

Energy Efficiency & Microgeneration Strategy Consultation
Energy Efficiency Unit
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Dear Sir/ Madam

**Achieving a low carbon future – A strategy for Scotland
Energy Efficiency & Microgeneration Strategy
Response by Scottish Renewables**

Please accept the response of Scottish Renewables to the Scottish Executive's Energy Efficiency & Microgeneration Strategy.

This response has been put together following consultation with the members of Scottish Renewables. Scottish Renewables is the trade association for Scotland's renewable energy sector and enjoys the support of over 200 members, many of whom have an interest in the mainstreaming of a microgeneration sector in Scotland and across the UK.

Therefore, we view this Scottish Executive consultation, and the ultimate strategy, as an opportunity to setting the industry on the road to delivering a mass market for microgeneration. The former Deputy First Minister, Nicol Stephen said in the consultation's foreword that he wants:

"...all the people of Scotland, in their homes and in their places of work, to play a role in combating the effects of climate change – principally by reducing demand for energy through improved energy efficiency but also by microgeneration with low carbon technologies."

This is a vision that Scottish Renewables supports and wants to see delivered quickly. That is why we are keen to work with the Scottish Executive to achieve this and it is why we have produced this response.

Based on the Energy Saving Trust¹ report *Potential for Microgeneration*, published in 2005, the key barriers which require key policies to tackle them should be in the following areas:

- High cost of technology
- Inadequate skills base

¹ Energy Saving Trust, Econnect, elementenergy; Potential for Microgeneration (2005)



- Inadequate information
- Consumers negative perceptions

There are additional barriers that were not seen as urgent and/ or significant such as planning, fiscal incentives, metering, lack of technical advice and inadequate notification procedures. Increasingly, planning is being raised not as an issue but as an enabler of the microgeneration market and as such there is a strong case for policy initiatives in this area too.

A detailed response follows this letter but we would like to highlight our key points regarding the strategy and its key policies:

- The microgeneration sector needs clear, transparent and robust measures quickly to provide it with the confidence to continue investing in this emerging market;
- The Scottish Executive needs to manage expectations of installers, manufacturers and the public;
- A trusted, user friendly source of information needs to be provided and backed up with an appropriate level of marketing spend;
- The Action Plan, with clear benchmarks and annual progress reports, is a sensible approach to managing the sector;
- However, a clear statistical baseline and methodology has yet to be established for measuring energy efficiency and the 'carbon contribution' of policies;
- Targets for microgeneration in new build already exist but more can be done so this strategy should acknowledge the impact of Building Standards and Scottish Planning Policy Six on new build but with only 20,000 houses being built in Scotland every year the other two million houses and other premises require action, and targets can help deliver that. Moving towards the target referred to in the new administrations manifesto of one million homes with microgeneration or energy efficiency installations and the UK Government's target of all new build with a zero carbon contribution suggests that the Scottish Executive needs to go further than currently indicated in policy;
- Whilst strong targets are welcome it is also important to enforce them. There is now an emerging body of evidence that new build is not meeting building standards. It is of considerable concern that Local Planning Authorities (LPAs) are not enforcing energy efficiency standards in Scotland. The Scottish Executive should consider how it might incentivise LPAs to enforce standards that are not only key to delivering climate change targets but also are an important weapon in the fight against fuel poverty;
- And, create a network for manufactures and installers in Scotland to promote best practice and the flow of information. This would support, not duplicate, the creation of a one stop shop, which should be aimed at people who want to install microgeneration devices in their homes, or other buildings.

Scotland enjoys a high quality renewable energy resource which can be tapped at the micro level. As long as there is high quality installation and a market supported by appropriate policy then the market for microgeneration devices can be mainstreamed. There are a whole number of opportunities and threats that have been already identified by Scottish Renewables, and

others². There are clear economic and environmental benefits from promoting this sector but given the urgent need to tackle climate change it needs to be delivered quickly, not just in Scotland but world wide.

Therefore the Scottish Executive has an opportunity to establish a world class strategy which stands as a beacon to the rest of the world. It should not pass this opportunity up.

We hope you find this response useful and would ask that if you have any queries regarding the points made then please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jason Ormiston', written in a cursive style.

Jason Ormiston
Chief Executive
Scottish Renewables

² Please see Scottish Renewables website to access briefings on micro renewables and a renewable heat strategy in Scotland.

Achieving a low carbon future – A strategy for Scotland

Energy Efficiency & Microgeneration Strategy Scottish Executive

Scottish Renewables' response

Strategy

Strategy should be the means by which you achieve your intended objectives. It articulates a vision and outlines key policies required to achieve those objectives. Therefore the Scottish Executive needs to respond to the following questions to help articulate its strategy:

- Where are we now?
- Where do we want to get to?
- Why do we want to get there?
- How will we get there?
- How long will it take us to get there?

