and travel.

The Convener: I am afraid that we have run out of time in this evidence session, which has been extremely interesting. If any panel members have further points to make to us, they should feel free to submit them in writing. Thank you all for coming along.

11:05

Meeting suspended.

11:11

On resuming—

The Convener: Our second panel of witnesses on energy efficiency focuses on the industrial sector. Time is fairly restricted, so I remind members to keep their questions brief and I ask the witnesses to keep their answers brief. We have about an hour for this session. I will have to draw it to a close after then.

I ask the witnesses to introduce themselves briefly.

Brendan Dick (BT Scotland): I am the director for BT Scotland.

Andrew Pinkerton (Keppie Design Ltd): I am the director of Keppie Design, which is a firm of architects and town planners. I am also a member of the Scottish construction forum and a board member of Architecture and Design Scotland.

Niall Stuart (Scottish Council for Development and Industry): I am the press and government affairs manager for the Scottish Council for Development and Industry.

Ken Richardson (Chemical Industry Association): I am Scottish adviser to the Chemical Industry Association, which represents the chemical industries.

Michael Alexander (Diageo): I am head of corporate relations at Diageo.

Rob Gibson: I am interested in energy prices. We have a clear picture that, compared with the rest of Europe, Britain has high electricity prices and low gas prices. From the point of view of industry, a good deal has been done on gas. Indeed, a better deal has been done on electricity. How do we provide more stable energy pricing regimes for industry, given the fluctuations that we have had in the markets?

Ken Richardson: Over the past year or two, we have noticed tremendous fluctuations in energy prices. The industry was already efficient, but the huge increases have provided further incentive to be more efficient. Planning is difficult when there are such fluctuations, but the solution lies in security of supply. The UK has become increasingly reliant on imported gas and has little storage for back-up. We had a problem last year when Longannet went offline at the same time as a nuclear station and the transmission system did not allow us to transfer energy across the country to balance that. Security of supply is the most fundamental point. In any commodity market, it helps to determine price.

Rob Gibson: Would the grid being able to work to and from Scotland be an important part of securing energy at price? If there were a capacity problem in Scotland, being able to import energy from England, France or elsewhere might be a short-term solution.

Ken Richardson: That would help, but there is an issue with where we get the energy from. We face a challenge in the UK, because a number of our older coal and nuclear plants are coming to the end of their lifespan. Where will we get energy from? Currently, the only solution seems to be gas—we have to examine the other solutions more closely, because diversity of supply is critical.

11:15

Rob Gibson: Our focus is on the energy efficiency of industry. Can you talk about that in relation to your area?

Ken Richardson: Yes. The chemical industry has a good track record of being particularly energy efficient. Many of the chemical companies have combined heat and power plants—it is about not just electricity but the need for steam. Looking forward, one of the issues is whether we can introduce more incentives to encourage those companies to invest in such facilities.

Ineos at Grangemouth, for example, has a combined steam and power generation capacity of around 240MWh, which is massive. We are putting a lot of energy into the life cycle of products that will save our society energy in the long term. Many of the products that are made by the chemical industry end up in the building trades as efficient insulation materials and things like that. We invest up front in the molecules and get a good life cycle out of them—we need to consider the issues in terms of life cycle and energy efficiency.

Rob Gibson: Can you see specific improvements being made to make better use of molecules?

Ken Richardson: Yes, there are many specific examples of products that are lighter and more energy efficient. Continued investment in research is important. It is great that the Scottish Government has set up Chemical Sciences Scotland to bring together, encourage and give advice to some of the smaller emerging companies—the spin-off organisations from universities and the small and medium-sized enterprises. Running a small company is very difficult for people because they have to be expert in so many different areas. Such companies provide a tangible benefit, because many of them are developing new products that will help to provide the solution. The chemical industry can provide the solution to many of the questions.

Michael Alexander: From Diageo's perspective, there is an irony in the fact that the volatility in the energy market was a key reason for our decision to invest in renewable energy. A key factor in our decision-making process and financial considerations was the need to be self-sufficient and therefore to invest in renewables to protect ourselves against future price and availability volatility. There were many reasons why we made the investment, but key ones were the lack of security of supply and pricing volatility.

Brendan Dick: I will pick up on the specific issues that relate to BT, some of which apply to the telecommunications industry in general. It is clear that there is a volatility issue. In terms of raw costs, our energy costs at the end of the financial year in 2008 were about £189 million globally. We project that cost to be £340 million by the end of the financial year 2009-10. That is a massive increase, about 89 per cent of which is within the UK and 11 per cent of which is abroad.

Sustainability of supply—which was mentioned earlier in relation to raw costs and how supply is fluctuating—has been a major factor in driving us to do a number of things. The one that most people here will probably know about is the plan that is now under way to develop wind generation capacity on some land that we own, largely in rural areas of the UK, to provide for about 25 per cent of our energy needs by 2016. That is going okay, but it is important to note that it is not just about our own property and buildings. As Jon Cape mentioned in the previous evidence session, communications networks are a core lifeline of the UK's economy and society, and they need energy. The biggest component of the energy use within BT—there are about five major ones—is the running of the networks, followed by property, fleet and so on. The information and communication technology network of the UK, which I think most people acknowledge is critical for the success of the country—including Scotland—needs a sustainable supply and needs pricing to be as good as we can make it. It is a major focus for us.

We are trying to do a range of things—I am sure that many other organisations are doing so, too. We are investing in combined heat and power and better cooling systems. Data centres are massive users of energy for the whole industry, so there is a lot of focus on investing in them to save.

On renewables, whether you build your own, as we are trying to do, or buy a lot of green energy, which we also do, one of the large issues facing us and a lot of other large businesses in Scotland and the UK is the degree of uncertainty about our ability to classify energy generated through those sources as green, because of issues such as grid average. I suspect that people around the table are more expert on that than I am, but it is a major issue for us in considering how to proceed in an economic way.

Andrew Pinkerton: Energy pricing and its impact on the construction and property industries has focused minds not just on capital costs but on whole-life costs. That is a crucial factor. When looking at energy provision for buildings, the comparison between capital costs and whole-life costs can be significant.

Niall Stuart: The countries that have seen the most volatility in energy prices are the ones that have the least secure supplies. Ensuring security of supply and building long-term pricing into the arrangements are key. Scotland and the UK have very little in the way of gas storage, which has driven price volatility. In cold periods of the winter we use gas much faster than we can import it. Extending the storage facilities is key to getting rid of that volatility. The feedback from our members is that energy price volatility, with big peaks and troughs, is driving more and more people to look at alternative ways of generating and saving energy.

The Convener: I want to follow up what Michael Alexander said about Diageo's decision. What more can we do to encourage businesses to consider the whole-life process, from the start of what they do to the end of it, and to make better use of their resources? The committee visited the Diageo plant at Cameron Brig to look at its proposals for using its waste product as its fuel. Can we, the Government and other agencies do more to encourage businesses to look at their processes and examine how they use energy and how they can use the by-products from their business more efficiently?

Niall Stuart: Undoubtedly. I was at the Carbon Trust's annual stakeholder meeting in Scotland last Friday. We got the corporate presentation, and one of the stats was that the Carbon Trust has worked with 70 per cent of FTSE 100 companies, which immediately raised the question, "Why have you not worked with the other 30 per cent?" The Carbon Trust has a good model, but, given its resources, it cannot possibly give everyone the intensive support and advice that they need.

In the study that the Scottish Council for Development and Industry commissioned and published before Christmas on the 2020 renewable energy targets, the first thing that we asked the consultant to do was give us a long-term projection for electricity demand. The consultant projected 10 per cent increases in electricity use in the non-domestic and domestic sectors between now and 2020. Despite all the interventions, we are still seeing an increase in electricity use, although not necessarily in energy use.

