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Sent: 05 September 2022 16:54
To: Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights
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Subject: Submission - Home Energy Scotland Cashback Scheme Successor -
Urgent

PS/Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights

Please find attached a submission requesting your consent to relaunch the Home Energy Scotland loan and cashback scheme as separate grant and loan schemes with revised offerings as set out in the submission.

Priority: Urgent - a response by 16 September will enable officials to notify the contractor of the changes and launch the revised grant scheme in December 2022.

<https://erdm.scotland.gov.uk:8443/documents/A40460397/details>

Thanks and regards,

Redacted (Personal Information)
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Local Government Liaison
Heat in Buildings Division | Energy and Climate Change Directorate | Scottish
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Please note I do not work on Fridays.

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Response to queries on the Cashback Scheme successor submission

The Minister is interested to know what specific effect we anticipate the rural uplift having. Clearly there are higher fuel poverty rates in many rural areas, but does this always translate to higher costs for installing the measures which will be covered? Is the same level of rural uplift relevant in all rural areas?

The purpose of the rural uplift is to provide households in rural areas with increased funding that reflects the additional costs they face in installing measures. It responds to the Bute House Agreement commitment to provide additional advice and support targeted at rural households. We have proposed targeting this uplift at remote areas/islands and rural areas that are also off-gas. This is based on the following report, which sets out the higher costs households in rural areas face, including for installing energy efficiency measures.

[The cost of remoteness - reflecting higher living costs in remote rural Scotland when measuring fuel poverty: research report - gov.scot \(www.gov.scot\)](#)

According to the report, typically the main extra cost in remote areas is transport/delivery and these costs are higher in the most remote areas. Most of the materials required for retrofit have to be transported a significant distance from a distribution centre by road.

Rural properties are also typically larger on average and more often detached/semi-detached. Costs are often linked to this and higher as a result, e.g. wall insulation reflects size and number of walls, and a larger heat pump may also be needed (for example Mitsubishi produce models specifically tailored to West Coast weather conditions).

- This is evident from the NRS data: [In remote rural areas, a high proportion of dwellings were detached, had 4-6 rooms, and were in council tax bands A-C.](#)
- And the Scottish House Condition Survey (SHCS): [Half \(50%; 214,000 households\) of all rural dwellings are detached, and 24% \(102,000\) are semi-detached. Only 11% of rural dwellings are flats; 45,000 in total.](#)

Typically many of these rural properties are older and of traditional construction (solid wall). They are also significantly less energy efficient than properties in urban areas and more likely to need a bespoke retrofit. Hence measures to improve are typically more costly. The Scottish House Condition Survey found that [the mean SAP 2012 rating is 66.7 for dwellings in urban areas, higher than the 56.2 for dwellings in rural areas.](#)

In terms of targeting off gas rural properties, this is a fairly good proxy for isolation/distance, but there are additional rationales for targeting these properties. Improved insulation is necessary for electric and/or low temperature heating systems such as air source heat pumps. The uplift will also target properties that are currently using the most polluting fossil fuels (oil/LPG) and support them to switch.

Is any increased installation cost in rural areas principally related to the availability of installers with the relevant skills, and how would we ensure that this uplift actually addresses that issue? Is there a way of linking it to training support etc to overcome those constraints?

Increased costs are primarily due to the issues highlighted above, however the availability of installers and lack of relevant skills in rural areas is also an issue. We do not propose linking this rural uplift to training or supply chain development, as it is intended as direct support for households. Additionally, there are a range of other initiatives already underway to address this issue:

- Our forthcoming Supply Chain Delivery Plan will set out actions to support skills development, with a specific focus on support in rural areas.
- We recognise that training is not equally available across all geographic areas and in some instances, people in rural locations need to travel considerable distances to access specific training. For this reason, we have invested in a mobile training centre for heat pump installation, accessible to any college in Scotland while being hosted by South Lanarkshire College, which will be capable in delivering on site training in rural areas across Scotland. This resource will come online by the end of 2022.
- Skills Development Scotland are also delivering a pathfinder project in the Shetland Islands to ensure skills support and training provision are aligned at a local level with business needs and future local demands. The outputs of this project will provide a model for implementing a dynamic, local skills response in other rural areas.
- Through the advice we deliver under Home Energy Scotland we are very aware of the need for a stronger supply chain in rural areas for low-carbon heating and other energy efficiency improvements. To help increase the number of installers, Energy Saving Trust delivers the Sustainable Energy Supply Chain programme on behalf of the Scottish Government.
- Under this programme we are supporting the development of the supply chain for low and zero carbon heating and energy efficiency measures in rural areas, in partnership with local colleges from the Highlands and Islands, Borders and Dumfries and Galloway regions, through training apprenticeships on heat pumps and the development of a mobile training rig that will travel around the rural and island areas to provide training opportunities on heat pumps for local installers.

Under the 'Additional Support Packages' from para 16, can he ask whether the references to "energy storage battery" include only electrical storage, or also heat storage devices?

The current loan and cashback scheme offers support for both electrical and heat storage batteries in the form of loan funding. Uptake for heat batteries is low in the current scheme (see table below), and we would expect that to continue to be the case for the new scheme. Despite this, we would recommend that the 'Additional Support Packages' include support for heat storage batteries as well as electrical.

Storage battery type	2020/21 uptake	2021/22 uptake	2022/23 uptake*
Electrical	25	178	443
Heat	1	3	1

*To end July 2022