In the introduction, Nicol Stephen describes a vision whereby energy efficiency and microgeneration is the norm. Whilst the measures outlined in the consultation will help deliver that, Scottish Renewables members are uncertain whether it will inevitably mainstream Scotland's microgeneration sector.

In creating a market for microgeneration in Scotland, the Scottish Executive, and other key regulatory bodies, needs to understand clearly the potential of the sector and identify any barriers to achieving that potential and then challenge those barriers and then, and most importantly, establish certainty in the market place.

A strategy to drive the mainstreaming of microgeneration technologies in Scotland requires the following to promote confidence in the sector and the market:

- A clear, transparent, stable and joined-up policy framework
- An exit strategy once mainstreaming has been achieved
- Incentives for market growth
- Provision of trustworthy information on performance and installation
- Plugging of skills gaps
- Statistical analysis regarding energy use in Scotland's buildings as a baseline and benchmarking its progress towards energy use reduction and the installation of microgeneration devices

Summary of key points

Scottish Renewables would like to summarise its response to the consultation paper with the following key points:

- The length of time taken to deliver this draft strategy, and the timing of the 2007 Scottish Parliament election, means that there is considerable uncertainty about future strategy on microgeneration. It is also important to note that the new Scottish Executive is likely to introduce tough targets on carbon reduction in Scotland through a Climate Change Bill. Therefore, the strategic objectives of the Scottish Executive in this policy area must be consistent with potential new objectives. It would be worthwhile then to consider how the strategy can flex in the future to accommodate what may well be significant changes to agreed objectives.
- The Scottish Executive clearly sees education of the public regarding energy efficiency and microgeneration as important, and it obviously is, but if it creates an enthusiasm for microgeneration which is met by installation prices that may be prohibitive then the public's expectations will have been poorly managed and there will be widespread dissatisfaction. Therefore compulsion on new build and widespread public procurement to help bring costs down with continuing work to remove the barriers that make installation complicated, frustrating and more expensive need to be removed so as to ease the path towards microgeneration entering the mainstream. That means a consideration or continuation of the following:
 - Fiscal incentives, especially at domestic level
 - Ease of planning
 - Ensuring that Energy Efficiency Commitment 3 (now renamed the Carbon Emissions Reduction Target) applies to renewable heat in Scotland
 - A trustworthy information source with ease of access to all potential customers
 - Appropriate metering
- There needs to be continued and growing grant and fiscal support in the short to medium term.
- There must be a robust statistical baseline to understand the impact of the Action Plan in reducing demand from centralised generation as well as its Carbon Contribution
- With heat accounting for more than half of Scotland's energy use, the Scottish Executive's microgeneration strategy must be properly aligned with the Renewable Heat strategy currently being worked up by the Scottish Executive. Large scale district heating networks should also be considered to provide clean, convenient and cheap heat to users and so the Action Plan should be in harmony with the Renewable Heat Strategy.

The strategy's key points & Scottish Renewables' comments

The following is a description of the high level initiatives being put forward by the Scottish Executive to deliver the Strategy. Scottish Renewables also provides a comment on each of the four main points.

1. Action Plan

The Scottish Executive's strategy commits to publishing an Action Plan in 2007 which draws together existing and future commitments to promoting energy efficiency and microgeneration targets.

Scottish Renewables has long advised the Scottish Executive to do this, not least because it will give Government strategic purpose, the confidence to be ambitious and will help avoid duplication in effort.

2. Energy Efficiency & Microgeneration Targets

The Scottish Executive strategy commits Government to identify and work towards targets for energy efficiency and microgeneration.

This is to be welcomed if it cascades down to policy initiatives in, for example, planning, building standards and retrofit. Targets can provide strong market signals to potential investors in the microgeneration sector and also provide an inspirational vision for policymakers if set in a positive context.

But any targets must be supported by complete, holistic and robust policies otherwise investors will be unlikely to take any significant interest in the Scottish market.

The creation of new targets will also allow an appraisal of current targets (Scottish Planning Policy Six; Section Six of the Scottish Building Standards) for new build and an assessment whether the Scottish Executive should go further on retrofit. Scottish Renewables strongly urges the Scottish Executive to consider how the rest of Scotland's building estate, which dwarfs new build capacity, can be made more energy efficient and be encouraged to retrofit microgeneration.

The Scottish Executive should be bold and consider how it can help deliver zero carbon energy use in all new build as soon as possible, and no later than 2016 in line with UK Government policy.

3. Progress Reports

The Scottish Executive strategy commits the Government to report on progress towards targets in Scotland on an annual basis.

