

ENERGY STRATEGY – SCOTLAND'S ENERGY EFFICIENCY PROGRAMME (SEEP)

NATIONAL INFRASTRUCTURE PRIORITY FOR ENERGY EFFICIENCY



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1. INTRODUCTION

1. The Scottish Government's world-leading climate change targets require emissions from across Scotland to be reduced by 42% by 2020 and at least 80% by 2050. The recently published draft Climate Change Plan outlines the steps we will take to reduce emissions across the economy, including the residential and services sectors which will see their emissions reduced by 75% and 98%, respectively, by 2032 on 2014 levels.
2. Achieving these targets will mean that to be fit for the future Scotland's homes, commercial properties and the public sector estate will need to be near zero carbon by the middle of this century. Delivering this will be very challenging and must be done in a way that is both socially and economically sustainable. Improving the energy efficiency of Scotland's buildings, decarbonising their heat supply and tackling fuel poverty will have many positive benefits including supporting jobs nationwide, enhancing businesses' competitiveness, as well as improving health and early years outcomes.
3. Scottish Ministers announced in June 2015 that they would take long-term action to reduce the energy demand of, and decarbonise the heat supply to, our residential, services and industrial sectors, and designated energy efficiency as a national infrastructure priority.¹
4. The cornerstone of this will be Scotland's Energy Efficiency Programme (SEEP) which is under development and will be rolled out from 2018. This ambitious new programme will contribute to achieving our climate change targets, whilst continuing to help tackle fuel poverty and ensuring Scotland is a good place to do business. SEEP will be a coordinated programme to improve the energy efficiency of homes and buildings in the commercial, public and industrial sectors and to decarbonise their heat supply, with an initial estimated overall investment in excess of £10 billion, the final figure will be determined by decisions taken on the future decarbonisation of the heat supply.
5. The Programme for Government 2016-17 (PfG) commits to investing more than £0.5 billion in energy efficiency and combating fuel poverty through SEEP over the next four years, setting out a clear commitment to develop this programme with substantial annual public funding. Multi-year funds will give our delivery partners the certainty they need to deliver ambitious energy efficiency projects. SEEP will be an unprecedented, large-scale, long-term programme operating for up to 20 years across all parts of Scotland. It will be a coordinated programme to make our homes warmer and places of work more comfortable; promote more affordable energy for consumers; help to tackle fuel poverty; improve competitiveness of the Scottish economy; create substantial market and supply chain opportunities; and contribute to meeting our climate change targets.

¹ <http://www.gov.scot/Publications/2015/12/5962>

SEEP – Initial programme development

6. The scale and scope of SEEP is such that a phased approach over a number of years is envisaged to enable the successful development of all elements of the Programme, including incentives, standards and regulations, supply chain, advice and information, consumer protection and monitoring and evaluation, as shown in the diagram below. This phased approach will involve significant public consultation and engagement with delivery partners across Scotland, as well as piloting new approaches to inform the Programme, enabling households, landlords and businesses to input into SEEP before it becomes fully operational.

Once fully operational SEEP will be a whole system approach to delivering energy efficiency improvements and the provision of low carbon heat. A framework of standards, advice and funding will help create long-term consistency and confidence for consumers and industry. The programme will also help develop supporting skills and supply chains across Scotland with appropriate protections for consumers.



7. During the initial phases of the Programme we are focusing on delivering existing programmes more effectively and developing new pilot schemes to test delivery mechanisms for domestic and non-domestic buildings.
8. In September 2016, the Scottish Government announced that £9.1 million of funding would be made available to local authorities for SEEP pilot projects in 2016-17.² These pilots are delivering real measures on the ground to test innovative and coordinated approaches to energy demand reduction in domestic and non-domestic buildings. The Programme for Government commits the Scottish Government to further funding being made available next year for pilots, and we are working with local authorities with a view to issuing a second call for pilots early in 2017.
9. The Programme for Government also commits the Scottish Government to bring forward consultations to inform the development of SEEP, including:
- the regulation of private rented sector housing to increase efficiency standards;
 - heat regulations commensurate with the scale of the heat market; and
 - phased regulation of other existing buildings to bring them up to higher energy efficiency standards as well as an exploration of financial incentives.

² <http://www.gov.scot/Topics/Business-Industry/Energy/Action/lowcarbon/LCITP/SEEP>

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10. A short-life working group on heat regulation was established by the Minister for Business, Innovation & Energy to advise on regulatory scenarios. The related consultation on heat regulation has been published as a separate annex within the draft Energy Strategy. Our intention is that the consultation on regulation of private rented sector housing will be published in February and will also give further information on when consultation will take place on the role of incentives and minimum standards for owner-occupied housing.
 11. As noted above, we will also consult on a new Fuel Poverty Strategy and statutory target later in 2017.

