

Heat in Buildings: Scotland's National Public Energy Agency

Consultation: Call for Evidence



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Ministerial Foreword

To meet our 2030 interim climate change target, at least 1 million Scottish homes and the equivalent of 50,000 non-domestic buildings will need to change their heating system for a zero carbon one. This will not be easy, and will require a level of leadership and coordination of the wider heat decarbonisation landscape that we have not seen to date in Scotland.



That is why we are committed to establishing a new National Public Energy Agency, as set out in our 2021/22 Programme for Government. This new body will form a central part of how we will implement our ambitious programme outlined in Scotland's Heat in Buildings Strategy, which we published last month (7 October).

However, in recognition of the urgency and need for action to be taken now to begin ramping up delivery of energy efficiency retrofit and zero emissions heat installations, we will launch a virtual Agency by September 2022. This will initially be co-ordinated internally in the Scottish Government, and we will look at using existing resources to provide advice and information to people seeking to make a change in response to the heat decarbonisation agenda in the early stages of transition. We will then consider the structure and governance of the organisation, and the skills and expertise that will be necessary to have a permanent agency in place by the end of this Parliamentary session.

This early Call for Evidence represents the first stage in a process of open and transparent collaboration across the Scottish heat decarbonisation landscape in development of the new dedicated Agency by 2025.

I am committed to ensuring that the Agency is designed to be people-centred, with a clear focus on embedding the principles of a Just Transition in all that it does to progress delivery on our targets. This can only be realised through ensuring that a range of interests and the needs of different stakeholders and consumers who will need to respond to the heat decarbonisation transition are identified, and can inform design of the new body.

To support anyone considering responding to this Call for Evidence – or who wish to generally find out more about our current thinking and future opportunities to be involved in supporting development of the new Agency – we will be running a short series of open webinars in the near year. I strongly encourage anyone interested to engage in this process – we are keen to hear a diverse range of views, experiences and insights that can meaningfully help shape what this new, significant public

body will mean – and be able to do – for each of us living in Scotland as we, as a nation, come together to tackle one of the greatest challenges of our era.



Michael Matheson MSP
Cabinet Secretary for Net Zero, Energy & Transport

1. Introduction

The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 set legally binding targets for Scotland to achieve net zero greenhouse gas emissions by 2045, with interim targets requiring a 75% reduction by 2030, and 90% by 2040.

To achieve this requires **transformational change** in the way we heat our homes, workplaces and community buildings. As set out in the Scottish Government's new [Heat in Buildings Strategy](#) (published 7 October 2021), our vision is that by 2045 our homes and buildings are cleaner, greener and easier to heat, with our homes and buildings no longer contributing to climate change, as part of the wider just transition to net zero.

We continue to support a fabric first approach within existing energy efficiency and fuel poverty programmes, but we also recognise that we must go further if we are to deliver at the scale and pace of change necessary to meet these ambitious targets. The Heat in Buildings Strategy sets out a new framework to combine energy efficiency improvements with heating system change.

To support this, we have committed **at least £1.8 billion investment** over the course of this Parliament – this funding will underpin the decarbonisation of heat across 1 million homes and 50,000 non-domestic (equivalent) buildings by 2030, and the removal of energy efficiency as a driver of fuel poverty.

As set out in the 2021/22 Programme for Government – and reaffirmed in the Heat in Buildings Strategy – we will establish a new dedicated **National Public Energy Agency** by 2025, to lead this transformational change. The Agency will achieve this by taking a people-centred approach to delivery, supporting people and business to switch their heating systems and improve the energy efficiency of buildings, while working with the public, private and third sectors to ensure a coordinated approach across the wider heat decarbonisation delivery agenda in Scotland.

1.1. Scope

The purpose of this initial Call for Evidence is to inform development of a broader evidence base to inform the design of the new body. The questions are structured around the following key themes:

Dedicated Agency, 2025

- Strategic purpose, remit and objectives
- Functions
- Institutional form and governance
- Relationship with the wider stakeholder landscape
- Agency development process

Virtual Agency, 2022

- Purpose and functions
- Structure and governance
- Transition pathway to dedicated Agency

We are seeking **examples of previous and/or existing public bodies – or other organisation types – that have a specific delivery remit and successfully achieve significant change** at a societal, sectoral, and/or infrastructure level through innovative programme design, leadership and coordination of the wider landscape. Examples of where this type of transformational change has been sought unsuccessfully through a national public body, and why, are also welcomed.