Scottish Renewables welcomes this approach as long as it is measured using a robust methodology. Progress reports, targets and measuring the carbon contribution of policies require a sound statistical base otherwise the management required to help grow the sector to provide solutions in this area will be difficult to achieve.

The Scottish Executive should consider how it can involve LPAs in providing progress reports on their own activity and area of jurisdiction. It will help enforcement by the single most important institution in the delivery of the Action Plan.

4. Overview of Carbon Contribution to Climate Change Programme

The Scottish Executive strategy commits the Executive to assessing the carbon savings realised by its action in this area on an annual basis.

Scottish Renewables welcomes this benchmarking exercise which firmly places the Action Plan for Energy Efficiency and Microgeneration within the context of action on climate change, as defined by Scotland's Climate Change Programme.

However, without baseline statistics describing the way Scotland uses energy, the Carbon Contribution assessment will be without context and difficult to achieve. The Climate Change Programme must be able to track progress over time if it is seen to be an effective policy instrument.

That is why Scottish Renewables has consistently called for a sound statistical basis for measuring the impact of policy in this area. We would like to propose the Scottish Building Sustainable Energy Index (SBSEI). The introduction of an index – it need not be named the SBSEI – would help the Scottish Executive manage a sector which has been difficult to manage in the past.

It is clear from the statistical analysis available in the consultation document that it is possible to measure energy in use in Scotland. Therefore systematic statistical research should start as soon as is practicably possible.

Scottish Renewables is keen to work with the Scottish Executive to help deliver the SBSEI.

Proposal: Networking the microgeneration sector

Scottish Renewables has worked with the Scottish Executive and its NDPBs to help mainstream the development of microrenewables in Scotland. We would like to propose creating a network – like the Marine and Biomass networks run by Scottish Renewables on behalf of the Scottish Executive and other stakeholders – which will provide a resource of information specifically to businesses supplying microgeneration devices.

This would not seek to duplicate any future 'one stop shop' but would provide an opportunity to installers and manufacturers to engage with each other and promote best practice.

Scottish Renewables can deliver this if supported by the Scottish Executive and other key agencies.

A summary of key actions outlined in *Achieving a low carbon future* and notes:

For the domestic sector:

- Introduce a one stop shop approach to advice for householders on energy efficiency, sustainable transport and renewable energy.
SUPPORT
- Set energy efficiency targets for housing.
SUPPORT
- Consider options for financial and other incentives to encourage householders to improve the energy efficiency of their homes.

SUPPORT, but energy efficiency measures should also include microgeneration

- Invest a further £2 million in support for microgeneration for householders and communities.

SUPPORT

- Continue our commitment to end fuel poverty by 2016 and test the impact microgeneration technologies have on tackling fuel poverty.

SUPPORT, but consider if it is possible to bring this date forward in Scotland

For the business sector:

- Commit up to a further £2 million to a loan fund for small and medium sized businesses.

SUPPORT, but there should also be a consideration for a credit guarantee scheme that allows larger district heating and CHP projects to raise finance

- Review resource efficiency initiatives and streamline the support available to make it easier and clearer for businesses to take action.

SUPPORT, but this should also include microgeneration

For the public sector:

- Set an ambitious single target for reducing carbon dioxide emissions from the Executive's own activities and estate.

SUPPORT

- Invest an additional £4 million in the Central Energy Efficiency Fund for the further and higher education sector.

SUPPORT

- Set environmental performance targets for our NDPBs and agencies and targets for local authorities to reduce greenhouse gas emissions.

SUPPORT, but this initiative should stipulate the use of both energy efficiency and microgeneration measures

- Seek ways to better promote energy efficiency and microgeneration through the public sector procurement process.

SUPPORT

- Encourage greater energy efficiency and uptake of microgeneration across the public sector estate, especially in schools and encourage every school to register on the Eco Schools Programme.

SUPPORT

Looks like there may be some crossover here; recommend combining environmental performance targets with last bullet point

In our buildings:

- Implement new building standards from May 2007 and investigate the impact of further increasing energy standards.
SUPPORT, but investigation should also consider benefits (if impact is defined negatively)
- Require energy performance certificates in buildings and use these specifically to enhance performance in the public sector.
SUPPORT
- Consult on detailed proposals for permitted development rights for microgeneration.
SUPPORT, but GPDO should be a relaxed code rather than one that seeks to take a precautionary approach
- Remove barriers to microgeneration giving eligibility for ROCs from April 2007 and continue to support uptake of microgeneration for householders and communities.
SUPPORT
- Set microgeneration targets in 2007.
SUPPORT, but unclear what form these will take, or whether they are already in place (SPP6, Scottish Building Standards)?