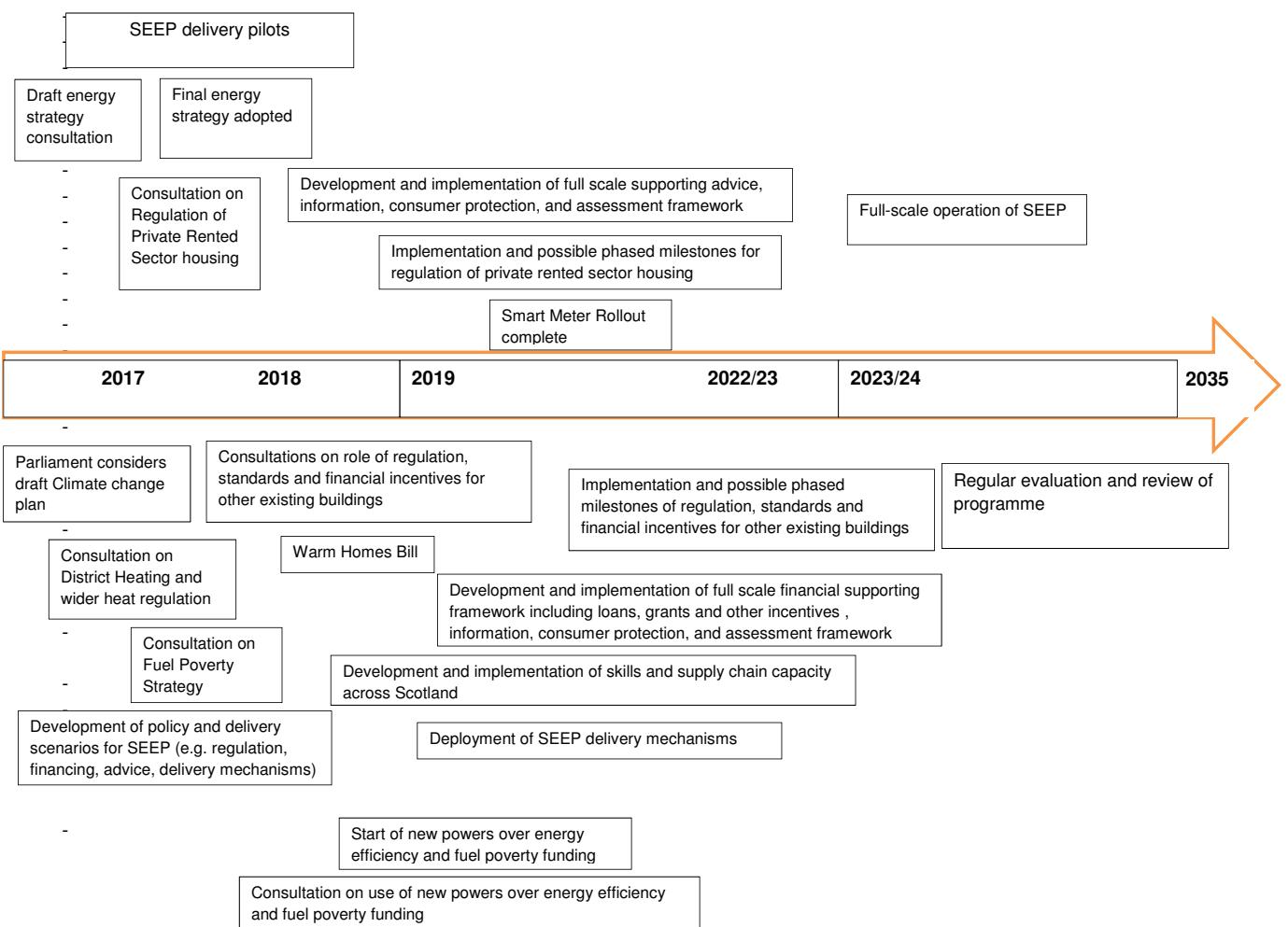
Development of a new Fuel Poverty Strategy

12. As well as supporting a low carbon energy system, SEEP is instrumental in tackling fuel poverty and, in developing the Programme, we will take account of the recommendations of the Fuel Poverty Strategic Working Group and the Rural Fuel Poverty Task Force. The Strategic Working Group identified four key drivers of fuel poverty, three of which – energy costs, energy performance and how energy is used in the home – are directly relevant to SEEP, the fourth driver being household income. Scottish Ministers will formally respond to the two reports in early 2017, but have already accepted the recommendation to review the current definition of fuel poverty due to concerns that it is too broad and impedes targeting those most in need. Ministers have also committed to setting a new statutory fuel poverty target and long-term strategy, and to introduce Warm Homes legislation in this Parliament to deliver these.
13. The Scotland Act 2016 devolves additional powers to Scottish Ministers over domestic energy efficiency and fuel poverty, giving further scope to design schemes that suit Scotland's circumstances. We are giving early consideration to how we can use these new flexibilities and aim to consult on proposals in 2017.

Programme timescales

14. The Programme is characterised by three key phases:
 - a design phase – including the setting of formal targets for the Programme through the Climate Change Plan and Energy Strategy – which is expected to run through to early 2018;
 - a development phase in which the key elements of the Programme are developed and deployed over time to create the overall programme structure which is expected to run through until circa 2021/22; and
 - full deployment of the Programme which would be subject to regular review, evaluation and refinement.

INDICATIVE ROUTE MAP



Pre-consultation scoping work for SEEP

15. The Scottish Government has already undertaken a period of pre-consultation scoping work on scenarios for the whole programme with internal and external stakeholders in Autumn 2016. These discussions considered the following elements which will form the constituent parts of the Programme:
 - the effectiveness of governance and accountability;
 - the role of regulation, standards and financial incentives;
 - the level of future financial support necessary to help longer-term planning;
 - the provision of advice, information and consumer protection;
 - the establishment and sustainability of local supply chains and trusted delivery agents; and
 - the nature of Programme delivery.
16. The Scottish Government is now formally consulting on these different options for programme and policy design, as set out in the sections on the following pages, and will use the responses gathered in this consultation to inform policy decisions on the overall design and operation of SEEP.

2. SITUATION REPORT

State of the building stock

17. Scotland's building stock is extremely varied in terms of building type, construction method and age. For example, our biggest cities are dominated by stone-built tenements, many of which include ground floor retail or commercial premises, whilst our suburbs and rural areas are less densely populated and include a range of buildings from four-in-a-block flats and old industrial and office buildings, to large detached houses, modern business parks and industrial units. In our least populated rural areas buildings are often non-uniform, can be isolated and exposed to the elements. Significant progress has been made in recent years and improvements to the energy efficiency of buildings is reflected in energy demand, which has fallen across the Scottish economy by 15.2%,³ and in emissions which have fallen by 39.6% from business and industrial processes,⁴ by 36.2% from public sector buildings, and by 26% in the residential sector.
18. The energy efficiency of Scotland's homes has increased significantly in recent years, and around two-fifths of homes now have an EPC Band C rating or above. Currently natural gas is the primary fuel used for heating, with oil and electric heating used in off-gas grid areas. An increasing proportion of heat is being generated from renewable sources, which accounted for an estimated 5.3% of heat demand in 2015.⁵