We are also seeking **evidence of the value and opportunities presented by establishing a national delivery body of this type on a statutory footing**, and/or where this might present challenges.

1.2. Future Consultation and Stakeholder Engagement Activities

We are keen that the development of the Agency is a collective and collaborative effort, shaped by the input from a range of stakeholders across the public, private and third sectors, putting people first as part of its core values.

This Call for Evidence represents part of the first phase **in a process of collaboration and co-development** of the new dedicated Agency over the transition period up to 2025, to be shaped by the input from a range of individuals and stakeholder organisations across the public, private and third sectors. Reflecting this commitment, the content has been informed, in part, by considerations and points raised during an initial round of informal preliminary discussions with a mix of delivery partners, consumer, fuel poverty, and housing organisations.

A series of stakeholder engagement events will be carried out to complement this initial Call for Evidence during early 2022, and will indicate our plans for a broader formal consultation thereafter.

2. Dedicated Agency

This section addresses design and development of the dedicated Agency, committed to launch by September 2025 as a single dedicated public body with a physical presence.

2.1. Strategic Purpose, Remit and Objectives

In line with public statements to date, it is expected that the dedicated Agency will take ownership of an agreed national delivery plan for how the heat decarbonisation transition will be implemented in Scotland.

In order to carry out this role, a strategic framework for the new Agency will need to be developed. The following presents a summary of some of the areas that the Agency may have a role:

- **lead on public communication and advice provision to raise awareness** on heat and drive uptake of zero emissions heat and energy efficiency options at the scale and pace needed to meet our climate change targets;
- **bring together delivery of heat decarbonisation and energy efficiency capital investment and advice programmes for small-scale domestic and non-domestic consumers**, streamlining our offering where appropriate and simplifying navigation of the advice, support and financial assistance system;
- **accelerate the pipeline of investable large-scale heat decarbonisation and energy efficiency retrofit projects**, particularly in the social housing and public sectors and to support heat network growth, **through the provision of a package of financial and non-financial support** from pre-capital feasibility and business case development to delivery of a range of grant and loan products;
- **coordinate national, regional and local government delivery** of heat decarbonisation and energy efficiency rollout by supporting development of Local Heat and Energy Efficiency Strategies and local energy plans, and bringing these together into an overarching *National Heat Decarbonisation Delivery Programme*; and
- **act as a “centre of expertise”** by providing dedicated resource, expertise and coordination to government and others to facilitate local heat transitions and supporting those with an interest in exploring “public energy company” models, including those with a local focus.

Aims and Objectives

Subject to proposed energy efficiency and zero emissions heat regulations as set out in the Heat in Buildings Strategy, there is an opportunity for the dedicated Agency as part of its overarching strategic framework to consider its role in supporting delivery of the following:

The dedicated Agency could **support delivery** of:

- By 2028, all private rented properties having met at least Energy Performance Certificate (EPC) Band C standard, where technically feasible and cost effective to do so; and
- By 2032, all social housing to have met, or be treated as meeting, EPC B, or to be as energy efficient as practically possible.

The dedicated Agency could **lead and coordinate delivery** of:

- By 2030, the transition of over 1 million homes, and the equivalent of 50,000 non-domestic buildings to convert to zero emissions heat systems;
- By 2030, a large majority of buildings having achieved a good level of energy efficiency, which for homes will be at least equivalent to an EPC Band C;
- By 2033, all owner occupied homes having met at least EPC Band C standard, where technically feasible and cost effective to do so;
- By 2038, all publicly-owned buildings to have met zero emissions heating requirements;

- By 2040-45, all mixed tenure buildings to have reached a good level of energy efficiency, equivalent to EPC Band C, where technically feasible and cost effective, and have installed a zero emissions heating supply; and
- By 2045, all homes to be using zero emissions heating (and cooling) systems.