The only solutions are incentives to support investment in energy-efficient equipment—especially in the current climate, where businesses are having difficulty accessing capital to invest—and intensive support and advice. The previous panel mentioned smart metering, which will be a key way of enlightening people and increasing their knowledge of how they use energy, what they use it for and how they can save it.

Brendan Dick: Given what Niall Stuart said about the Carbon Trust, it is probably true to say that most large companies understand the issue of energy efficiency, either because they believe that climate change is important or because of money—either way, they are doing something about it. The challenge in Scotland is to hit the hundreds of thousands of small businesses, which is hard. If there is one organisation that can play a key role in mass marketing and continuing the process, it is the Government, and its agencies, in association with business organisations such as

the SCDI. The Carbon Trust clearly cannot do all that work on its own.

For the long-term challenge, simplicity will be key. A side-benefit of getting the many small businesses as well as larger companies to understand the issues and to use incentives to make changes is that there will be a trickle-through effect to the domestic market. I know that we are not considering the domestic market just now, but if a small business that employs five people makes changes to its business, there is a high probability that people will start to see how to make those changes at home as well. From a Government perspective, it is really important just to get those simple messages out there.

Ken Richardson: Another more short-term issue, given the need for measures that require a reasonable amount of capital expenditure to be paid up-front, is that many businesses are currently having difficulty accessing money. In part, the answer to the question is to sort out the economic recession. That might not be quite the answer that the committee is looking for, but there is a lot in it. At the moment, it is difficult for businesses to access capital in a sensible way, so business survival is what many businesses are focusing on. As Niall Stuart said, we need to introduce incentives that encourage businesses to take a longer-term view at this difficult time.

Michael Alexander: As we mentioned when committee members visited our Cameron Bridge site, renewables obligation certificates and ensuring that financial investments are sound in the long term are big issues for us. The fact that heat is not currently eligible for ROCs is a big issue for us, because heat accounts for 90 per cent of the energy in distilleries. We produce about 20MW of thermal heat as opposed to 6MW of electricity. I know that the Government is looking into whether that issue can be addressed through climate change legislation or other routes. Ensuring the financial viability of big investment projects is a big issue for us.

The Convener: Lewis Macdonald's question perhaps follows on from that point.

Lewis Macdonald: Yes, indeed. First, the UK Government is currently consulting on renewable heat. Are Diageo and industry in general aware of that? Will industry respond to that consultation?

Secondly, some mechanisms are already in place. For example, for a number of years, loan action Scotland has been supporting small and medium-sized enterprises to improve their energy efficiency. Is that the right model? Should it be extended to assist more companies? Is there a way of doing that?

Thirdly, on the provision of support to the industrial and domestic sectors, I repeat the question that I put to the previous panel of witnesses: do the Energy Saving Trust and Carbon Trust duplicate or complement each other's efforts? Does industry have a view on whether the current structures for supporting energy efficiency are the most efficient?

Ken Richardson: As with many Government initiatives—I refer to initiatives not just of the Scottish Government but of the UK Government and European Commission—the spirit or intent is good, but that sometimes gets a little lost in all the paperwork and so on. Whether in a small or large business, businesspeople often find it difficult to cut through all that to find out which are the schemes of value. There is value in focusing on two or three incentive schemes and in ensuring that the various associations such as the SCDI and the Confederation of British Industry are well briefed to support their members. The networks of different organisations need to share information. That is a rather general answer to a specific question. A general plea on behalf of everyone who runs a business is that things need to be kept simple, transparent and easy to use.

Brendan Dick: Let me supplement that. An interesting example that I am involved with—this applies in both Scotland and the UK—that has not worked well but which might help to deal with the issues mentioned in Lewis Macdonald's question is the May day network that is run by Business in the Community and, in Scotland, by Scottish Business in the Community. The May day network is all about helping businesses to achieve the basics by providing them with a six-step ladder that they can use. Take-up has been fairly low, one reason for which is that making progress is hard unless, as well as talking about the theory, one can say in parallel, "If you want to do X, go and talk to so-and-so, and if you want to do Y, go and talk to such-and-such." That has been fairly weak, but it would not be difficult to fix. One thing that we can do collectively over the next year or so is get those linkages sorted so that there are channels through which businesses can easily obtain financial assistance and, critically, simple steps for doing things. Many people are clamouring for that. However, the subject is quite complex.

11:30

Niall Stuart: I will deal with Lewis Macdonald's questions in reverse order.

It is clear that the Carbon Trust and the Energy Saving Trust do similar things, but they do them quite differently. The levels of expertise and the intensity of support that they offer are quite different, and are also quite different from what other organisations offer. However, perhaps there is scope to work together in marketing. There

could be one phone number and one website. Services and support would be much more visible, because marketing budgets would be pooled. At the moment, the two organisations are competing for the same business to some extent. The front end of the services could be pooled and people could be directed behind the scenes to the support that they need.

We are talking as if energy efficiency is the same in every sector. I have three SCDI members with me because the challenges in business with respect to building design and use, technology and manufacturing are very different. If serious savings are to be made in those areas, technical experts in them are needed. The shop fronts can be merged by all means, but specific sectoral advice must be available.

I understand that loan action Scotland has payback times—if returns on an investment are not delivered within four years, it will not provide finance. I wonder whether we could make the arrangements a little more lax and consider more realistic investment returns. Investment in solar energy, for example, will not be paid back within four years; I am not sure about investment in biomass energy. However, the terms could be made more flexible.

Committee members have heard from two panel members that businesses are considering heat. The political debate has been very much about electricity, renewables and nuclear energy, but businesses are already considering how they can source other forms of heat and power through biomass and other solutions.

Michael Alexander: I would like to make a small point about the Carbon Trust and the Energy Saving Trust on behalf on Diageo—I can comment only on its behalf. We have worked closely with the Carbon Trust for several years; in fact, Diageo has managed to attain Carbon Trust standard certification in the past year—we were one of the first companies in Scotland to do so. More important, the Carbon Trust has helped us to introduce a culture change in the organisation. We now look to focus on cultural issues. It is all very well looking at the big numbers and big investment plans for bioenergy and other renewables, but the Carbon Trust has helped us a lot with our awareness of how to reduce our overall carbon footprint through encouraging a culture change in the organisation. The appointment of energy saving managers at some of our key sites, the raising at all our sites of employees' awareness of how to save energy, and the introduction of smart metering and other smaller elements that are not capital intensive have had a meaningful impact and have been important in the cultural move for all of us in Diageo Scotland towards having a mindset of always being aware. We have had a very good working relationship with the Carbon Trust, which has produced very good results.

Lewis Macdonald: I want to follow up on that point about culture change in particular. Again, we have heard that introducing smart meters in the domestic sector will make a big difference to people's awareness and culture and that carbon-saving benefits might result. How smartly does business in general understand its energy consumption at the moment? How important is technological change in improving matters? To what extent is the issue cultural, as Michael Alexander has described it?

Ken Richardson: Industry is very aware of its energy consumption. In the past 20 years, I have seen a dramatic improvement not only in monitoring the situation but in design. I refer to the previous debate on housing. A lot of money will be saved if manufacturing plants are designed to be energy efficient and a lot of heat recycling is built into them. The expression "What gets measured gets done" is true. As measurement technology has advanced and become cheaper, people have installed more meters and more software to monitor overall trends. The process starts with knowing what we are dealing with; something can then be done about it. There is now much more awareness of those issues, which is the biggest change that I have seen in the industry in the past 20 years. That has been driven by the relative rise in energy costs and by the more recent ups and downs in prices that we have talked about.