The current landscape

19. SEEP will transform our approach to improving energy efficiency and decarbonising the heat supply, but it is not starting from scratch. It will build on, and learn from, our current schemes, which have delivered real improvements on the ground in recent years. Since 2009 the Scottish Government has allocated over £650 million on a range of fuel poverty and energy efficiency programmes, and in 2013 launched Home Energy Efficiency Programmes for Scotland, which now include:
 - **area-based schemes** that are designed and delivered by local authorities, targeting households that are likely to be in fuel poverty, and providing support to help improve the energy efficiency of homes, predominantly through the installation of insulation measures;
 - **Warmer Homes Scotland**, the Scottish Government's national fuel poverty programme, helps vulnerable households, no matter where they live in Scotland, to improve the energy efficiency of their homes so that they are easier and more affordable to heat; and
 - **interest free loans**, available to both registered social landlords, to enable them to improve the energy efficiency of their properties and assist some of our most vulnerable households, and to all private sector households to help spread the upfront costs of investing in energy efficiency improvements.

3 <http://www.gov.scot/Topics/Statistics/Browse/Business/Energy/energysumsep2016>

4 Scottish Greenhouse Gas Emissions 2014 report

5 www.energysavingtrust.org.uk/sites/default/files/reports/161006_Renewable%20Heat%20in%20Scotland%202015_FINAL.pdf

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20. As well as supporting households, the Scottish Government has also invested and recycled over £45 million in loans to support energy efficiency, district heating and renewables programmes, supporting businesses, the public sector and householders since 2007, allocating and recycling loan funding now worth in excess of £65 million for a range of initiatives including:
- **Low Carbon Infrastructure Transition Programme** which supports the development of substantive private, public and community low-carbon projects across Scotland, enabling them to secure existing streams of public and private capital finance;
 - **Public Sector Energy Efficiency Procurement Framework** that supports energy performance contracting, that shares the delivery risk with the private sector, delivering a range of energy efficiency and carbon reduction measures; and
 - **Non-domestic finance** – including SME Loans and the District Heating Loan Fund, supporting business investment in energy efficiency and the development of district heating networks.
21. The Scottish Government also continues to fund **Home Energy Scotland** and **Resource Efficient Scotland**, which provide free and impartial advice to households, businesses and public sector bodies who wish to improve the energy efficiency of their buildings or decarbonise their heat supply.
22. In 2014 the Scottish Government introduced the **Energy Efficiency Standard for Social Housing**, which is driving energy efficiency improvements in the social rented sector and has its first milestone in 2020 by which time, in the main, no social property will have an energy efficiency rating of lower than a 'C' or 'D'. More recently, the Scottish Government introduced, under Section 63 of the Climate Change (Scotland) Act 2009, **Requirements to Assess and Improve Energy Performance and Emissions in existing Non-Domestic Buildings**.

What works and current issues

23. During the pre-consultation workshops stakeholders reflected on the current landscape and identified a number of schemes, initiatives and approaches that are helping to support and drive improvement, including:
- the provision of free and impartial advice;
 - the Social Housing Quality Standard and the Energy Efficiency Standard for Social Housing, which have helped to raise standards in social housing;
 - publicly-funded loan schemes that are helping to provide finance for able-to-pay households and businesses to invest in energy efficiency measures;
 - Energy Performance Certificates, which have helped raise awareness of the energy efficiency of buildings since their introduction;
 - the Renewable Heat Incentive and associated Scottish support which has helped to support the uptake of renewable heat;
 - area-based schemes backed by appropriate levels of funding, which help to direct investment to where it is most needed, unlock previously stalled improvements, and lever in additional investment; and
 - advice, support and quality assurance, helping to protect households and businesses from high energy bills.

24. Stakeholders also identified a range of issues and challenges that need to be considered as SEEP is developed, including:
- grant application deadlines are challenging to meet and often do not align with one another; timescales for delivering district heating and energy efficiency projects can differ making it challenging to coordinate works; and short-term budgets constrain programming of longer-term works;
 - lack of long-term certainty of outcome and of the support that is on offer, which creates inertia and impedes social norming;
 - lack of interest among building owners in making improvements and/or an understanding of running costs and potential savings, means there is low appetite to take out loans or use their own resources to invest in energy efficiency and low carbon heat improvements;
 - a tendency for grant schemes and caps to dictate the solution and/or offer a limited number of measures, which may not be the best way to achieve the outcomes desired, and can hinder innovation;
 - significant mistrust about the promotion and installation of energy efficiency measures and examples of poor workmanship that are now causing problems. In some instances this now requires replacement and remediation work and has contributed to damaging the reputation of energy efficiency more generally;
 - concerns around EPC-based building assessments, which do not account for building conditions, are based on modelled (rather than actual) values, and do not favour low carbon heat – as well as more general concerns about the quality of the assessment itself;
 - poor building conditions which can prevent energy efficiency and heat supply works;
 - low carbon heat technologies are not a direct replacement for gas boilers, they may require extra space and require works to internal heat distribution systems e.g. radiators; and
 - behaviours can offset any savings by inefficient use of building and heat systems, so also need to provide advice and information to change occupant behaviours.

Consultation questions

Thinking about current Government schemes and the delivery landscape, we would welcome stakeholders' views on:

- what currently works well, including aspects of existing schemes that should be retained?
- what are the main delivery challenges faced at present and how might these be overcome?

3. AIMS AND OBJECTIVES OF SEEP

2050 VISION – Scotland's buildings are near zero carbon by 2050 and this is achieved in a way that is socially and economically sustainable.

