

Scotland's Energy Efficiency Programme

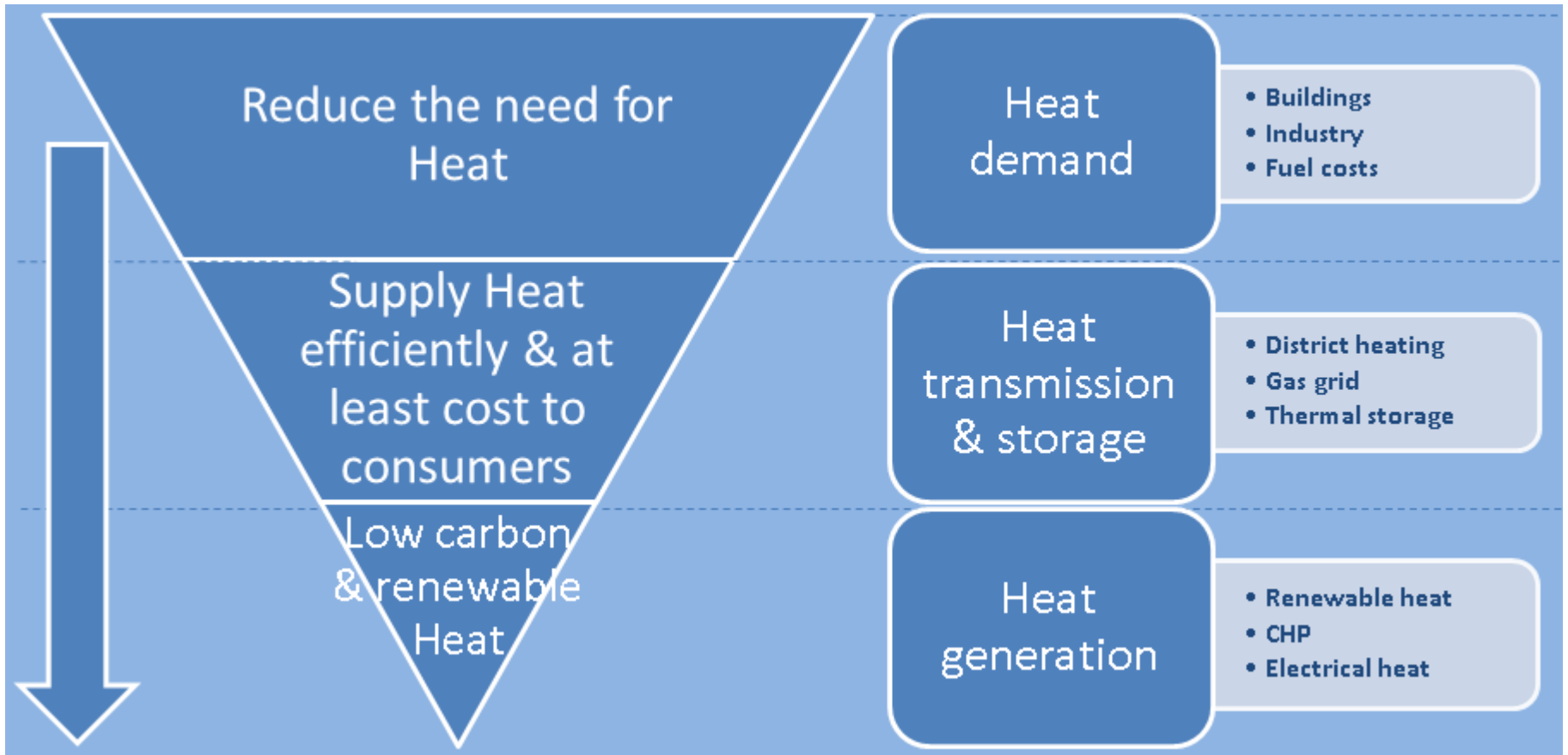
Local Heat & Energy Efficiency Strategies and District Heating Regulation

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Riaghaltas na h-Alba
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Heat Policy Statement – the Heat Hierarchy



Heat decarbonisation so far...

- Heat supply is diversifying:
 - Share of renewable heat is rising (3.8% in 2014, 5.3-5.6% in 2015)
 - Electrical heat is growing in non-domestic sector (currently over 50%)
 - District and communal heating is rising (25,800 homes connected)
- But gas remains our primary fuel...
- Supporting framework is in place
 - Advice and support programmes
 - Funding: Low Carbon Infrastructure Transition Programme, Loans: for households, SMEs and District Heating.
 - Heat Network Partnership: district heating advice, project and strategy support and capacity
 - Scotland Heat Map helps local authorities to plan for district heating
 - Regulation for new and upgraded industrial and power sites strengthens potential to link surplus heat with centres of demand

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The heat decarbonisation challenge...

In Scotland

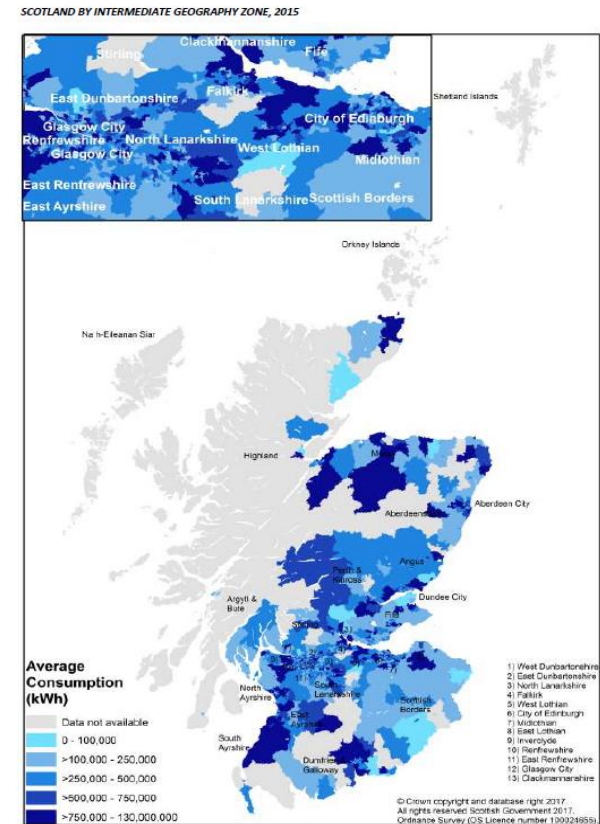
- 79% of our domestic properties heated by gas
- 7% heated by oil
- Commercial & non-domestic use 40% of gas consumed