Niall Stuart: Traditionally, most organisations have viewed their energy costs as part of their fixed overheads. However, the volatility in prices in the past few years has made people start to realise that those costs are not fixed but variable. The better businesses are starting to consider smart metering and using real-time data. Tesco—which would have liked to be represented today, but it had other commitments—is rolling out eco-friendly stores. One way in which it is considering managing its energy use is through the use of smart metering and real-time data. Better businesses are thinking about the issues and using technology to change the behaviour and culture in their organisations.

Brendan Dick: I will share some of BT's experiences. We have made a lot of progress on energy use and, consequentially, carbon reduction. However, we could not have done that without understanding where the costs are. At the top level, our costs break down into about five areas, with detail below them. There are the networks and the big data centres, but there is also simply our property estate and, of course, travel. An organisation can do a lot on travel simply by using technology differently. We do that internally in spades, but there is a real opportunity

in Scotland to change travel behaviour. As a consequence of that work, we have achieved two things. First, we have saved money and, secondly, people travel less and therefore make more productive use of their time. The changes have reduced our carbon impact and our impact on particular roads. We use public transport more heavily, too. In the long term, we envisage an internal push, which will come from the top, to continue to drive down the amount of travel, particularly road use.

The challenge that we face is more to do with the internal cultural agenda. Although we are doing a lot to get individuals to think about the issues, the cultural issue has been slightly more challenging and will be a focus for us in the coming year. The top-down stuff is happening, but we all need to work on the cultural change.

Michael Alexander: I have a small point about understanding overall energy use. Like the Government and others, we have set targets for reducing our carbon emissions. We aim to reduce our absolute carbon emissions by 50 per cent by 2015. That is during a period of expansion, so the target is challenging. I appreciate that Diageo is a large organisation and therefore has sufficient resources to measure and understand the process. Our corporate citizenship report states that we will try to meet the target. Once everybody understands that the company will be measured against the target, that will set our agenda and drive everybody to understand and meet the target. That is just a small point about targets—they help to engender culture change.

Christopher Harvie: I am informed that our interrogatees have not seen the diagram that has been provided to the committee showing energy flows in Scotland. It shows that the equivalent of 47TWh goes to transport, which is one third of our total energy use. Of that, roughly 80 per cent goes into motor transport, for lorries and the like. The figure is an increase by a factor of four from the 1960s. We are currently faced with the collapse of much of the global car industry. Is it not an advantage that, since the demise of the Hillman Imp, we have not had a car industry in Scotland? I speak as a convinced non-motorist who has not driven one of the things since being frightened out of my life on the A5 in 1976. That has not had any ill effects on my career, although that may be because I have lived in parts of Europe where the level of public transport utilisation is two to three times that in Scotland. Is that not one area that can, in the present economic circumstances, be squeezed?

The Convener: We are all relieved that Chris Harvie does not drive.

Brendan Dick: I am a keen user of public transport. I was up in Inverness a couple of days ago, where I saw Rob Gibson. I avoided travelling there by car and—to return to the economics—it is significant that I did seven hours' productive work when travelling there and back by train. I would not have been able to do that work in a car, in which the round trip might have taken six hours.

Travel does not form a third of BT's costs, because we have networks. However, even for a company that is quite good at not travelling and avoids travel through the extensive use of various sorts of conferencing, travel still forms about 15 or 20 per cent of our costs. Eating into those costs is a continual challenge.

Apart from the cost savings, the productivity gains are phenomenal. We have seen the relevant statistics on raw productivity, effectiveness and other aspects, which are not unique to us. An important example is that we have about 98 per cent employment retention of females who stop work to have kids and return. That is more than double the British average, because of the flexibility that we can provide in how they work.

My frustration is that Scotland tends to see transport as separate from the debate about energy and productivity. We need to consider it in the round, so that we examine how we work and do not assume that we must always travel to work. At a time such as this, there is a big opportunity to rethink how we arrange our day-to-day lives.

Ken Richardson: I will consider the macro side of the point that Christopher Harvie made. We import and export many materials. A key initiative is the development of the Grangemouth freight hub using the excellent port there to create integrated transport. The area has rail links and we need to strengthen the road links to the facility so that more loads can be taken off the roads and more freight can be brought into Grangemouth, which serves the main part of Scotland. That is one way to improve the situation. Anyone who drives down the M74 and the M6 at any time will see that many heavy goods vehicles use that corridor. We could take some of that freight off the roads and put it on rail or into container traffic. Integrated transport is an issue not only for individuals but for business.

Niall Stuart: We can move more journeys on to public transport and we can work with companies on how they manage their fleets and how their employees travel to and from work. The high fuel price has woken people up to the issue and several of our member organisations are examining transport. However, when Diageo produces X litres of whisky wherever it is made, it needs to make the journeys to get that to the market to generate sales and profits. The issue is moving more of that freight on to the rail network and off the roads.

Scotland has world-leading companies on alternative fuels. Allied Vehicles in Glasgow is developing electric taxis. I do not remember the name of the company in Dundee that is a world leader in electric vehicles and batteries. Many supermarkets now use biodiesel to run their fleets to deliver goods to their stores.

Various options exist. No one solution will be right for all sectors. The aim is to stop journeys when possible and to consider alternatives when they are available.

Andrew Pinkerton: Transport miles in the construction industry are probably a major contributor to the figure that Christopher Harvie cited. One driving force for changing that is encouraging clients to establish methods of rating their construction projects that measure the amount of energy that is used in the construction process.

We were architects for the Scottish Natural Heritage building in Inverness. Throughout the construction of that building, the transport method of and number of miles travelled by everybody and every piece of material that arrived at the site were measured. Even if we attended a site meeting in Inverness, we had to record how we travelled, and the carbon impact was calculated. We did that because we aimed to make the building the most sustainable. The process and the product were considered.

11:45

The same process encouraged us to use locally sourced materials, which meant that, instead of having to transport materials from the central belt because that was the easiest option, we did a little bit of extra work to find the materials locally. We opened up a local area of forestry to provide timber for the building work. There are things that the construction industry can do to encourage that approach.

To go even further back in the process, to the design and planning stage, I would say that it is incumbent on planning authorities to ensure that developers are providing green transport plans with their proposals and that those are enforced and do not drop out as part of the negotiation of the planning process.

Michael Alexander: Niall Stuart and Ken Richardson mentioned moving from road to rail. It will not come as a surprise to anyone in the committee that we have found it a bit of a struggle to do that. We had an ambitious plan to move up to 2 million miles' worth of lorry journeys from road to rail but, as a result of the difficulties that we encountered, the plans have been put back a little bit in our timetable. However, we will continue to move towards that goal, which is our ultimate aspiration, particularly because some of our key sites are located right next to rail lines.

The Convener: What is causing the difficulty? What are the main barriers?

Michael Alexander: There are a number of difficulties, such as congestion in the network. The committee will be aware that Network Rail has its own priorities in terms of passenger safety and so on. We have been working with Network Rail for a long time in our efforts to move some of our freight on to rail, but we have not been able to do so yet.

Christopher Harvie: In Austria, rail accounts for 38 per cent of freight miles, which is a significant improvement that is mirrored elsewhere. If the British institutions are not capable of providing that improvement here, it might be worth considering whether the British railway system might be better managed from Europe, as part of an arterial strategy. It is unfortunate, from the point of view of freight transport, that the enormous amount of investment that is needed in the network has not been made.

Michael Alexander: I would note that we manage the connection between Scotland and England well. We are a big user of Grangemouth port and use the rail hub there as well. We also use the Eurocentral freight terminal. Overall, we move a lot of our material out of Scotland by rail. However, there is a struggle to move material by rail within Scotland.

