



T: 0300 244 4000  
E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

Mr Edward Mountain MSP  
Convener, Net Zero, Energy and Transport  
Committee  
Scottish Parliament

([netzero.committee@parliament.scot](mailto:netzero.committee@parliament.scot))

26 October 2022

Dear Edward

I am writing to share a copy of our brief update on the Heat in Buildings Strategy before it is laid in Parliament on **27 October 2022**. I have attached a copy of the report to the adjoining email for your awareness and interest. Please note that this is an **embargoed copy** until it is laid before Parliament, before which time it should not be redistributed.

Since the Strategy's publication a year ago, we have continued and expanded our range of delivery programmes, and made progress in key areas including heat networks, building standards and new build regulations, and our Local Heat and Energy Efficiency Strategies.

There remains a huge amount still to do, of course; next year will see us consult on proposals for a Heat in Buildings Bill, and publish our Public Engagement Strategy – underlining our determination to deliver on our Heat in Buildings Strategy, and to bring people with us as we do so.

I look forward to remaining engaged with the Committee as we continue to make progress in delivering the Strategy.

**PATRICK HARVIE**

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See [www.lobbying.scot](http://www.lobbying.scot)

St Andrew's House, Regent Road, Edinburgh EH1 3DG  
[www.gov.scot](http://www.gov.scot)



Accredited  
Until 2020



# Ministerial foreword

**We published our Heat in Buildings Strategy just over a year ago. It set out the Scottish Government's programme to deliver our climate targets by reducing our dependence on gas and oil for heating our homes and other buildings.**

The Strategy is ambitious, of course - that reflects how essential a part it will play in meeting our Net Zero commitment. It's true that the recent cost of living crisis and unprecedented surges in energy costs add to the challenge; however, these factors also underline how vitally important it is that we move away from gas for heat, as gas prices are the root cause of these crises.

This means that reducing emissions from our buildings will help make our energy more affordable and secure, as well as help eliminate poor energy efficiency as a driver of fuel poverty. We remain determined to deliver this Strategy and its ambitions in a way that is consistent with our work to tackle fuel poverty.

That's why we have increased our support for heat and energy efficiency measures and to support those least able to pay in recent months, with a £1.2 million package of support for consumer-facing advice services. We are doing this because being comfortable at home is something everyone should be able to afford. This principle will guide us right through the transition to zero emissions heating.

**I am pleased to publish this short update on progress against our Strategy since its publication a year ago.** This covers our funding and advice programmes on heat and energy efficiency, support for social housing and decarbonising public buildings, as well as the next steps for regulation – including our improvements to existing building standards and measures to require zero emissions heating in all new buildings from April 2024. It also highlights our work on supply chain issues, on heat networks, and our progress on developing Local Heat and Energy Efficiency Strategies.

There remains a huge amount still to do. Next year will see us consult on proposals on a Heat in Buildings Bill, and publish our Public Engagement Strategy, among other measures – underlining our determination to deliver on our Heat in Buildings Strategy, and to bring people with us as we do so.

**Patrick Harvie MSP**

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

# Heat in Buildings Strategy: 2022 update

## Overview

The Climate Change (Scotland) Act 2009 requires Scottish Ministers to report annually on progress under their plan to promote renewable heat and energy efficiency in Scotland. The [Heat in Buildings Strategy](#) (HiBS), published in October 2021, is the latest such plan.

The HiBS included a provisional renewable heat target. We intend to seek views on this target, and the ways in which it might be amended to provide a more useful barometer of progress in decarbonising heat in Scotland's buildings, as part of the consultation on our Energy Strategy and Just Transition Plan (ESJTP) at the end of this year. We will confirm the target when the final ESJTP is published in 2023.

We will also publish an update to our heat statistics in May 2023 as part of the Climate Change Plan monitoring report, and continue to do so on this schedule thereafter. This will not only align with our climate change reporting, but will also provide more time to gather and review the necessary statistics.

The monitoring report published in May will include statistics for 2021 and 2022, while the most recent renewable heat statistics for 2020 are available from the [Renewable heat target and action: 2021 update](#).

## Progress against the Heat in Buildings Strategy

### Heat in Buildings Strategy (HiBS) overview

The HiBS sets out actions to decarbonise Scotland's building stock in line with our legislated climate change targets. To meet the buildings sector emissions envelope in the recent Climate Change Plan Update, we estimate that over 1 million existing homes need to switch to a zero emissions heat supply by 2030, and the remainder by 2045 if we are to reach net zero. We also need to greatly reduce emissions from our non-domestic buildings.

The following sections describe in a little more detail the key components and priorities targeted by the funding and advice available through our delivery schemes, as well as the main advances in other areas of policy and regulation over the past year.