By 2045, the dedicated Agency could **contribute to**:

- The Scottish Government's vision that our homes and buildings are cleaner, greener, and easy to heat, with our homes and buildings no longer contributing to climate change, as part of the wider just transition to net zero.

Questions:

- 1) **What is needed to achieve the transformational change that is necessary for heat decarbonisation in Scotland?**
- 2) **How can the new dedicated Agency best support this change programme?**
- 3) **What are the opportunities and challenges for delivery presented by this agenda, and how might these best be overcome through the Agency?**
- 4) **Based on the proposed purpose, remit and objectives of the dedicated Agency, do you have any evidence, or insights based on experience, that demonstrate the need and potential added value of a new public body of this nature in the heat decarbonisation delivery landscape?**
- 5) **Are you aware of any case studies – UK or international – or research that can help inform design of a new public sector delivery body to ensure it is able to deliver effective outcomes, and to be consumer focused across its operations? What do you think are some of the key factors that need to be built into the strategic framework – and corporate design – of the new body to best enable this?**

2.2. Delivery Functions

The 2021/22 Programme for Government indicates that, at a minimum, the new dedicated Agency will have a **key set of responsibilities** that have informed development of the Remit, as set out earlier in this Call for Evidence.

At an operational level, these responsibilities, or functions, may translate into practical actions that include the introduction of an overarching **Heat Decarbonisation Implementation Plan for Scotland**, providing the Agency a mechanism through which to guide and steer various interventions and support programmes in collaboration with partners and in line with shared goals.

As part of this work, it will be important for there to be an appropriate balance between what the Agency will take on direct control and delivery responsibility for, versus what the Agency will steer strategically while working with others to

implement on the ground. This will involve collaboration and co-production with stakeholders and existing delivery partners.

Some **further potential functions have emerged** through our preliminary stakeholder engagement activities, and which could - if pursued and possible to introduce - strengthen the dedicated Agency's leadership on heat and energy efficiency matters. They can be broadly summarised as:

- Operate a national level data hub
- Co-ordinate supply chain development and expansion
- Oversight of quality assurance standards
- (subject to further investigation and consideration) Taking on some regulatory functions such as monitoring and compliance of the proposed energy efficiency and zero emissions heat regulations as set out in the Heat in Buildings Strategy

These proposed additional functions will require further development and testing before a decision on whether or not to include any one of them under the strategic framework of the dedicated Agency can be made. We would welcome your views.

In particular, whether or not the dedicated Agency should take on a **regulatory function** will depend on several factors that will need to be explored further, such as: the feasibility and appropriateness for an existing regulatory body to take on any new enforcement responsibilities through an expanded, or amended strategic framework. It will also be necessary to determine the extent to which, corporately and legally, a single public body could hold responsibility and authority over both delivery and enforcement related to the same policy agenda.

Questions:

- 6) What tools and support will the dedicated Agency need in order to effectively establish leadership and coordination of heat decarbonisation in Scotland?**
- 7) Do you have any evidence, or further insights regarding the potential added value that the functions set out can deliver within the heat decarbonisation landscape? This may include both examples of where these types of functions have, or have not been conferred on a national body as part of leading a programme of delivery and change, and the resulting implications (positive or negative).**
- 8) Do you have any evidence, or case studies that demonstrate the effectiveness or not of new regulatory standards being enforced at a national versus local level? This may include international comparisons.**
- 9) Are you aware of any existing, or previous, public bodies that exercise both an advisory and regulatory role within the same organisation – and how this dual remit has been translated at an operational level to avoid any risks**

relating to conflicts of interest, governance and lines of accountability? This may include examples from the international landscape, and/or UK context.

2.3. Institutional Form and Governance

A key consideration in designing the future dedicated Agency is the **level of independence** from Scottish Government – and lines of accountability, or governance – it should, or will need to have in order to carry out its responsibilities effectively within the broader landscape. This would be particularly important if the Agency was to act as the enforcer of future Heat in Buildings regulations, something that is yet to be determined at this stage.

