

Cross-Party Group on Renewable Energy and Energy Efficiency

27 February 2024, 6pm

Minute

Present

MSPs

Brian Whittle MSP
Sarah Boyack MSP
Audrey Nicoll MSP
Jackie Dunbar MSP
Mark Ruskell MSP
Liam McArthur

Invited guests

Louise Sunderland (guest speaker)
Neal Rafferty (guest speaker)
Antonia Georgieva (guest speaker)
Frazer Scott (guest speaker)

Non-MSP Group Members

Jan Webb
Gillian Campbell
Laura Fordyce
Kaley Cochran
Alan Beale
Tariq Muneer
Joan Pisanek
Bronagh Finnegan
Mark Winskel
Justin Macmullan
Colin Campbell
Keith Baker
Elizabeth Leighton
Eli Harji
Samuel
Euan Thompson
Paul Moseley
Chris Cook

Lorna Ross

Apologies

Michelle Thomson MSP
Ranald Leask
Tom Ockendon

Agenda item 1 – Introduction by chair

Brian Whittle MSP welcomed everyone to the meeting the focus of which is the Scottish Government's proposals for a heat in buildings bill which are currently out for consultation.

Brian Whittle MSP went on to apologise for the meeting starting later than originally envisaged noting that this was because the meeting could not start until Parliamentary business had finished.

Agenda item 2 – Approval of minutes from the last meeting

Brian Whittle MSP noted that the minutes of the last meeting had been approved in advance of the meeting officially starting (proposed by Sarah Boyack MSP, seconded by Brian Whittle MSP).

Agenda item 3 – Presentation from Neal Rafferty and Antonia Georgieva, Scottish Government

Neal noted that the proposed heat in buildings standard is made up of two elements - heat and energy efficiency and that the first part of the presentation (delivered by Neal) would focus on heat and the second (delivered by Antonia) would focus on energy efficiency.

Neal went on to note that complying with the heat aspect of the standard by 2045 would involve removing the existing heating system and replacing it with a clean alternative and emphasised that the regulations would be technology neutral. Neal then provided more information about the questions the Scottish Government is asking about the proposals that would require some homes and buildings to make the transition more quickly than others. Neal stated that this is intended to smooth the demand curve and help the supply chain by ensuring that everyone doesn't leave taking action until as late as possible. The method of doing this that the Scottish Government is asking for views on in the consultation is a trigger aimed at people purchasing a property. The Scottish Government is asking for views on requiring people to install a clean heating system after the sale of a property with a grace period (c.2years). This would be tested through the passage of a bill and then a consultation on the secondary legislation that would deliver the standard in detail.

Finally, Neal noted that the consultation is also asking for views on how to ensure properties can join a local heat network where that is the best option and went on to emphasise that the Scottish Government has statutory targets related to heat networks and this is a priority area for them. Neal then passed over to Antonia.

Antonia stated that as well as a clean heating element the Scottish Government is proposing to introduce a minimum energy efficiency standard. Antonia went on to note that energy efficiency can reduce heating demand, bills as well as emissions from heat. Energy efficiency can also help facilitate the move to clean heating systems and make systems more efficient. It is proposed that there are two ways that people could meet the energy efficiency standard – either by installing measures from a list or by achieving a heat demand equivalent to an EPC C. The proposal is that PRS properties should meet the energy efficiency standard by 2028 regardless of whether they have a clean heating system or not, whereas owner occupied properties that have installed a clean heating system would not need to meet the energy efficiency standard. Antonia went on to note that any legislation needs to reflect the diversity of the building stock and the diversity of the circumstances of those that live in them. This is why it is proposed that extra time will be allowed in some cases and the standard could be varied in some circumstances. The consultation also includes proposals for a cost cap so that owners aren't required to pay unreasonable costs and so reduce the risk of lenders unwilling to lend to homes that don't meet the standard. Antonia then handed back to Neal.

Neal provided an overview of the Scottish Government's proposals for a social housing net zero standard, noting that the proposals that have just been described for a heat in buildings bill don't apply to Scotland's social housing stock. Neal went on to note that social homes are currently subject to a regulatory standard for energy efficiency but not to a requirement to make the transition to clean heating systems. The Scottish Government is consulting on a net zero standard for social housing alongside the proposals for a bill. The proposed standard is made up of two parts – energy efficiency and heat. It is estimated that the total cost for social homes to meet the standard would be just under £6billion - the vast majority of this being driven by heat. At the moment there is a social housing net zero fund in place which is looking to deliver £200 million by 2026 to retrofit existing social housing and the Green Heat Finance Taskforce is looking at a range of future finance options to help meet these costs.