The [Bute House Agreement](#) includes a commitment to invest at least £1.8 billion over the course of this Parliament. This includes:

- at least £465 million to support those least able to pay, delivered through our Warmer Homes Scotland and Area Based schemes
- £300 million for Scotland's Heat Network Fund

- £200 million Social Housing Net Zero Heat Fund, investing in a sector already leading the way in the heat transition
- £200 million Scottish Green Public Sector Estate Scheme, supporting leadership for energy efficiency and heat decarbonisation right across the public sector

### **Area Based Schemes**

Our Area Based Schemes aim to reduce fuel poverty by enabling local authorities to design and deliver energy efficiency programmes in fuel poor areas. ABS focuses primarily upon insulation measures for 'hard to treat' properties but includes zero/low carbon heating and microgeneration measures as part of a 'whole house' approach. Since 2013, the programme has supported over 104,000 households to improve the warmth and energy efficiency of their home. ABS has been particularly effective in enabling improvements to mixed tenure blocks of flatted and terraced properties.

### **Warmer Homes Scotland**

Warmer Homes Scotland is the Scottish Government's national fuel poverty scheme designed to help those households living in or at risk of fuel poverty through the installation of measures such as insulation and heating systems in their homes. It has been operating since September 2015 and has helped more than 29,000 households throughout Scotland. In August 2022, we revised the criteria for the scheme to allow more households to access the scheme, in particular those within the 60 – 75 years age range. The successor scheme is under procurement and is due to begin in July 2023 after the current scheme expires in June.

### **Home Energy Scotland loan and cashback**

The current Home Energy Scotland (HES) loan with cashback scheme provides up to £15,000 loans with up to £6,000 cashback grant for energy efficiency (EE) improvements, and up to £17,500 with £7,500 cashback grant for renewables measures for homeowners or self-builders. We have committed to replacing the HES EE and Renewables Loan and cashback scheme in 2022-23 with a Loan and Grant scheme to support energy efficiency and zero emissions heat improvements. The current scheme will be superseded by the new loan/grant scheme.

### **SME loan and cashback**

The SME Loan and Cashback scheme provides interest free loans from £1,000 up to £100,000 to small and medium sized Scotland based businesses for the installation of energy efficiency measures and renewable energy technologies. SMEs can apply for a 75% cashback grant of up to £10,000 towards the costs of a renewables heating system and a further 30% cashback grant up to £10,000 for energy efficiency measures. Since its inception the SME loan scheme has paid close to £40 million in loans and cashback, funding more than 1,620 projects and providing an estimated lifetime carbon reduction of over 220,000 tonnes since the start of the scheme. We propose to continue to run our 'SME loan cashback' schemes (or grant replacement) until at least 2023 to help reduce the cost of investing.

## **Social Housing Net Zero Heat Fund**

The Social Housing Net Zero Heat Fund launched in August 2020 has been designed to accelerate the delivery of energy efficient zero emissions heating systems to social housing projects across Scotland. It will make at least £200 million available to registered social landlords (RSLs) until 2026. When the fund relaunched in August 2021, the Social Housing Net Zero Heat Fund had an additional stream of funding for projects seeking to carry out energy efficiency only projects. This funding has been extended to 30 March 2024 to provide ongoing support to social landlords undertaking a “Fabric First” approach to their housing stock. To date, the fund has awarded grant funding of almost £17 million to 24 social housing projects across Scotland.

## **Publicly Owned Buildings**

The Green Public Sector Estate Decarbonisation Scheme has been set up to provide capital funding to the public sector to enable retrofitting of energy efficiency and heat decarbonisation to existing buildings. The scheme consists of three components: Funding through Salix, the Central Government Energy Efficiency Scheme and a procurement route through the Scottish Public Sector Non-Domestic Energy Efficiency (NDEE) Framework. To date around £19.7 million of funding has been awarded to 32 projects.

## **Heat & Energy Efficiency Scotland**

We launched a virtual Energy Agency to be delivered in-house by the Scottish Government and made an announcement on progress on 26 October. This will drive delivery of our advice and funding programmes from October 2022, and will become a dedicated Agency by September 2025.

As part of the Agency’s early delivery work, we will launch next year a National Conversation on the Heat Transition, and supporting public awareness campaign.

Work is also underway to develop a new HiBs Public Engagement Strategy, to publish in 2023 – this will act as a blueprint for the Agency to guide longer term awareness raising and education on how we heat and use energy in our homes.

## **Regulating to improve zero emission heat and energy efficiency**

We are also taking steps to ensure that, from 1 April 2024, the use of direct emissions heating systems in new buildings is prohibited. Instead, new buildings applying for a building warrant must use heating systems which produce zero direct greenhouse gas emissions at the point of use. We have recently consulted on our approach through the [New Build Heat Standard Part II consultation](#). This, and our planned increase to fabric standards for new buildings from December 2022, will reduce the need for, and cost of, future retrofit.