Christopher Harvie: Would your organisations be interested in doing an energy audit of the towns such as Inverness that have, alas, opted for a supermarket-retailing strategy and other towns, such as my own native Melrose, that have retained a local SME-generated retail system? The impression that I get is that, despite the promises of big supermarket businesses to develop more eco-friendly stores, the total impact of the supermarket model is extremely great in terms of freight transportation and the use of the motor car. Would it not be wise to see how a particular area operates at all levels and to compare a small-is-beautiful model, which uses street markets and so on, with a supermarket model? That would give us a rational basis for our thinking.

Niall Stuart: I will deal with your first point first. The problem with moving from road to rail has more to do with capacity and investment than with the management of the system. Network Rail generates revenue from every train that runs on the network. It wants more traffic, but the problem is the capacity. Who is prepared to invest to generate that extra capacity?

I agree absolutely with your point about the need for an audit. Until we understand where emissions are coming from, we will not know where best to

invest money to drive those emissions down. The Committee on Climate Change has said that about 10 per cent of CO_2 emissions between now and 2050 can be driven out by simple energy efficiency savings, at low or no cost. However, we must understand how we can change people's behaviour, sector by sector.

Brendan Dick: The City of Edinburgh Council aspires to be carbon neutral by 2050 and I have heard that some small towns in Scotland have set themselves the same target. That is a good aspiration, but to achieve it we need to consider the matter holistically. First, there must be the capability to achieve the target. When some of those aspirations were first expressed, no thought had been put into how to measure or address the problem.

Secondly, I am uncomfortable with the idea that different parts of Scotland will have different targets. The country is setting the target to be 80 per cent more effective on CO_2 emissions by 2050. Given human capacity and capability, it is a bit crazy to expect organisations such as BT to play at different targets in different towns. As a country, we should accept that we have an 80 per cent target. It is quite right that there should be action at town or city level, but towns and cities should try to apply the same models, because if they do not, we will all run round in circles.

Niall Stuart: I invited an SCDI member from Tesco to come to the meeting, but they could not make it because they had a prior commitment. However, they said that they would supply evidence in writing.

The Convener: Thank you. That would be helpful.

Dave Thompson: This is more comment than question—if anyone wants to comment on the comment, feel free to do so. The use of local timber for the SNH building is great, and it is good to source quarry materials and other stuff locally. However, that might not be possible for developments in a national park, where people certainly would not be allowed to open a new quarry and existing quarries sometimes have to close down. Stuff sometimes has to be transported great distances.

How energy efficient are supermarket and other retail and industrial buildings, which are just big sheds? Are the new buildings that are going up better than the ones that have been put up in the past 10 or 20 years?

Ken Richardson: May I comment on the comment? Society sets out to do things with good spirit and intent and for the right reasons, but those things sometimes get in the way of other things. What you said about national parks is an example of that. Similarly, we might ensure efficient use of public money by considering global procurement, but such an approach can knock out local suppliers and lead to higher energy costs. We have to find a balance. You would be surprised if I did not say that industry must also think sensibly about whether European environmental legislation is achieving the spirit that was intended. That takes me back to the work of Russel Griggs and others on better regulation in this country. Sometimes, what appears to be the solution in one area can create a problem in another area, as your comment illustrated.

Niall Stuart: There are many difficult trade-offs to be made between local and national environmental benefits and targets. The environmental movement is all about reducing CO_2 emissions, but local environmental groups often object to wind farms. We must make difficult decisions about the impact of local developments and their potential contribution to national targets.

I understand that the carbon footprint of the next generation of supermarket buildings will be about 70 per cent lower than that of the current generation, which demonstrates that the current generation of building stock is not terribly energy efficient and can be much improved.

Andrew Pinkerton: I will also make a brief comment on Dave Thompson's comment. The construction industry is encouraged not to open up new quarries but to use recycled materials. That is happening quite a lot and is being encouraged by, for example, landfill taxes, which discourage the dumping of material and encourage the reusing of material.

Supermarkets are an interesting example because the supermarket industry is somewhat different from other industries. In many cases, supermarkets are developed on a standard format. With the rapid expansion of supermarket chains, the industry is constantly improving the design as it goes along. A few years ago, the industry refined the process and design with cost in mind to such an extent that it was in effect getting one supermarket free for every three that it built, which fits its culture, I suppose. It worked through the cost savings.

In the past few years, the supermarket industry has moved towards addressing energy considerations. It has been driven to do so partly by consumer demand, because supermarkets want to be able to demonstrate to their customers that they are being responsible. Supermarket designs are being refined and what we see being built now is very efficient. I am sure that the submission from Tesco will look to prove that.

In the case of most other industrial premises, the buildings are one-offs, so the same opportunity does not arise to refine and develop designs to

high efficiency levels. We need to ensure that building standards are constantly reviewed and updated where necessary. I commend what has been done already, as we have moved forward a lot in adjusting building standards.

Of course, in many cases, that applies only to new buildings, but a significant amount of our building stock has been and will continue to be around for a very long time. Perhaps the construction industry needs to look at what can be done and what techniques can be used to retrofit existing buildings to make them more efficient. There is very little encouragement to do that at the moment, other than the driving force of energy prices, so further incentives might help. It is a challenge, without a doubt.

The Convener: Niall Stuart has to leave because he has a flight to catch. I thank him very much for his evidence. He should feel free to give us any additional written evidence.

Nigel Don (North East Scotland) (SNP): Could I ask a follow-up question?

The Convener: I will come to you at the end, Nigel, but I need to give the committee members the first opportunity to ask questions. We are running short of time, but I will come back to you if I can.

Marilyn Livingstone: We have talked about the energy efficiency of buildings and about the need to roll that out throughout the industry and to maximise the use of new technologies. I have a two-part question on skills. In previous evidence, we heard a lot about skills gaps, and Andrew Pinkerton talked about the construction industry, retrofitting and so on. Do we have the necessary skills at the moment? Are we spending enough on research and development and are we well placed to be able to implement the new technologies?

Andrew Pinkerton: My immediate reaction is no on both counts. I do not think that we have sufficient skills to take advantage of the retrofit opportunity. There are different requirements in relation to what can be done and how we apply some of the technologies. Perhaps we have focused on what are often referred to as the biblical trades in the construction industry. Although the basic skills of joinery, plumbing and so on are all-important, more work needs to be done on specialisation of skills, and perhaps on some crossover between them so that we have operatives with the right mix of skills to be involved.

There might also be a lack of understanding of some of the historical building techniques that we need when we are working with existing buildings. There is scope for consideration of what skill set is needed and how it is delivered.

I apologise for not having exact figures for the construction industry's spend on R and D, but it is minimal compared with the spending of many other industries. I spent some time in the computer industry, in which investment in R and D in some cases amounted to 30, 40 or even 50 per cent of turnover. In the construction industry, the figure is probably less than 5 per cent. There is little incentive for people to get involved in the R and D side because a great deal of building tends to involve a one-off approach. If we can develop techniques that can be applied universally across a broad range of building types, whether in the domestic or the commercial sector, and which have a wide application, we can justify R and D spend on that.

12:00

In addition, there is a bit of a disconnection between the academic community and the construction industry. Earlier in my career, I was involved with the Centre for the Built Environment in Glasgow. We sought to improve the linkage between the academic community and the construction industry, but that is extremely difficult to do in that, because the margins in the construction industry are so small, there is simply no appetite for engaging with research and development. The fault was on both sides. As the academic community could not engage with the construction industry, it did not know what the construction industry needed as regards research and development. Work needs to be done to improve that situation.

Michael Alexander: I support that view. In our experience, there is a distinct skills shortage in electrical and mechanical engineering. Most of the 20 or so jobs that we are creating at our new distillery in Roseisle and at the Cameron Bridge bioenergy facility are focused on electrical and mechanical engineering. From our perspective, there is a skills shortage in that area.