Finally, Neal provided a brief outline of next steps noting that the intention is to have a bill introduced and have its passage completed during this Parliament (i.e. no later than March 2026). This depends on the outcome of consultation and subsequent decisions by ministers and then deliberations of parliament. If and when parliament agrees to a bill, then the detailed regulations delivering the standard would be subject to decisions by government in the next session and would also be subject to consultation.

Agenda item 4 – Presentation from Louise Sunderland, Regulatory Assistance project

Louise's presentation provided insight from similar regulatory approaches that are happening in other parts of Europe. Louise began by noting that Scotland was not alone in developing a regulatory pathway for regulating heat and energy efficiency in buildings emphasising that a number of countries across Europe are introducing heat and/or energy efficiency standards and that in the USA building performance standards are really taking off (at city and state level).

Louise noted that there has been an ongoing process to renegotiate the Energy Performance of Buildings Directive into which these types of standards were proposed to be introduced and that countries have been waiting for the outcome of those negotiations. If this had not been the case it is likely that more countries would have introduced these kinds of standards. Louise went on to note that countries that were already using standards for one sector of buildings have increased the number of sectors that those standards are covering (e.g. in the Netherlands).

Louise then provided further information about the implementation of standards in Flanders, France and the Netherlands. These are the countries for which headline experiences are available. Louise suggested that the experience in the Netherlands was the most positive one and noted that the standard required offices to be energy label C by 1 Jan 2023. This has been considered a successful policy despite the fact that 100% compliance hasn't been reached (around 62% of offices are fully compliant). The policy is seen as successful as it has accelerated improvement in the energy performance of offices. The standard has also had an impact on the market – specifically banks required meeting the standards as a condition of new lending. Louise noted that while the value of offices that did not meet the standard reduced there is no evidence of an upward pressure on rents. In terms of lessons learned Louise emphasised the role that the early announcement of the standard played and the use of regulatory tool as a kind of communication tool (as opposed to as a stick). Louise also noted the importance of clarity (and not having overcomplicated exemptions) and of enforcement and support activity and resourcing and said that in the Netherlands they are now looking at both resources and tools to allow local authorities to undertake enforcement and support action.

Louise then moved on to talk about the experience in Flanders where from 2023 homes must have an improvement plan to be improved to EPC D within 5 years of sale. There is also a plan for the standard of D to improve over time. The standard is early on in terms of enforcement but there is useful experience in terms of how the plan has been received. Early implementation has been relatively smooth. Louise noted that there have been concerns but that there has not been terribly difficult debate and suggested that this could be credited to the fact that the D standard is a fairly low standard to meet (the Flemish EPC D is equivalent to an E in other countries). There

have been concerns raised about hardship particularly when peoples' circumstances might change in the 5 years since they bought the home. There have been sensible responses to these concerns – specifically the provision of extra support and also a decision tree to ensure there is clarity about what type of situations would allow a time based exemption etc.

A similar (to the Netherlands) impact on property value has been seen with higher performing homes having higher values together with a downward impact on the prices of lower performing homes. In Flanders they are now looking at proposals for a sustainable heating obligation.

Louise then provided further information about the implementation experience in France noting that the experience has been less positive than in either the Netherlands or Flanders. The standard requires that a relatively small subset of really poor performing homes need to be improved when a new lease is taken out from 2023. In addition, the new schedule for further dates requiring other EPC bands to improve was published in August last year. Landlords have not greeted the new standards favourably. Louise's view is that this is because it has taken a long time to bring forward clear regulations leaving some landlords with as little as 18 months to plan a renovation and to comply with the standard. This has led to confusion and some homes possibly being withheld from the market. There is another complication to the formation of these regulations which is that it requires the tenant to take the landlord to task and through the court system. There have been responses from the French government one of which has been to change the EPC assessment framework to effectively reduce the number of apartments that fall under the standard. The overall experience has been confusing, not consistent, and not well communicated.

Louise moved on to talk about fossil fuel phase out policies noting that a number are already in place across Europe. In Germany there has been a huge debate and difficult passing of a law to ban standalone fossil fuel appliances from being installed. This was a promise in the coalition treaty in 2021 that was originally targeted for 2025 and then with Russia's invasion of Ukraine the compliance date was brought forward to 2024. When the legislation was brought forward it triggered a difficult debate. As a result there was a watered down approach.

Louise then talked about the approach in the Netherlands where there is a long-term plan to get off gas. The 2012 Energy Agreement set out a long-term vision to become free of gas, supported in 2016 by a Heat Vision. There was a relatively long communication timeline. The approach taken was to create local heat plans and this has led to high levels of local engagement. The Dutch government has announced that standalone boilers will be banned from 2026 although hybrids will be allowed.

Louise noted that there are useful points in the EPBD for both the phase out of fossil fuels for heating and for the energy performance of buildings. Louise then summarised the headline lessons from Europe as being:

- Clarity
- Simplicity
- Early announcement
- Stakeholder consultation and industry engagement
- Regulation, enforcement, enabling and support (Netherlands – well integrated support framework).