In light of preliminary stakeholder engagements, and with a focus on ensuring the dedicated Agency can be effectively **future proofed** to take on any new functions as appropriate, **we are considering establishing it on a statutory footing**. This would ensure that the dedicated Agency is invested with the necessary authority to fulfil its remit. With the respect and permanence afforded by statute, and staffed with the right expertise and the powers to marshal and target resources as needed, the dedicated Agency would have the necessary tools to galvanise the heat and energy efficiency landscape to deliver at the pace and scale needed over the next two decades.

We believe that the proposed Heat in Buildings Bill would provide a suitable legislative vehicle to achieve this, and aligns with the timescale for the dedicated Agency becoming a physical body by September 2025.

Questions:

10) Are you aware of any case studies, or recent research that considers the opportunities and challenges of establishing a public sector body that is tasked with programme delivery functions on a statutory footing?

11) In terms of potentially establishing the dedicated Agency on a statutory footing as part of future proofing it to be able to take on any new functions or responsibilities as heat decarbonisation delivery progresses over the coming decades, are there any other considerations related to this that you think we need to be aware of and why? This may include, for example: upcoming evidence and research, other strategic policy developments and targets, wider industry and sector led developments in the heat and energy efficiency landscape or related delivery areas.

2.4. Strategic Partnerships and Wider Stakeholder Relations

The Agency will need to garner respect and recognition of its position and authority amongst stakeholders if it is to be able to perform its strategic leadership and coordination roles effectively.

Delivery partners, including local authorities, and a broader set of advocacy and research organisations, as well as industry and members of the general public, amongst others, will all need to understand what role the Agency will play to support them in responding to the heat decarbonisation transition. In this way, we are keen that the Agency, from the start, seeks to create a **strong sense of co-ownership of the agenda**, and **collaboration in its implementation**.

The scale and complexity that heat decarbonisation presents is too much for any one organisation to deliver on its own for Scotland. **Securing support**, and making best use of the wider landscape and what it has to offer will be essential – both through continuity in delivery where appropriate, and through managing any change that may be required. This will require the Agency to have a full **understanding of the capacity and capabilities of the delivery landscape**, in order to be able to **target support** and draw on a wider pool of existing expertise, resources, connections and experience. This approach has the potential to deliver efficiencies, and to maximise capacity in ramping up both the pace and scale of transition required.

In line with these considerations – and to give the Agency a good foundation to build on in terms of partnership working with others – we are committed to ensuring that the design and development of the dedicated Agency (that is. how it will function in practice) will also reflect these principles of participation and of being a collective endeavour. The process that is gone through to establish the new body must be **open and transparent**. This includes ensuring effective processes are in place for not only stakeholder organisations, but **general members of the public to be able to meaningfully participate** throughout, reflecting our commitment to the [Open Government agenda in Scotland](#).

Questions:

- 12) Who will the Agency need to work closely with in order to best facilitate delivery of the transformational change required, and how do you think this should work in practice?**
- 13) Are you aware of any case studies that demonstrate (in)effective partnership working by a public body to coordinate a broader delivery landscape to achieve a shared goal? What lessons can be taken from these examples?**
- 14) What role do you see your organisation playing in relation to the Agency once established?**
- 15) What role do you see for your organisation during the development process of the Agency, and do you have any examples of the type of collaborative approach to design of a new public body or delivery programme that you would like to see implemented? What lessons can be taken from these?**
- 16) What types of approaches to civic participation do you think could work most effectively in supporting development of the dedicated Agency, and why? How can these be best implemented to work alongside wider stakeholder**

engagement? Please provide any examples, or case studies you may have to support your response.

3. Virtual Agency & Transition Planning

While the future dedicated Agency will become the cornerstone of heat decarbonisation delivery in Scotland in due course, we **recognise the real urgency in our need to act now** to tackle the challenge of transformational change in how we heat our homes and buildings. The targets we have set do not allow us time to delay the ramping up of delivery.

This is why we have committed to **establish a virtual Agency by September 2022**, which will be the first milestone in the transition process. Working alongside our key delivery partners, the plan is to set a transition route map, that will consider how to build on, improve and co-ordinate existing – and future – advice and delivery programmes, and what needs to happen to scale up to deliver within a single dedicated body by September 2025.

This reflects a phased approach to the creation of the new Agency.