Brendan Dick: Andrew Pinkerton made an interesting comment about the computer industry. I look at the issue more from the point of view of skills utilisation. The skills and the knowledge may exist somewhere in our industry, but it is necessary to apply them.

To pick up on what Diageo's representative said, we have an objective of reducing the carbon impact that we had in 1996 by 80 per cent by 2016. It is amazing what a target does. All of a sudden, virtually every major investment that our organisation makes is based on a significant input from the energy use perspective. Having a target provides focus. Targets are a key element of the process because, without them, there is not necessarily an incentive to apply any existing skills.

Ken Richardson: I have another comment on skills. The development of more clearly focused modern apprenticeships has been encouraged. We must ensure that we not only continue that drive but secure the modern apprenticeships that have already been set up. Many businesses are experiencing difficult economic times. Such efforts are an investment for the future.

A member of the committee mentioned that going back into the education system would be an investment for the future. It would serve society well if everyone had greater awareness and understanding of simple things that we can do with technology, as that would enable us to make better-informed decisions. It is not always a question of educating the modern apprentices or the scientists of the future; we need to give everyone in society a broad education so that they can understand the issues that we all need to address.

Gavin Brown: Michael Alexander said that what gets measured gets done. Whether one attributes that quote to Peter Drucker or to Jim Mather depends on where one sits. We have heard about the robust targets that Diageo has set, and Brendan Dick mentioned the robust targets that BT has set. Are such voluntary targets the exception or the rule, or do they fall somewhere in between?

Ken Richardson: Every company that I am aware of is very much into target setting. Sometimes, they go a little bit overboard. It is important that the people who work in an organisation understand what the target is about, what it is trying to deliver and what their part is in that process. The trick for any company is to ensure that that happens, so that people understand what will make a difference. As Brendan Dick said, people will also understand what measures they can take from their work environment into their home environment.

Many companies are driven by the clear economics of survival. When it comes to energy, a lot of target setting is clear and focused, because energy is a big issue for many companies. We in the manufacturing industry in general—I am not talking just about the chemical industry—are big energy consumers. However, we are investing that energy up front into something that will last a long time and will have impacts on energy efficiency. The goods that we make will be part of the solution and will contribute to some of the measures that we need to take.

We are setting good targets. It is difficult for companies when targets are set for them by outside bodies. I repeat the analogy of the company employee: if the employee understands what the target is for and their part in meeting it, that is great. Similarly, companies have to understand why national targets have been set and their part in that process—the targets have to make sense to them. The formation of national targets needs to be considered in that light.

Nigel Don: We talked previously about the energy efficiency of supermarkets. It occurs to me that supermarkets have large buildings that they are trying to heat and quite a lot of products that they are trying to keep cool. Of course, fridge systems generate huge amounts of heat which, by and large, we throw out into the atmosphere, because that is how the system was designed. The heat exchanger is not normally put inside the building, because the fan that is attached to it generates too much noise. The big chemical industry has long since worked out how to handle that heat flow. I imagine that supermarkets are gradually getting there—I do not mean to be disparaging to Tesco or others. Is anybody out there in a position to advise relatively small or medium-sized businesses that have such equipment sitting on their building? Can anyone help them understand how to work through the relatively straightforward modern technology that is involved in handling those heat flows?

Ken Richardson: There are a number of support organisations, some of which are publicly funded. In our sector, organisations such as the Scottish manufacturing advisory service are working in that area. I am not an expert in what is going on, but some of our member companies have told me that they have benefited from such support. Sometimes, the benefit is in working with a group of other companies and sharing best practice and ideas. There is huge benefit in seeing how someone else has tackled a similar challenge. There are certainly a number of support organisations in the manufacturing industry, which should be encouraged.

The Convener: We heard earlier about the difficulties that local energy market networks have in spreading the cost among relatively small numbers of households and we heard that costs could be absorbed and spread more easily if large public sector or private sector operators shared the burden. Can we do more to incentivise businesses to get involved in local energy networks as an anchor business or to get trading estates or town centre managers to encourage the private sector to get involved?

Brendan Dick: Large private sector organisations are generally open to any good ideas. There is no one solution. The key thing, which I know from our own experience of looking at renewables in general—although you are talking about local networks—is to ensure that the commercial model is right. Broadly speaking, I think that there is a willingness to engage if the model makes sense.

Ken Richardson: Sometimes, there are issues to do with capital funding, because an infrastructure must be put in place to enable such schemes to happen. At the moment, many organisations are understandably focused on the bottom line and not on things like that. I was involved with an organisation that was considering a community heating scheme—this was a number of years ago, so it is perhaps not so relevant today—but there were a number of barriers caused by the criteria that we had to meet. We were not satisfied that we would get value for the effort that we would have to put in, which goes back to the point that Brendan Dick made.

Rob Gibson: You have raised concerns about targets being set from outside. What are your views on how helpful energy performance certificates for buildings would be in reducing energy demand in non-domestic buildings? We asked the previous panel the same question, so it will be interesting to see what you have to say, as you are the prime focus.

Ken Richardson: In the industry in which I work, most of the plant is outdoors. As has been mentioned, a lot of work has gone on in relation to energy interchange and efficiency within those units. Many other manufacturing companies have inherited relatively old buildings and old spaces, which are often difficult to convert to high levels of energy efficiency. The best way of ensuring such efficiency is to start at the design stage, rather than going back and doing corrective engineering.

There are some classic examples. Nigel Don pointed out that sometimes heat is a waste, and sometimes cold is a waste; if those things can be interchanged in a building with integrated heating and ventilation systems, so much the better.

It comes down to capital costs and incentives, and to the fact that many of the manufacturing companies—I am not necessarily talking about the chemical sector—are struggling to survive at the moment. It is about how they can be helped to invest for the longer term, which is quite a challenge.

Andrew Pinkerton: In the commercial property sector, the economics are such that new commercial developments just cannot happen. That is causing many organisations to review their existing commercial properties. The requirement to produce energy performance certificates is, in some respects, an incentive for them to say, "If we can improve our energy performance in this building, can we perhaps sweat this asset a bit more and get a higher rental return for it?" It perhaps prompts them to ask themselves what they could do to improve the energy performance rating in a building, and whether they can introduce energy-saving measures, building management systems and so on.

Such a requirement can be used as a stick to encourage some changes. Perhaps the current economic climate will help. Two years ago, people might not have considered the issue but, because they are now not instantly moving to a brand new office, they are considering what they can do with their existing building. There is an opportunity for the design side of the construction industry, when it receives inquiries from owners or tenants of properties, to encourage them to consider the energy performance and the rating for their buildings.

Michael Alexander: I agree with the point that has been made about new and old. With regard to energy efficiency and environmental performance, building a new distillery is a lot easier than converting an existing distillery. Also, it is much easier to convert a big site that is a high energy user, as the costs can be measured and the impact can be understood; that is something that we can invest in. However, we have 25 small distilleries, many of which are in remote and rural locations, and the capital investment that would be required to make those more energy efficient—which in our case would mean investment in biomass and conversion of coal products into renewable energy—is difficult to make stack up financially. We are struggling to find additional support and R and D support to try to make those smaller sites more energy efficient, when there is not such a big bang for the buck in terms of investment.

The Convener: I thank the panel members for their evidence. If you wish to give us any additional evidence in writing, feel free to do so.

12:15

Meeting suspended.

12:19

On resuming—

The Convener: We welcome our third and final panel this morning. I am particularly looking forward to this session because, as many of you will know, Mark Roberts was the senior assistant clerk to the Education Committee when I was the convener of that committee. It is nice to see you again, on the other side of the table. I hope that you will enjoy the session.