25. SEEP aims to reduce the energy demand, and decarbonise the heating of, Scotland's built environment in a way that is socially and economically sustainable. The commitment in the Energy Strategy and Climate Change Plan means that we now need to go beyond current ambitions in order to deliver the much more challenging targets for decarbonisation of heat supply and reduction of energy demand across all our buildings. SEEP is the Scottish Government's main policy vehicle to achieve this and to help tackle fuel poverty.
26. The Scottish Government's Climate Change Plan sets out the overarching, cost-effective, emissions-reduction pathways for SEEP, which indicate that, to meet our overall climate targets as set in legislation, emissions from our domestic buildings would need to fall by 75% and from our non-domestic buildings by 98%, by 2032, on 2014 levels. In order to deliver the required emission reduction the Climate Change Plan sets a series of policy outcomes, which SEEP has adopted as its objectives, and are as follows:
 - by 2032 94%⁶ of non-domestic buildings' and 80%⁷ of domestic buildings' heat is supplied using low carbon heat technologies; and
 - improvements to the fabric of Scotland's non-domestic buildings results in a 10% reduction, and Scotland's domestic buildings results in a 6% reduction, in their heat demand by 2032.
27. In addition the Programme will also support delivery of the Scottish Government's new Fuel Poverty Strategy as this is developed.
28. In addition to the above objectives, the draft Energy Strategy is also seeking views on whether we should set a new 2030 energy efficiency target for Scotland and how best to reflect the EU ambition to implement an EU-wide 30% energy efficiency improvement by 2030.
29. The Climate Change Plan sets out clearly that both demand reduction measures (primarily through fabric improvements to buildings, or process improvements to equipment) and heat decarbonisation measures will need to operate together. This will be a huge challenge to deliver over the duration of SEEP, and means that the near-zero carbon approach that we are already moving towards for new buildings, needs to be considered for existing buildings as well. Clearly, this level of emissions reduction cannot be achieved through heat demand reduction alone, hence the approach that SEEP aims to take in integrating the decarbonisation of heat with energy efficiency measures. However, given that the vast majority of Scotland's buildings are heated by gas or heating oil, and since these are reserved matters, the Climate Change Plan recognises that decisions on the future decarbonisation of the gas network will be taken by the UK Government and that this is unlikely to happen until after 2020. The Climate Change Plan recognises that installation of low carbon heating solutions such as renewable heat will continue to increase throughout the Plan period, however the greatest shift away from gas is unlikely to take place until after 2025. The Climate Change

⁶ Includes both space heating and water heating

⁷ Relates to space heating

Plan therefore prioritises demand reduction measures in the period from now until 2025, after which we expect there to be a clear decision on the future of gas in the UK.

30. In making a commitment to energy efficiency as a national infrastructure priority through SEEP, the Scottish Government recognises the multiple benefits that can, and must, accrue from a programme of this magnitude and duration. These benefits not only include substantive contributions to meeting our climate change targets through the decarbonisation of heat and reduced energy demand, but also offer significant wider economic, social, health and regeneration benefits. These include:
 - measures to make our homes warmer and places of work more comfortable, promoting more affordable energy for consumers, helping to tackle fuel poverty and improving the competitiveness of the Scottish economy,
 - the opportunity to create a substantial Scottish market and supply chain for energy efficiency services and technologies, with an estimated 4,000 jobs per annum, once fully operation, across Scotland, including in remote areas, based on initial estimated minimum investment in excess of £10 billion.⁸
 - measurable health and early years improvements through people living in warmer homes
 - regeneration of communities through upgraded building stock, and
 - substantially reduced greenhouse gas emissions contributing to meeting our ambitious climate change targets.

Consultation questions

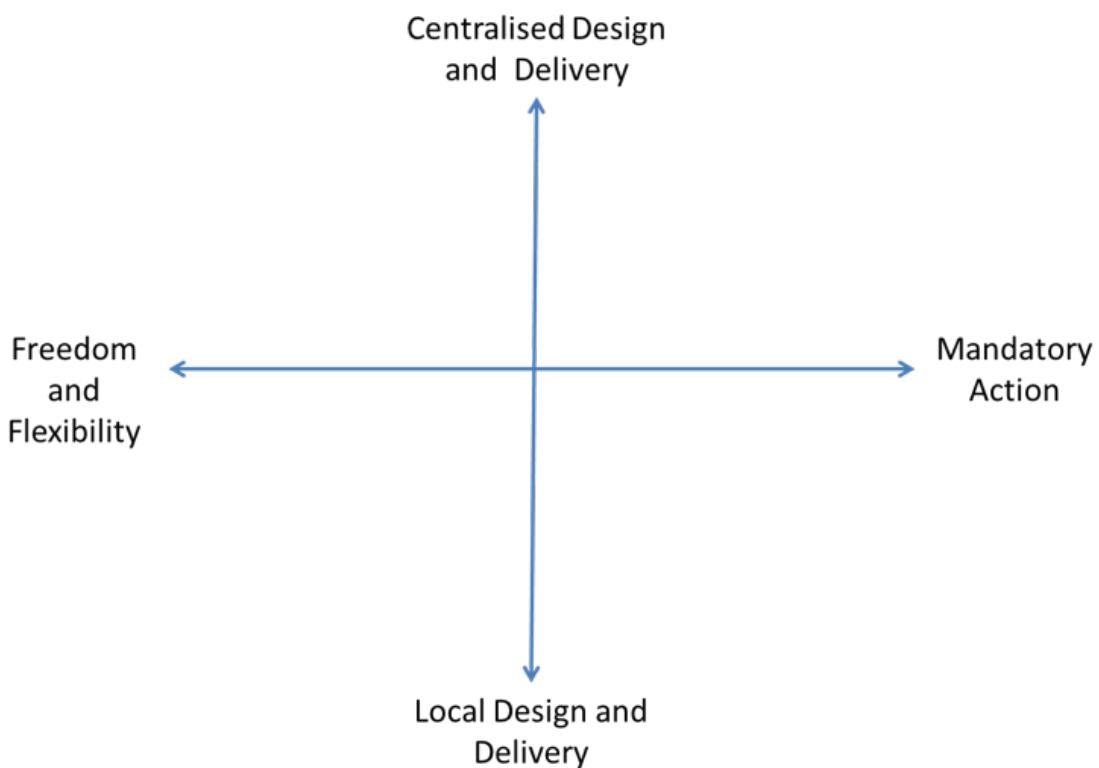
- How can Scotland best meet this vision and underpinning objectives in a way that is both socially and economically sustainable and supports long-term inclusive growth?
 - We would welcome stakeholders' views on how to set appropriate milestones for energy efficiency improvement and heat decarbonisation of buildings to ensure that the level of emissions reduction ambition (i.e. near-zero carbon buildings) is achieved.