Agenda item 5 – Presentation from Frazer Scott, Energy Action Scotland

Frazer began by noting that EAS have been campaigning for over 40 years to get the issue of fuel poverty recognised and also to try and remove the barriers that exist to its elimination. Frazer then noted that four things contribute to fuel poverty. These are the cost of energy, income, how people use the energy in their homes and how energy efficient the property is.

Frazer said that EAS is supportive of clean heat where it is affordable and went on to say that some of the things considered as clean heat in the Scottish Government's proposals are fundamentally very expensive items for people to have in their homes e.g. older storage heating, convection heating. This is important because of the impact of energy costs on people's health and well-being. EAS has compared ambulance service data between the winters of 2019 and 2022. Across the winter months of 22/23 the ambulance service picked up 30% more people with symptoms consistent with hypothermia. One of the main differences between the winter of 2022 was that it was far harder (because the cost of fuel was greater) for people to heat their homes to a good temperature than at any other time. Excess winter mortality was also considerably higher in winter 22/23 than in winter 19/20. Winter 22/23 marked a 30 year high for winter deaths.

Frazer then presented 2022 figures for road deaths (174), drugs deaths (1,051) and fuel poverty deaths (1,241 – in just the 4 months of winter) and noted that the scale of the challenge is huge.

Frazer then talked about the people who are most likely to be affected by fuel poverty using data from the 2019 SHCS. Frazer went on to say that there are many positive things in the Heat in Buildings Bill proposals including energy efficiency standards, social housing standards, standards for private landlords, obligations for all homeowners and the potential to capture waste heat. However, the SHCS 2019 data shows that the fuel poverty rate in those homes with an EPC C or better was 20% which suggests that fabric improvements are not enough in themselves. Frazer then discussed how fuel poverty levels had changed over the last decade and said that existing estimates suggest that in 2023 around 37% of people were in fuel poverty with almost three quarters of those in extreme fuel poverty. Frazer explained that one of the key factors (and one that is also a barrier to clean heat) is the electricity to gas cost ratios which are about 4:1 in favour of gas.

Frazer said that efficient clean heat solutions in combination with high fabric standards could have a real impact if well targeted but that they will need to be flexible because the costs of the measures will be high and there are real concerns that expensive to

run clean heat systems such as electric storage heating may continue to consign many households to high levels of fuel poverty. Frazer also said that the consultation is optimistic that energy price differentials will change in favour of clean heat but noted that there is little confidence that this will happen in a reasonable time frame.

Frazer went on to say that while energy costs are falling levels of debt are not, noting that energy debt has risen to more than £3.1 billion (at the end of January 2024) and Scotland's share of this is likely to be over £300 million. Frazer also emphasised that essential medical and disabled households often have higher heat requirements and higher essential energy consumption.

Frazer said that the Heat and Buildings Bill should recognise fuel poverty and the targets that exist for fuel poverty and noted that there was scant reference to fuel poverty in the consultation. Frazer went on to say that lessons should have been learned from the development of the Heat Networks Act which, at a similar stage, did not have provisions for fuel poverty, but noted fuel poverty was ultimately enshrined as part of final legislation.

Frazer concluded his presentation by emphasising that the proposals have the potential to bring about lasting improvements to the quality of Scotland's homes and noted the importance of the provision of advice, building trust with the public, adequately resourcing local government, energy price reform, and fairer incomes. Frazer also said that people will need more help to go on the journey than the consultation implies.

Agenda item – Q & A on presentations

A range of questions were directed at the panel and included:

Brian Whittle MSP asked whether any cap would cover the cost of installing a heat pump *and* the cost of installing insulation, and whether, in relation to tenements, there was a danger that landlords would be driven out of the private rented market. Brian Whittle MSP also asked about fuel poverty deaths and targeting.

Keith Baker asked about poor maintenance noted that this issue wasn't covered in the consultation.

Sarah Boyack MSP asked about how upgrades to people's homes will be paid for and how the regulations will work to ensure that more people aren't put into fuel poverty.

Gillian Campbell asked how important signalling was in terms of giving industry certainty about the future pipeline of work. Gillian Campbell also asked whether there are any lessons from Europe about delivering the transition to clean heating whilst at the same time protecting those at risk of fuel poverty.

Jan Webb asked about the proposed exemptions on installing energy efficiency if a home is already heated with clean heat and also about work being undertaken on a home-by-home basis.

Agenda item 7 – AOB and date of next meeting

Brian Whittle MSP thanked all of the speakers and all of the attendees.

Brian Whittle MSP noted that the date of the next meeting is 27 March and that this will be joint meeting with the Cross Party Group on the Circular Economy.

Brian Whittle MSP then closed the meeting.