Audit Scotland has analysed energy use in the public sector. Mark Roberts and Angela Cullen will make brief opening remarks on the study, after which we will ask questions.

Angela Cullen (Audit Scotland): Thanks, convener. We welcome the opportunity to contribute to the committee's inquiry, which is very helpful to us. As you know, we published the Audit

Scotland report in December and the Auditor General provided a briefing to the Public Audit Committee at that time. This morning, the Public Audit Committee considered a response from the Government on some of the issues that it had raised. Mark Roberts and I have just come from that committee. Hot off the press is the news that the Public Audit Committee is going to refer the Audit Scotland report and the Government's response to this committee. So, although we are happy to be here today, we will also be happy to come back another time, once you have been formally handed that work, if you want to go over the report again.

I will highlight three key issues in the report in order to help the discussion today. Energy consumption in the public sector has been reduced by 4.8 per cent over the three years to 2006-07, although the public sector's spending on energy has increased significantly, rising by 47 per cent over the same period, which is due largely to a significant rise in energy prices. It is also worth stating that there is a lack of comprehensive data, especially in relation to transport use, and that the frequency of reporting is variable, which makes it difficult to monitor progress accurately.

The Government has made funding available through the central energy efficiency fund, the Carbon Trust and the Energy Saving Trust, and public bodies have invested some of their own funds in improving their energy efficiency. A critical factor in improving public sector energy efficiency is strong leadership both at the national level, from the Government, and within public bodies. That leadership is essential if the necessary cultural and behavioural changes are to be achieved and if the public sector is to be a role model for the wider Scottish economy in striving to meet the targets that are set in the Climate Change (Scotland) Bill.

That is all I want to say by way of opening remarks. We are happy to answer questions.

The Convener: Thank you. I am sure that the committee will look forward to the referral from the Public Audit Committee. Marilyn Livingstone will start the questioning, as she has to leave at 12.30 for another meeting that she cannot get out of.

Marilyn Livingstone: I have been asking other witnesses about building standards and the best approach to targeting poor energy efficiency standards. In talking about data collection, you say that in some areas there is not appropriate information. How do we go about improving that and tackling some of the complexities of the public sector building estate? It is difficult to know what improvements we need to make if we do not know the current figures. How do we get through that quagmire of complexity in the public sector building estate?

Mark Roberts (Audit Scotland): One of the big challenges is, as the previous panel discussed, the age and nature of the public sector estate, which is very large and complex. One of the problems that we encountered in the study was the fact that there is limited use of accurate metering technology that would enable us to understand energy consumption.

There is a lot of reliance on utility bills. That is one aspect of the estate that could be improved on so that we could get more accurate data on energy consumption. Uncertainties and inaccuracies were reported by organisations that rely on utility bills as opposed to their own metering or sub-metering technology. The estate provides quite a lot of challenges for sub-metering, especially in central Government where quite a lot of small organisations share facilities and buildings that they lease. Rather than getting their own broken-down energy bills, they rely on an annual management fee that they pay to their landlord. There is a big challenge there.

The previous panel alluded to the fact that it is a lot easier to do things with new build than it is to retrofit old buildings. In 2050, the public sector will still have a large amount of the estate that it has now, so there is a significant challenge there. Improved metering and understanding of costs would be a significant step forward.

Marilyn Livingstone: You mentioned new build. Are the steps that we have taken on new build enough? Are the targets sufficient?

Mark Roberts: We did not look in detail at the building standards requirements, but they are a step in the right direction. We are not, on the basis of the field work that we carried out, in a position to state whether or not those steps are sufficient to meet the long-term targets.

Gavin Brown: Can you break down the 4.8 per cent reduction in energy consumption in public buildings? My understanding is that 90 per cent of councils have an energy management team, as do 59 per cent of national health service bodies and 36 per cent of central Government organisations. Is there a correlation between the parts of the public sector that had energy management teams in place and the parts of the public sector that have contributed to the 4.8 per cent reduction? Do you have that level of detail?

Mark Roberts: Councils and the various sectors of the NHS contributed most to the reduction in consumption. There was a marginal increase in consumption in the central Government sector during the three years that we considered. The reasons for that are a matter for speculation, but councils and the NHS are much larger consumers of energy, and we might expect them to concentrate more on reducing their costs. On the

question of a correlation between the presence or otherwise of an energy manager and reductions in consumption, I would say that where there are energy managers in place, there tend to be greater reductions in consumption.

Gavin Brown: Central Government organisations had the lowest figure for energy management teams—36 per cent—and its consumption went up.

Mark Roberts: Yes.

Gavin Brown: Councils had the higher figure of 90 per cent, and 59 per cent of NHS organisations had an energy management team. Did councils contribute more to reductions compared with the NHS, or do you not have those data?

Mark Roberts: Can I come back to you on that? I will need to check the background information.

Gavin Brown: Sure. Thank you.

Lewis Macdonald: One of the recommendations that you make for the Scottish Government is that more work should be done on monitoring, and that "robust monitoring arrangements" should be in place. I was struck by the comments in your report that there are no formal monitoring arrangements. I had previously assumed that such monitoring would have been carried out, perhaps not universally but by at least some public sector bodies. Is it simply a case of joining up reporting systems that currently exist, or are there some really large gaps in the monitoring and reporting that the Scottish Government is currently doing?

Mark Roberts: It varies between sectors. For example, within the national health service, Health Facilities Scotland has provided a co-ordinating point for quite a lot of monitoring work. HFS produces an annual report on the NHS's overall performance over the course of the year. We understand that the Government is looking to apply that approach in other sectors.

There has been slightly more of a gap in respect of reporting to the Government by different sectors and individual public bodies: the information has not all been drawn together into one place. The energy efficiency action plan that is proposed under the Climate Change (Scotland) Bill might provide a vehicle for doing that in the future.

Lewis Macdonald: That is potentially some way off, however, which is not really in line with the urgency of your recommendations, I presume. What sort of timeframe do you attach to the recommendations in order that they might make a difference to energy efficiency in the public sector?

Angela Cullen: We have not attached a timeframe to them. Audit Scotland is one part of the accountability process. In bringing our reports to Parliament, we hope that Parliament will take the recommendations on board, that it will respond positively to them and that it will ask the Government to implement them.

You are absolutely right that the action plan is some way off. We hope that the recommendations will start being implemented in the not-too-distant future. As an audit organisation, we hope to start following up a report between 18 months and two years after we have published, so we expect to see some progress being made against our recommendations within that timeframe.

12:30

Lewis Macdonald: The current timetable that has been described to the committee is that the energy efficiency action plan will appear 12 months after completion of the bill process. From what you have said, it seems that you could be examining the efficiency in implementation of your recommendations at the same time as, or even before, the publication of the energy efficiency action plan. If you agree that that is the timetable as you understand it, will the Government need to act earlier than 12 months after the completion of the bill process if your 18-month follow-up is to be meaningful?

Mark Roberts: The Government is taking action. Sir John Elvidge's response to the Public Audit Committee, which Angela Cullen mentioned, explained the steps that have been taken as part of the leading by example programme, which is explicitly designed to promote energy efficiency and wider improved environmental performance across the public sector. Steps are being taken now—it is not all about waiting for the energy efficiency action plan.

Lewis Macdonald: That relates to the leadership recommendation: I support that and I recognise the point that you make. The monitoring recommendation is, however, different to the leadership one, so I am asking whether monitoring needs to be acted on prior to 12 months after completion of the bill in order to make a meaningful difference that you can then review in line with your normal procedure.

Mark Roberts: To be perfectly honest, I do not know the answer to that question. We can come back to you in writing, if we have a view.