⁸ The final figure will be determined by decisions taken on the future decarbonisation of the heat supply

4. SCENARIOS

Scenarios for policy objectives and how to deliver them

31. The Scottish Government recognises that in designing a programme of this scale and nature, there are many different routes to achieving our vision and underpinning objectives. We have already worked with stakeholders and partners through workshops to scope out a series of initial potential policy and delivery scenarios for the Programme. During workshops, participants were asked to consider a range of issues relating to the different aspects of the Programme and particularly how these may operate differently across a spectrum of choice (freedom of choice vs. mandatory action) and balance between local and central delivery and governance, as shown in the diagram below.



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32. We do not have a preferred option at this stage and the approach will likely vary across elements of the Programme – and we now invite stakeholders to advise on how we might design the detail of the policy and delivery framework for the Programme. The material presented below simply gives an overview of some of the key issues that have been raised during this policy scoping, as well as in the related work on developing pilot projects for delivery, including:
- the role of regulation, standards and financial incentives;
 - what the appropriate levels and sources of funding should be;
 - the provision of advice, information and consumer protection;
 - how to establish and sustain local supply chains and trusted delivery agents;
 - the nature of programme delivery;
 - the balance between local and national responsibilities; and
 - monitoring and review processes.

The role of regulation, standards and financial incentives

33. The energy efficiency and heat decarbonisation of Scotland's building stock continue to improve. In part these improvements have been driven by voluntary action, but also through increasing regulatory standards over time. Alongside increasing standards for new buildings and heating systems, we have also introduced minimum standards in the social rented sector through the Scottish Housing Quality Standard and the Energy Efficiency Standard for Social Housing, and also for non-domestic premises greater than 1,000 m².
34. However, if SEEP is to achieve its objectives of significantly reducing energy demand and decarbonising heat supply, evidence from energy efficiency and lower carbon heat programmes operated by the Scottish Government and other partners suggests that further intervention is needed to stimulate market demand for energy efficiency improvements and low carbon heat.
35. During the pre-consultation scoping discussions, stakeholders told us that standards, regulatory frameworks and financial incentives are needed to give clarity to consumers about what is expected, and to make it as easy as possible and the norm to invest in energy efficiency and heat.

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36. There are processes in place for increasing the energy efficiency standards in new build properties over time, but with the majority of the buildings that will be here in 2050 already having been built, we need to consider how to build on our existing standards to improve the energy efficiency of existing buildings. Future standards under SEEP could be set for existing buildings in all sectors and for all tenures. Stakeholders suggested that there were a variety of approaches that could be adopted, singularly or in combination, for example:
- a) Standards could be set at minimum levels initially targeting the worst-performing properties, but increased over time toward the scale of improvement required to meet the long-term aim of the Programme with this trajectory signalled in advance to avoid needing to 'undo' previous work. Alternatively, a long-term standard consistent with the Programme vision and objectives could be set with a long-period for compliance.
 - b) Standards could be applied at different trigger points, such as the point of sale or rental, the commencement of an area-based SEEP delivery scheme, or building improvements. This would ensure that all buildings are covered by SEEP standards, including those which would not be sold or rented.
 - c) Financial and fiscal incentives, such as cashback and tax-based alternatives (e.g. council tax, non-domestic rates and land and building transaction tax and extension of reliefs for business energy efficiency), complementing standards and helping to further drive action. One example could be offering lower council tax rates for households willing to meet higher energy efficiency standards.
37. In the scoping discussions stakeholders also indicated that regulation of different forms of heat supply would be necessary to support decarbonisation. Regulation of heat is a devolved matter and this could include regulation of district heating (on which we are consulting separately), however regulation of the gas supply (currently our primary heating fuel) is reserved to the UK Government. As set out in the Climate Change Plan we will work with our partners, including UK Government, local authorities and utility providers to determine the best approach to heat decarbonisation for buildings currently heated by natural gas which are not in areas of sufficient heat demand where district heating is appropriate. This will include consideration of technological solutions, including district heating, electric heat pumps, repurposing of the gas network for use of biogas and/or hydrogen, etc. We will look to put forward a more detailed proposal on how we will realise this potential in subsequent Climate Change Plans as our understanding of the best approach develops.

38. The way we set targets and standards is important and we want to ensure that we have the best approach. Consideration therefore needs to be given to the methodologies we use to assess units and buildings and at what level and scale. During scoping workshops, stakeholders noted that existing frameworks such as Energy Performance Certificates are reasonably well-understood and known by consumers through the Home Report mechanism at point of sale, and new regulations for non-domestic buildings now require energy assessment for buildings over 1,000m². Many businesses have also now been assessed by independent energy auditors under the Energy Savings Opportunities Scheme. Stakeholders highlighted the importance of SEEP adopting well-understood and consistent means of assessing the potential for improvement and decarbonisation of buildings to meet the Programme's vision and underpinning objectives. However, many also questioned the fitness for purpose of existing methodologies, for example highlighting challenges of basing assessments on modelled energy use, noting the potential for tailored building-level assessment (rather than assessment at individual unit basis) and for area-wide assessment (particularly to consider future heat supply options).

Consultation questions

- How might regulation and standards be used most effectively across the different sectors and when should they be applied across the lifetime of the programme?
- What should be the trigger points for buildings to meet standards? Should this differ between domestic and non-domestic buildings, and if so, how?
- What do you think are the benefits of using financial and fiscal incentives to support energy efficiency in domestic and non-domestic buildings? Please give examples, from Scotland or elsewhere, of where incentives have been used in this way to good effect.
- What is the best approach to assessing energy efficiency and heat decarbonisation improvements to buildings? How could existing approaches best be used or improved and at what level and scale (e.g. unit, building or area) should assessment be carried out?