We will also, as outlined in the [Programme for Government 2022-23](#), consult next year on a Heat in Buildings Bill. This will set out our initial proposals for the role that

regulations can play in driving better energy efficiency standards and zero emissions heating in Scotland's existing buildings from 2025.

### **Heat Networks policy and legislation**

Over the course of this Parliament, we are allocating £300 million to a new Heat Network Fund to support the development and rollout of zero emission heat networks in Scotland. We published our [Heat Networks Delivery Plan](#) in March 2022. The plan outlines how the provisions of the Heat Networks (Scotland) Act (the 2021 Act), and any other supporting policies, will contribute to increasing the use of heat networks in Scotland and meeting the statutory targets. The 2021 Act sets statutory targets for the amount of heat to be supplied by heat networks – 2.6 Terawatt hours (TWh) of output by 2027 and 6 TWh of output by 2030. The 2021 Act requires Scottish Ministers to set a target for 2035 by October 2023; we will carry out a consultation on a proposed target in early 2023.

We remain committed to delivering a regulatory regime for heat networks, with consultations on the secondary legislation required due to take place throughout 2023. Our intention is to complete the required regulations by Spring 2024.

Decarbonisation Plans will set out the journey each network will take to reduce greenhouse gas emissions in line with the emission reduction targets – covering both efficiency improvements and replacement of heat sources where these are not already low and zero emission. To support the preparation of Heat Network Decarbonisation Plans we will commission work to test and develop an approach to developing such plans, with a view to piloting them in due course.

### **Support for skills and supply chain**

The pace of the Heat in Buildings transition requires a substantial growth in supply chains, particularly in the availability of skilled heating and energy efficiency installers. The Scottish Government will publish a new Heat in Buildings Supply Chains Delivery Plan during 2022, setting out a broad system of support for businesses working in the energy efficiency and zero emissions heating retrofit sector.

This will include dedicated funding for innovation, a programme of engagement with industry and ongoing support for skills and training. The Plan has been developed following our engagement with the sector and the recommendations made within the Heat Pump Sector Deal Expert Advisory Group (EAG) final report. We will also publish our response to the recommendations within the EAG's final report this year.

### **Green Heat Finance Taskforce**

The transition of Scotland's buildings is a multi-decade programme of work and making the transition affordable to consumers is key. Along with public sector funding, private investment must also drive progress. Our Green Heat Finance Taskforce is working to identify and develop innovative solutions to deliver the private sector investment that's needed to meet our vital goals for cutting emissions from homes and buildings. The Taskforce will make recommendations in 2023 on

the range of approaches that the Scottish Government - working in collaboration with the private sector - should bring forward to support the scaled growth in private capital.

### **Local Heat and Energy Efficiency Strategies (LHEES)**

Local Heat and Energy Efficiency Strategies (LHEES) are at the heart of a place based, locally-led and tailored approach to the heat transition. These local Strategies will underpin an area-based approach to heat and energy efficiency planning and delivery. LHEES Strategies will set out the long-term plan for decarbonising heat in buildings and improving their energy efficiency across an entire local authority area.

The Scottish Parliament passed our legislation in April which requires all local authorities to produce a draft Local Heat and Energy Efficiency Strategy and Delivery Plan by the end of 2023. We published [guidance](#) regarding what is required to fulfil this duty in autumn 2022.

For each local authority area an LHEES will:

- set out how each segment of the building stock needs to change to meet national objectives, including achieving zero greenhouse gas emissions in the building sector, and the removal of poor energy efficiency as a driver of fuel poverty
- identify strategic heat decarbonisation zones, and set out the principal measures for reducing buildings emissions within each zone
- prioritise areas for delivery, against national and local priorities

Accompanying the Strategies will be Delivery Plans, which will be developed in partnership with key stakeholders, and provide a strong basis for action for local communities, government, investors, developers and wider stakeholders, pinpointing areas for targeted intervention and early, low-regrets measures.

### **Community and Renewable Energy Scheme (CARES)**

CARES continues to help communities across Scotland engage with, participate in and benefit from the transition to net zero. Since its inception in 2010, CARES has offered advice to over 900 organisations and supported over 600 community and locally owned renewable projects throughout Scotland, offering funding of over £58 million to date.

The current CARES contract commenced on 1 April 2021 and will run for a period of 4 years. It puts a particular focus on supporting communities to work together to address the challenges of heat decarbonisation at a local level, consistent with the Scottish Government's Heat in Buildings Strategy, while also continuing to provide advice and support to community groups and organisations looking to take forward other community energy projects, to make the most of community benefit, and to explore offers of shared ownership.

The first CARES community buildings funding round launched under the current contract awarded over £2.6 million to 74 organisations to install renewable

technologies in Scotland's community buildings. The current fund (Let's Do Net Zero Community Buildings) launched earlier this year and is providing a rolling programme of support to community organisations to decarbonise their buildings and reduce energy bills.