Ms Alexander: Obviously one of the interesting things in your report is that it seeks to specify the character of the public sector estate. There are 18,000 council buildings, 1,000 NHS buildings and, if Scottish Water is excluded, only 650 central Government buildings, so the potential challenge that faces central Government compared to that which is facing local authorities should be manageable. In that respect, I want to follow up

the same point. I am truly puzzled as to why you recommend establishing "robust modelling arrangements" and reporting publicly against national and international targets, but suggest to public bodies no timetable for that to happen—not to central or local government, or to the NHS. I am mindful that we are lecturing everyone else about targets, so it is surprising that you have not set a timetable for either monitoring or reporting. In the preparation of your report, did you consider and then reject setting a timetable for monitoring and reporting on improvements in energy efficiency in the public estate?

Angela Cullen: We can probably answer the final part of the question first. We did not discuss or consider timetables. As an audit organisation, we do not normally set timescales for public bodies to implement our recommendations. We expect public bodies to react to them through the audit process. We review whether public bodies are considering the reports in their governance arrangements and audit committees. They feed back to us at the centre and we keep an eye on what is being done and how they are responding. They might each have their own action plan for responding to our recommendations and their own timetables for implementation because they start from different points.

Ms Alexander: So, in principle, if a public body indicated that it was going to establish robust monitoring arrangements and report publicly, but was not prepared to do that until, say, 2016, that would not be a problem to you.

Angela Cullen: We would certainly report that when we looked at it again. We would expect something to have started to happen by that time. The reason why we have a two-year delay in going back is to allow public bodies time to respond, to start to pull together their own action plans and to have made a measurable impact.

Rob Gibson: The Transport, Infrastructure and Climate Change Committee yesterday heard evidence from the sustainable Scotland network on the Climate Change (Scotland) Bill that local and central Government probably have a fairly small footprint in terms of emissions of greenhouse gases. You also make the point that

"Direct emissions from the public sector account for around two per cent of greenhouse gas emissions in Scotland."

However, you point out that

"this figure does not take into account the emissions resulting from the public sector's use of electricity, transport or waste-related emissions".

In your audit, have you found satisfactory data to act as a benchmark by which we can measure the progress that we are talking about requiring? We can talk as much as we like about energy efficiency targets, but unless we have more accurate data, we will go nowhere. What is your take on that?

Mark Roberts: As I mentioned to Marilyn Livingstone, there is a big problem with data accuracy. The quality of the data is significantly better on energy consumption within buildings than it is on transport in the public sector. That is a major area in which the public sector will have to do more work to improve the quality of its data.

Rob Gibson: If we are going to be influencing people and sharing best practice and so on, one of your key demands would be that we should have much more accurate data.

Mark Roberts: Yes.

Angela Cullen: Yes.

Christopher Harvie: Carrying on from a question I asked the preceding panel, I wonder whether one could do a relatively limited but holistic case study of two communities, one of which had opted for what seems to be the current norm for retailing in Scotland—the large, out-of-town supermarket, accessed by heavy lorries, and with customers arriving by car—and what seems to me, from my experience in Europe, to be the much more satisfactory and environmentally tolerable model of encouraging smaller units and in-town street markets and so on. Such a study, taken over time, would consider the environmental, social and energy impacts of the two models.

The city I previously worked in, Tübingen in Germany, fights it out with Freiburg for being the greenest town in Germany. There are rigid limits on the size of supermarkets and when supermarkets can be accessed by freight transport. There is no opening on Sundays, and no movement of heavy freight on the roads on Sundays, for instance. I would like to know the impact on the local economy of the two models, as well as all the less quantifiable implications, such as the impact on founding local businesses and so on. I wonder whether that would be a useful short-term, short-range study to enable us to orient ourselves.

Mark Roberts: I am sure that such a study is perfectly feasible, but it would be beyond the remit of Audit Scotland to take that kind of overall community approach. It encroaches on the private sector, and we can only consider public sector bodies, as we have done in this study. However, I am sure that other organisations would be perfectly capable of undertaking that sort of audit.

Lewis Macdonald: I want to ask a similar question to one I asked the first panel. You have described two objectives that ought to be achieved here, in the recommendations both to the Government and to the public sector, which are

improved energy efficiency and reduced CO_2 emissions.

Clearly, improved energy efficiency will have a benefit in reducing CO_2 emissions. Have you addressed the role that renewable generation or local combined heat and power schemes play in the public sector? I am thinking of schools and local authority housing providers, including Aberdeen City Council in my area, which have put in place either CHP schemes or wind-generation schemes and have thereby reduced CO_2 emissions. Have you addressed that issue in your report? It is not visible in the recommendations, although it is a key part of what some public authorities already do to reduce emissions. Is that a desirable means by which to reduce CO_2 emissions and is it put at risk by the recent decision by the Scottish Government to have a single contract for the supply of electricity? In other words, will that decision build in an incentive to public sector bodies to continue to buy from the network, rather than to obtain power or heat locally?

Angela Cullen: I will answer your questions in order. We did not look at renewable energy, because it was not within the scope of the study. We did consider it right at the start, but once we started looking at it, we decided to take it out and return to it. We have it at the back of our minds, so we will probably return to it later to see what the public sector is doing in that area.

On the central contract for electricity, Audit Scotland is currently conducting a review of strategic procurement across the public sector. The national contracts are being negotiated in such a way that they aim to meet the needs of local bodies, too. If a college, hospital or school is a new build and is completely reliant on renewable energy, that should be allowed within the central contracts that are being negotiated. It would not be tied into one route.

Lewis Macdonald: That is reassuring. So, that is already within the contractual arrangements.

Angela Cullen: The contract is being negotiated at the moment. We do not know the detail of that central contract, but the ethos of strategic procurement and central procurement is that it should meet the needs of local bodies.

Lewis Macdonald: Will Audit Scotland consider that, to ensure that it has happened once the contractual arrangements are in place?

Angela Cullen: We will not have looked at it in the strategic procurement study, because the timings are not right—the central contract for electricity is currently being negotiated.

Mark Roberts: The implications could be looked at in a follow-up study which, as Angela Cullen said, we will consider in a couple of years.

Lewis Macdonald: Again, that is very helpful.

You are calling for Government to show leadership and public sector bodies to develop strategies for reducing carbon emissions, but there is no specific explicit reference to local generation of power or provision of heat. Is there a risk that public bodies responding to your recommendations will go off and develop the strategies that you have asked them to develop, but those strategies will focus only on energy efficiency and not on low-carbon provision of heat or power?

Mark Roberts: Obviously, we have focused specifically on mechanisms for reducing energy consumption. I am sure that public bodies will, in producing their overall energy plans and strategies, take a more holistic view and that they will incorporate the renewables issues that Lewis Macdonald mentioned.

The Convener: I have a couple of final questions on the central energy efficiency fund and the other funding that comes from public bodies' budgets into energy efficiency. I understand from your report that public bodies have spent something like £30 million over three years on energy efficiency measures, yet they have spent somewhere in the region of £750 million on energy costs. Is £30 million, against a budget of £750 million, an adequate amount to invest in energy efficiency, from an audit point of view—or a best-value point of view?

12:45

Angela Cullen: We highlight the issue in our report. Sir John Elvidge acknowledged in his response to the Public Audit Committee that the funding for improving energy efficiency is competing with lots of other priorities in the public sector. It is difficult for us to say whether it is adequate or not. What we are looking for is evidence that the bodies are reducing their energy consumption and their emissions. They have been doing that, and we hope that they will continue to do so.

The Convener: The final recommendation is to

"ensure that energy efficiency is considered in the procurement of goods and services and in the planning and design of major capital projects."

I can see how that can be done in certain areas. For example, energy efficiency can be built in when major projects are planned, and when computers are procured we can ensure that they have low-energy monitors. However, do not the public procurement rules create barriers to energy

efficiency in other areas? For example, it would be more energy efficient to source materials and labour locally, but that is prohibited under public procurement rules. Do we need to address those issues to ensure that energy efficiency can be fully considered in the public procurement process?