The appropriate levels and sources of funding

39. Our existing grant and loan schemes continue to provide support to building owners and occupiers helping them to improve the energy efficiency of their buildings and decarbonise its heat supply. These schemes have evolved over time and we continue to pilot new innovative approaches, including our Equity Loan Scheme pilot programme⁹ launched in winter 2016 in Glasgow, Perthshire and Argyll & Bute. Furthermore, the Scottish Government's Programme for Government 2016-17 commits us to investing over £500 million on delivery of SEEP over the next four years.

⁹ <http://www.energysavingtrust.org.uk/scotland/grants-loans/heeps/heeps-equity-loan-scheme>

40. SEEP presents a significant investment opportunity. Our initial estimate for the overall cost of delivering the full Programme over the next 20 years, is in excess of £10 billion.¹⁰ This funding cannot be provided by public sector alone and it will be necessary to attract private sector investment and support.
41. In the scoping discussions, stakeholders reiterated the importance of continuing to ensure the Scottish Government's commitment to provide a core element of grant-funded provision for those households and small businesses who cannot afford to pay for energy efficiency and low carbon heat measures. At the same time, it was recognised that the state could not and should not pay for all improvements to buildings and that owner occupiers and landlords also have a responsibility. It is anticipated that financial support through other mechanisms will be required for a significant proportion of the Programme costs, for example for households which are able-to-pay, landlords and business sectors, in the form of loans, guarantees and wider financial or fiscal incentives.
42. In terms of who should receive grants, the definition of fuel poverty is being reviewed to ensure support is targeted at those in need and will inform the eligibility for any grant funding. For others, possible financing mechanisms which can be explored range from government-backed loan funds (potentially bringing in private capital) to more market-based alternatives such as extensions of private mortgage lending, or retail bank loan products, with or without some degree of government backing.
43. Initial engagement with private finance providers indicates that there is an appetite to invest in an energy efficiency programme of this scale within a long-term supporting framework of advice, standards and incentives. We are already seeing across Europe a number of financial institutions piloting 'green' finance for energy efficiency and heat decarbonisation where government and other partners have committed to a long-term and consistent programme.^{11,12}

Consultation questions

- How should the installation of energy efficiency improvements and lower carbon heat supply through SEEP be funded? In particular, where should the balance lie between grant funding and loans for homeowners, landlords and businesses?
- What is needed to encourage private investment in energy efficiency and heat decarbonisation, including the take-up of loans by a wider range of owners and occupiers?
- Of the current sources of finance which are currently available for energy efficiency and lower carbon heat supply, which are working well and which are not? Are there successful examples of attracting private sector finance to support energy efficiency improvements that could be explored? Are there any others which should be developed or made available?

10 The final figure will be determined by decisions taken on the future decarbonisation of the heat supply

11 <http://ecbc.hypo.org/Content/default.asp?PageID=613>

12 <https://ec.europa.eu/energy/en/topics/energy-efficiency/financing-energy-efficiency>

The provision of advice, information and consumer protection

The Scottish Government currently has well-established national advice and support programmes through Home Energy Scotland¹³ and Resource Efficient Scotland.¹⁴ Both the Rural Fuel Poverty Task Force¹⁵ and the Strategic Working Group on Fuel Poverty made recommendations around the scale and type of advice and support required to tackle fuel poverty and wider poverty issues. A number of these recommendations are being mainstreamed into the provision delivered by Home Energy Scotland.

44. We continually review the service provided by HES and RES to ensure they are providing effective support, which is targeted appropriately. In addition, local authorities and local groups may also run their own advice services.
45. During the scoping workshops, stakeholders reiterated strongly the need for effective advice and information mechanisms to enable individuals and businesses to make informed decisions about improvements to the energy efficiency and heat supply of their buildings (and processes for businesses and the industrial sector).
46. Stakeholders saw value in trusted sources of advice and information to raise awareness and share examples of early adoption and to help households and businesses to understand the impact that installation of new measures would have on how they live in their homes or use their workplaces. They also confirmed that it was important that building owners and tenants had an accurate and trusted assessment of the potential to improve the energy performance and decarbonisation of the heat supply of their buildings (and processes) and instruction on how to optimise the benefit of these measures, such as use of heating controls.
47. The UK Government's smart meter rollout will mean that all households and businesses will be offered a smart meter by 2020. This will open up significant opportunities to engage consumers more productively in their energy use and we are already looking to take advantage of the rollout, e.g. Home Energy Scotland's Smart Meter Champions provide advice on energy use for people that have had a new meter installed. Through SEEP we will look for further synergies to make connections between our action to tackle fuel poverty and with the smart meter rollout wherever possible.

13 <http://www.energysavingtrust.org.uk/scotland/home-energy-scotland>

14 <http://www.resourceefficientscotland.com/>

15 <https://beta.gov.scot/groups/scottish-rural-fuel-poverty/>

48. On 16 December 2016 the UK Government published the findings from the Each Home Counts Review¹⁶, an independent review of consumer advice, protection, standards and enforcement for the installation of energy efficiency and renewable energy measures. The review findings are in the form of recommendations for action and, at its core, proposes the creation of a Quality Mark against which all those engaged in the design and installation of measures will be assessed and certified. It also recommends the establishment of a Consumer Charter to ensure consumers receive excellent customer service and access to redress procedures when things go wrong and a Code of Conduct for companies operating in the home renewable energy and energy efficiency sector. Finally it recommends the creation of technical Codes of Practice and standards for the installation of home renewable energy and energy efficiency measures. All of this would be underpinned by provision of advice and guidance to the consumer and a system of monitoring and enforcement.