3.1. Strategic Purpose and Functions

It is intended that the virtual Agency will be tasked with **two strategic purposes**:

- To lead strategic oversight and co-ordination of on-going energy efficiency and heat retrofit delivery programmes pan-Scotland; and
- To lead a set of development work-streams to inform the design and set up of the dedicated Agency, in respect of key functions and governance.

The following table sets out in more detail what types of **specific functions** the virtual Agency would likely need to lead on up to 2025 – some of these may begin from September 2022; others may develop over the transition period.

Delivery
<ul style="list-style-type: none">• Early stage consumer engagement campaigns and messaging – informed by the upcoming Public Engagement Strategy currently under development, as committed to within the Heat in Buildings Strategy.• Coordination of existing delivery programmes across domestic and non-domestic landscapes, in line with pipeline developments set out in the Heat in Buildings Strategy.• Establish a “brand” for the Agency under which new delivery and support programmes can be launched, and existing intervention mechanisms will transition to, as appropriate, to establish wider consistency and coherence across the delivery landscape.
Development

- **Public Engagement Strategy: Implementation Plan**, in line with the framework and principles to be set out in the new Public Engagement Strategy, committed to under the Heat in Buildings Strategy.
- **Establish a Centre of Expertise** – providing dedicated resource, expertise and coordination to government and others to support and enable an accelerated pace and scale of regional and local heat transitions. There may also be value in expertise being expanded to include: support to local authorities in Local Heat & Energy Efficiency Strategies (LHEES) development and/or roll out; and support to those with an interest in exploring “local public energy company” models.
- **Future Delivery Programmes Scoping & Implementation Plan** – developing a suite of programmes to meet the challenge of transformational change. The first stage of this would be to conduct a full landscape review, and map consumer journeys. The virtual Agency would be tasked with working to stakeholders to deliver this and providing advice to Ministers on next steps.
- **Overarching Heat in Buildings Decarbonisation Delivery Plan for Scotland** – in line with its leadership and coordination role, the virtual Agency would be responsible for developing the delivery blueprint for the heat decarbonisation agenda in Scotland, to be inherited by the dedicated Agency.

Questions:

17) **Other than those listed, are there any other specific functions that you think the virtual Agency should be tasked with delivery ahead of the dedicated Agency, and why? If you have any supporting evidence that demonstrates the potential added value – or make clear the current gap in delivery – of such a function pre-regulations, please provide.**

3.2. Structure, Governance and the Transition Pathway

In line with timescales to launch by September 2022 at the latest, the Cabinet Secretary for Net Zero, Energy & Transport informed the Scottish Parliament's Net Zero, Energy & Transport Committee on 14 September that the **virtual Agency would operate in-house to the Scottish Government to begin with.**

Establishing the virtual Agency first as a discrete delivery vehicle within the Scottish Government will ensure that there is **minimal disruption to the continuing delivery** of current energy efficiency and heat decarbonisation programmes. This is important as we cannot risk any gap developing in the on-going roll out of the broader Heat in Buildings agenda, and access to support for early movers and zero emissions heating adopters. This approach will also create **flexibility in design** of the virtual Agency, **allowing us to future proof** it to be able to change and evolve in structure, governance and capacity during the transition period up to 2025 as required.

To ensure that the virtual Agency has both credibility within the wider stakeholder landscape and the necessary decision making authority and capability to begin to transition delivery, we propose setting up a shadow independent **Strategic Partnership Board** to help oversee its work.

Further details on how the virtual Agency will act as the initial stepping stone in a process of transition to the dedicated Agency will be set out in due course.

Questions:

18) Do you have any examples, or insights based on experience, that demonstrate the potential added value of an “interim” delivery body in advance of a dedicated public body, and how this can best be achieved?

19) Do you have any examples, or insights based on experience, of effective change management practices relating to a public sector initiative that required a shift in the existing national and/or local delivery landscape, managed over time? What lessons can be learnt?

20) What do you see as the key steps, and/or considerations that will need to be reflected in the transition Route Map, and why?

Glossary

EPC – Energy Performance Certificate

LHEES – Local Heat & Energy Efficiency Strategies



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