Angela Cullen: In the current financial climate, those points are absolutely valid. Public bodies will always try to procure in ways that deliver best value or value for money. However, we are aware that the Government is preparing guidance on sustainable procurement, which it plans to publish later this year. That guidance will take all the issues into account and set out new guidelines for procurement.

Mark Roberts: Convener, if I may return to Gavin Brown's question, the reduction throughout the NHS was 7 per cent for the three years that we examined, and in the council sector it was about half that. There was a marginal increase in the central Government sector.

Gavin Brown: Thank you.

The Convener: That concludes our questions. Thank you for coming along this morning. We look forward to a future session on the report that the Public Audit Committee is to refer to us.

12:47

Meeting suspended.

12:48

On resuming—

Scottish Trades Union Congress (Seminar)

The Convener: Item 3 is a report back on our joint seminar with the Scottish Trades Union Congress. As members know, Wendy Alexander, Rob Gibson and I were unable to attend the seminar because we were in Brussels during renewable energy week. I thank Lewis Macdonald for agreeing to chair the event. Perhaps he will make some comments before we discuss the seminar.

Lewis Macdonald: It was a useful event. The contributions from both the Irish and Scandinavian perspectives were extremely informative, and the comments, questions and discussion that followed the contributions were helpful. I certainly got the sense from those who were involved on the STUC side that the seminar was an event in the calendar that they appreciated, and I believe that they would like us to carry forward the event in the way that is suggested in the paper for discussion today.

Dave Thompson made the point from the floor that it would be worth while to make the seminar available throughout the parliamentary estate in the same way that committee meetings are available, and online. That suggestion was welcomed around the room, so we could go forward on that basis.

On the content of the discussion, the contrast between the Irish model and the others was striking. The Irish model was very much market led and tax-cut focused, and it is now in serious trouble as we all know from Ireland's biggest-ever public demonstration, which took place last weekend. Public sector workers in particular are faced with the costs of the economic crisis in a direct way, which has not been the case here and in many other countries. Effectively, there has been something like a 5 per cent real-terms cut in pay for public sector workers.

By contrast, the Norwegian and Swedish experience has, thus far, been different, because their model is a high-tax, high-public-spending model, where public ownership of most of the oil industry—in the case of Norway—is quite the opposite of the Irish model. The trade union perspective was more hopeful concerning the prospects for Scandinavia compared with those for Ireland.

The opportunity to hear about those different perspectives and to ask questions was appreciated by Scottish trade union members as

well as by the MSPs who were present at the event.

Christopher Harvie: It should be noted that the Norwegians, having held on to their oil, are sitting on double this country's gross domestic product per capita.

Rob Gibson: Indeed.

The Convener: Okay—that is noted.

Dave Thompson: The seminar was excellent, and I echo much of what Lewis Macdonald said. We will come on to discuss how to structure the thing; I will not rehearse that just at the minute.

Christopher Harvie: There was one disappointing element. The trade union representation at the seminar was dominated by the STUC, with relatively few people—as few as eight, in fact—from among what might be called shop-floor representation from elsewhere. That is a pity. There were quite a few cancellations because of the awful weather conditions, but attempts ought to be made to bring in more people, particularly from trade unions in the private sector. That tends to be a weak area; it has its own problems at the moment.

The Convener: My understanding is that there were indeed problems with transport on the day, which affected attendance.

Ms Alexander: On parliamentary attendance, I note in the paper the suggestion that, as the seminar is meant to be analogous to the business in the Parliament conference, one way to give it more status would be to hold it during one of the committee's regular Wednesday slots. I have an open mind as to whether it is a formal or informal committee session. The suggestion is helpful, and we could pursue it for subsequent events.

The Convener: I thank members for their comments.

We now turn to the recommendations. I am happy to consider the view that we hold future seminars on a regular committee day rather than as an extra event. That would maximise committee member attendance. For the sake of flexibility, it would probably be better not to hold such an event as part of a formal committee meeting. That would make it easier to manage. We can express our view that it should be televised on the Parliament's internal network, however.

Dave Thompson: That sounds fine. It was pointed out to me that a lot of people would have gained some benefit if they had been able to attend. If people could access the event on the web, they could listen in. I am sure that all sorts of groups would be interested in what was said.

The other issue is about public access to the seminar. What are the issues around people who want to come into the room and sit at the back? Should that be prevented or encouraged?

The Convener: There is no problem: attendance at the seminar would be treated in exactly the same way as public attendance at committee meetings, even though it would not be a formal committee meeting.

Dave Thompson: Perhaps it fell down, in that it was not publicised enough. It was not mentioned in the *Business Bulletin* and so on, so people might not have known that it was taking place.

The Convener: We will take all those points on board. Some things would be relatively easy to make happen. The *Business Bulletin* presents a slight difficulty, however, as it is a very formal document, and what may and may not be included in it is set down in standing orders. However, we can consider how to improve knowledge about the event and its accessibility.

Lewis Macdonald: The seminar was originally scheduled at quite an early stage in the economic downturn and, inevitably, it became substantially focused on the downturn and how it was affecting different countries. Looking forward to next year, perhaps we can consider preparing for the upturn or the economic strategy post-recession. We should be discussing that this time next year, wherever we are in the cycle. We cannot be certain that we will know where we are, but we know what the critical issues for the trade unions and the committee are likely to be a year hence.

The Convener: Thank you. That is a useful starting point for consideration. We will discuss with the STUC which areas it wishes to cover next year. How to prepare for coming out of the recession, whenever that happens, will be on all our minds.

That takes me on to the rest of the paper. It is suggested that we continue our series of hearings on the state of the Scottish economy. The feedback from the seminar with the STUC was that our next hearing should focus on issues of employment and unemployment. Are members content to proceed on that basis?

Members *indicated agreement*.

The Convener: There is also a suggestion that, at some future meeting, we consider the Scottish Government's economic strategy and the extent to which it needs to be revised in the light of the fact that the current situation is very different from the situation that existed when it was published in 2007. I do not think that anyone is blaming the Government for the fact that the situation is different. Do members agree to consider holding

either a hearing or a seminar on the Government's economic strategy at some point?

Members *indicated agreement*.

Rob Gibson: I notice that we will have an informal meeting with the Bank of England's agent. Can that not be a formal meeting?

The Convener: I am sorry; I forgot to mention that. We will have an informal briefing from the Bank of England on 26 March at 9 am. I am sure that you will all enjoy that—that is, of course, subject to parliamentary business on that day. Full details will be circulated.

Decision on Taking Business in Private

12:57

The Convener: The final item is to ask members to agree to take in private a future item of business. As we have been doing in preparation for the energy inquiry evidence sessions, it is suggested that we have a brief session in private before our meeting with Stewart Stevenson, the Minister for Transport, Infrastructure and Climate Change, to consider our lines of questioning on the Climate Change (Scotland) Bill. Is that agreed?

Members *indicated agreement*.

The Convener: It is suggested that consideration of our draft report on the bill also be taken in private. Is that agreed?

Members *indicated agreement*.

The Convener: Dave Thompson has indicated that this will be his final appearance at the committee. I put on record our appreciation for your contribution to the committee over the past couple of years. I thank you particularly for your consideration of my position as convener in the past few months. Thank you very much. I hope that you enjoy your future role.

Dave Thompson: Thank you, convener. It has been a great pleasure working with you all.

The Convener: The next meeting is in Aberdeen on Monday, 2 March. We have another meeting here on 4 March.

We have concluded our business a minute and a quarter before we planned to finish.

Meeting closed at 12:58.

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