Consultation questions

Advice and information

- How do we ensure that householders and owners are well advised and supported in making decisions on how to improve the energy efficiency of their building and install lower carbon heat supply through SEEP?
- Are the current mechanisms for providing advice sufficient? What changes, if any, do you think are required?
- What are the opportunities to link SEEP delivery with other initiatives, including the UK Government's smart meter rollout, so that we maximise the benefits for the people of Scotland?

Consumer protection

- How can SEEP be designed and promoted to build consumer confidence (as a trusted 'brand')? What are the risks and opportunities associated with particular approaches?
- Is there a tried and trusted form of consumer redress that should be adopted or, if not, what should such a mechanism look like?
- How should SEEP look to integrate the findings of the Each Home Counts Review – e.g. could it be used a basis for developing a consumer protection framework for SEEP?

The establishment and sustainability of local supply chains and trusted delivery agents

49. There are potentially significant economic opportunities for local businesses and the supply chain over the duration of SEEP. Stakeholders pointed to the benefits of existing area-based energy efficiency programmes such as Home Energy Efficiency Programme: Area-Based Schemes (HEEPS:ABS) in allowing local authorities to engage with the local supply chain in delivery.

¹⁶ <https://www.gov.uk/government/publications/each-home-counts-review-of-consumer-advice-protection-standards-and-enforcement-for-energy-efficiency-and-renewable-energy>

50. The scale of the ambition of SEEP, and the level of ambition of our climate change targets, present both opportunities and challenges for the supply chain to scale up to meet the level of demand. In particular there are opportunities to realise economies of scale through large-scale public sector led procurement and contracting, and also to ensure that contractors are locally-managed. Stakeholders in the scoping workshops pointed to the importance of ensuring trusted delivery agents are involved in the process, learning from the negative experience of the Green Deal, and the need to ensure that contractors were accountable and that consumers have a redress mechanism where work is not delivered to the necessary standard.
51. As highlighted by the Rural Fuel Poverty Task Force, there is a particular issue in rural and island areas where local contractors have a key role to play but may struggle, due to their size and the costs involved, to justify the investment needed to become properly accredited for energy efficiency measures.

Consultation questions

- How can local supply chains be expanded and up-skilled to ensure that maximum economic benefit and job creation is secured across all of Scotland?
- How can communities best benefit from the expected job creation?
- What provision could be made at a national level to ensure companies increase the capacity of the supply chain across all of Scotland to support local delivery of SEEP, particularly in the rural and remote areas?
- What do companies need to do to increase their skills base to deliver a programme of this nature?

The nature of programme delivery

52. The Scottish Government, and its partners in local government, already manage a range of delivery programmes to support building owners and tenants to improve the energy efficiency and decarbonise the heat supply of their buildings. Some of these programmes, such as Warmer Homes Scotland, operate on a national basis, whilst others, such as HEEPS:ABS, are supported by national funding, but designed and delivered locally with our partners in local government. In the development of SEEP we will build on the success of Scotland's existing area based and national programmes, whilst looking to improve the design and delivery working closely with local government and other partners.
53. During the pre-scoping consultation, stakeholders liked the existing area-based approach delivered by local authorities as an effective mechanism for delivery across large numbers of buildings over a relatively short timeframe, which over time can secure improvements across a wide area. Many saw benefits to extending these area-based schemes to include additional building types, tenures and sectors, such as:
 - able-to-pay home owners and landlords;
 - business and industrial buildings; and
 - public and third sector buildings.

54. Bringing in larger numbers of buildings would also support planning for the delivery of district heating infrastructure, connecting buildings with larger demand for heat, such as public or industrial buildings, to other heat users. Stakeholders indicated that this could be co-ordinated by local authorities and usefully set out in a local strategy. A delivery programme of time-limited area-based schemes, phased across the lifetime of SEEP, would offer long-term certainty to local supply chains and help realise economies of scale to reduce the cost of measures for building owners and tenants.
55. Stakeholders suggested that an area-based approach could be co-ordinated by local authorities, who could act as, or appoint, a managing agent to undertake the works to help building owners meet the long-term aims of the programme. This could include building assessment, provision of advice, arranging and managing required works, facilitating access to grants and low-cost loans from national grant and loan schemes and leverage funding from other sources e.g. the Energy Company Obligation (ECO). Where district heating is to be installed, energy efficiency improvement works could be undertaken at the same time. A rolling programme of centrally-managed area-based schemes could operate across Scotland to the same criteria, standards and conditions.
56. During the pre-scoping discussions, stakeholders recognised the challenges of integration across the domestic and non-domestic sectors, including raising the question of whether certain sectors/building types, etc. should be exempt from an area-based scheme and treated on a sector/building basis. This may be particularly true for non-domestic buildings, for example hospitals or distilleries, as they may require quite tailored or extensive interventions for that sector. It may therefore be easier to achieve economies of scale across a sector rather than an area.

Consultation questions

- What roles should national and local bodies play respectively in delivering SEEP and how can national and local schemes best be designed to work together towards meeting the Programme's objectives?
- What are your views on the relative benefits of area-based schemes as against those targeted at particular sectors or tenures in delivering SEEP? What other targeting approaches might be effective?
- How best can we align nationally set standards with local, area-based delivery?

The balance between local and national responsibilities

57. The Scottish Government has set a clear vision for SEEP and will through the development of the Programme set out the trajectory for improvements in energy efficiency and the decarbonisation of heat.
58. In order to meet the vision and programme objectives, it will be necessary to put in place a clear framework for SEEP, making clear who is responsible for setting the policy and targets, and who is responsible for delivering the Programme, at both the national and local levels. We are therefore asking for views more widely on the overall balance of responsibilities between central and local level across SEEP, and how that might be designed.