- draft Climate Change Plan presents massive decarbonisation challenge

- 98% emissions reduction for non-domestic buildings; 75% emissions reduction for domestic buildings, by 2032
- 94% of non-domestic buildings' heat; 80% of domestic buildings' heat, from low carbon sources, by 2032

- Split of responsibilities – UK Government - electricity, gas network, the Scottish Government (SG) - heat.
 - UKG – exploring the potential use of hydrogen gas for heating until 2020
 - SG heat decarbonisation activity – focus on low regrets options

FIGURE 4.14: NON-DOMESTIC GAS CONSUMPTION - Average Consumption (kWh per meter)



Jan-April 2017 consultation

The Scottish Government is considering placing a statutory duty upon local authorities to develop a LHEES, and to use their powers to implement that strategy, to support the delivery of the objectives of SEEP.

LHEES should develop an area-based approach over a 20 year period taking into account national targets and ambitions in respect of heat and energy efficiency. These strategies should :

1. identify potential opportunities
2. set long-term targets
3. undertake an area-based socio-economic assessment
4. set out costed, phased delivery programmes for each period
5. include phased zoning for DH networks and energy efficiency
6. quantify and consider impacts of delivery plans



Benefits of LHEES

- Clear and enhanced local authority role in **shaping the local energy system** – over the long term
- LHEES will **drive SEEP across all local authorities**, and will act as the foundation for 20 years of delivery programmes to meet our fuel poverty, energy efficiency and heat decarbonisation ambitions – **sending clear investment signals** to develop a strong and sustainable supply chain for Scottish business.
- **Focus on socio-economic benefit** of potential solutions at the strategy level in LHEES, in addition to the project specific financial case
- Highlights long term direction of travel, as well as the near term opportunities
- LHEES as an investment prospectus – signal opportunities for **prioritising investment** in zones:
 - area-based energy efficiency programmes
 - district heating programmes
 - heat decarbonisation programmes
 - securing funding from SG for SEEP delivery programmes
- Pilots to consider what capacity is required and to test the scope and content of LHEES



- Jan-May 2017
- Support for SEEP is widespread.
- Many of the respondents to the consultation welcomed the vision, aims and objectives – but careful not to be too ambitious – esp. on timings.
- Respondents called for:
 - clear long-term aims, underpinned by a stable and consistent policy framework, including regulation, to provide certainty and attract investment
 - a programme of sticks and carrots
 - the continuation of free, impartial, independent advice
 - clear codes of practice, certification, guarantees and quality marks
 - a statutory foundation for the programme, including targets and governance
- There were mixed views on how best to deliver:
 - Many respondents backed expansion of the area-based model
 - however some called for an approach that combined both area- and sector-based delivery.
 - important to strike the right balance between obligation on property owners and the level of funding and support provided by Government.



Comments from those who agreed that local authorities should have a role to produce LHEES:

- Such a role is required in order to:
 - Promote decarbonisation of heating
 - Reduce energy use or energy waste;
 - To meet targets relating to climate change, affordable warmth, reducing fuel poverty or energy security.
- Leadership from local authorities will be vital in taking the strategy forward

Suggestions and concerns over how LHEES could be implemented:

- Concern over **funding, support and resources** for implementation
- Concerns that local authorities may not have the **capacity, skills or relevant expertise** needed to produce and/or implement the LHEES.



Consultation Analysis – LHEES...

- Need for a **clear national framework**, guidelines and support.
- Cohesive, **consistent approach** was seen as necessary both to attract investment and to provide reassurance to consumers.
- Need for **flexibility** in order to allow for local solutions relevant to local characteristics
- Need for LHEES to fit within **existing local plans** and involve other relevant public bodies
- Suggestion that local authorities should produce their own strategy but then be allowed, or required, to **work with others** to produce or deliver strategies appropriate for a wider area.



Consultation Analysis – DH Regulation

- The broad **principles for regulation** outlined in the consultation were generally accepted
- The main themes from the question on key principles or approaches to inform how the regulatory approach manages risk included **fuel poverty as well as affordability**.
- **Consumer protection** was another key principle identified by respondents and this included ensuring security of supply.
- The regulation of **technical standards**, perhaps in a way similar to that seen for other utilities, was also seen as important



Next Steps...

- The Scottish Government's Programme for Government:
 - 'consult on detailed proposals for Local Heat & Energy Efficiency Strategies and regulation of district heating and develop, if appropriate, a wider SEEP Bill for later in this Parliament'.
 - now proposing to consult further in Autumn 2017, setting out our response to the previous LHEES and district heating regulation consultation, and setting out our preferred approach, for further comment and testing with stakeholders.
 - Evidence from all rounds of consultation will be used to inform the Scottish Government's final decisions on what approach to take to district heating regulation and LHEES.
- LHEES Consultation workshops – W/C 04 December 2017
- Intention is to make support available as part of wider transition arrangements in preparation for role out of LHEES within the delivery of SEEP