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59. During the pre-consultation scoping events many stakeholders noted the successes of current programmes, including the Home Energy Efficiency Programmes for Scotland, which are funded by the Scottish Government and delivered by local authorities. Stakeholders were generally supportive of an approach that included a framework set out and led by the Scottish Government. But they also suggested that it would be important to ensure there is effective governance and accountability at the local government level.
 60. The Programme could be focused on achieving targets set at a national level, but organised around local strategies reflecting area-specific circumstances and the need for a degree of flexibility in meeting the targets. These strategies could assess and determine the actions to achieve the level of improvement required to contribute to any nationally set target(s). The local strategies could set out the zoning and phasing of delivery, giving a clear indication to building owners when their buildings would be improved. Local strategies would need to be reviewed at regular periods to determine progress towards meeting both local and national targets.
 61. These strategies should be developed by the local authority in consultation with local delivery agents, such as local businesses, community organisations and groups, housing associations and utility providers.
 62. The strategies would need to be well-communicated to the public so that building owners and tenants would know what a good level of energy efficiency is and what the most appropriate forms of low carbon heat are for their building. A separate consultation on district heating regulation, which includes more detail on the role of local heat and energy efficiency strategies, accompanies the draft Energy Strategy. However, here we are asking for views more widely on the overall balance of responsibility between central and local levels across SEEP, and how that might be designed. In particular, we would welcome views on how any national targets should be met at a local level, to what extent the Scottish Government should set the criteria for delivery, what kind of governance arrangements should be in place to oversee any framework.

Consultation questions

- What should the overall balance be between national and local target setting? Should local authorities set local targets with the flexibility to determine whatever methods they want to meet the Programme vision? Or should there be a greater degree of setting the target(s) and delivery methods by national government?
 - What would a good governance structure to oversee any framework of responsibilities between national and local government look like? What examples are you aware of within the UK or elsewhere?

Monitoring and review

63. To measure progress against our climate change targets, to chart progress in tackling fuel poverty and to more widely track the benefits of delivery, we recognise that we need to put in place a framework for measuring improvement across the building stock. We already have some understanding of the energy performance of the building stock across Scotland, but it is not comprehensive, particularly in relation to non-domestic buildings. Our understanding of the baseline information and condition of the building stock will improve over time. It will be important to update that information to inform regular reviews of progress in delivering against our vision and objectives, and also to enable the programme to take account of technological innovations that can support it. We will establish a monitoring and review framework to enable us to assess progress. Such a framework will also enable us to set out a route map for achieving the Programme's vision and objectives, taking a longer-term view of high level milestones for when they will be delivered.

Consultation questions

- What should be included in a monitoring framework to ensure that the Programme is effectively monitored and evaluated?

Overall

We would welcome feedback and expertise on any other issues in relation to SEEP that aren't covered by the questions above.

RESPONDING TO THIS CONSULTATION

We are inviting responses to this consultation by 30 May 2017.

Please respond to this consultation using the Scottish Government's consultation platform, Citizen Space. You can view and respond to this consultation online at: <https://consult.scotland.gov.uk/energy-and-climate-change-directorate/scotlands-energy-efficiency-programme>. You can save and return to your responses while the consultation is still open. Please ensure that consultation responses are submitted before the closing date of 30 May 2017.

If you are unable to respond online, please complete the Respondent Information Form (see 'Handling your Response' below) to:

SEEP Consultation
SEEP Programme Management Office
Scottish Government
1H South
Victoria Quay
Edinburgh EH6 6QQ

It would be helpful to have your response by email or using the electronic response form. The electronic response form can be accessed at the following website address: <https://consult.scotland.gov.uk>. You can also email your response to SEEPconsultation@gov.scot.

Handling your response

If you respond using Citizen Space (<http://consult.scotland.gov.uk/>), you will be directed to the Respondent Information Form. Please indicate how you wish your response to be handled and, in particular, whether you are happy for your response to published.

If you are unable to respond via Citizen Space, please complete and return the Respondent Information Form included in this document. If you ask for your response not to be published, we will regard it as confidential, and we will treat it accordingly.

All respondents should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

Next steps in the process

Where respondents have given permission for their response to be made public, and after we have checked that they contain no potentially defamatory material, responses will be made available to the public at <http://consult.scotland.gov.uk>. If you use Citizen Space to respond, you will receive a copy of your response via email.

Following the closing date, all responses will be analysed and considered along with any other available evidence to help us. Responses will be published where we have been given permission to do so.

Comments and complaints

If you have any comments about how this consultation exercise has been conducted, please send them to:

SEEP Consultation
SEEP Programme Management Office
Scottish Government
1H South
Victoria Quay
Edinburgh EH6 6QQ

Scottish Government consultation process

Consultation is an essential part of the policy-making process. It gives us the opportunity to consider your opinion and expertise on a proposed area of work.

You can find all our consultations online: <http://consult.scotland.gov.uk>. Each consultation details the issues under consideration, as well as a way for you to give us your views, either online, by email or by post.

Consultations may involve seeking views in a number of different ways, such as public meetings, focus groups, or other online methods such as Dialogue (<https://www.ideas.gov.scot>).

Responses will be analysed and used as part of the decision-making process, along with a range of other available information and evidence. We will publish a report of this analysis for every consultation. Depending on the nature of the consultation exercise the responses received may:

- indicate the need for policy development or review;
- inform the development of a particular policy;
- help decisions to be made between alternative policy proposals; and
- be used to finalise legislation before it is implemented.

While details of particular circumstances described in a response to a consultation exercise may usefully inform the policy process, consultation exercises cannot address individual concerns and comments, which should be directed to the relevant public body.

Next steps

The Scottish Government will review responses to the consultation and the issues raised during engagement with stakeholders to inform the design of the programme and a final route map in early 2018 for the phased development and implementation of the programme over the next 15-20 years.



RESPONDENT INFORMATION FORM

Please Note this form **must** be completed and returned with your response.

Are you responding as an individual or an organisation?

- Individual
- Organisation

Full name or organisation's name

Phone number

Address

Postcode

Email

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

- Publish response with name
- Publish response only (without name)
- Do not publish response

Information for organisations:

The option 'Publish response only (without name)' is available for individual respondents only. If this option is selected, the organisation name will still be published.

If you choose the option 'Do not publish response', your organisation name may still be listed as having responded to the consultation in, for example, the analysis report.

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

- Yes
- No



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