

WRITTEN SUBMISSION FROM MICROGENERATION AND ENERGY EFFICIENCY BILL  
STEERING GROUP

## **Introduction**

The Steering Group came together to support the Members Bill on Energy Efficiency and Micro generation promoted by Sarah Boyack MSP.

The Members Bill was first consulted on in December 2006 and was resubmitted to the Scottish Parliament after the elections in 2007. It was agreed by the Economy, Energy and Tourism Committee that another consultation process was not required and the Members Bill proceeded to be drafted in 2008. In September 2008 the Cabinet Secretary John Swinney announced that he intended to legislate on Energy Efficiency and Micro generation in the Climate Change (Scotland) Bill.

During the Labour Business Debate on Energy Efficiency in the Scottish Parliament in November 2007 the objectives and broad proposals in the Members Bill were supported across the Chamber by members in all parties.

The purpose of the proposals in the Members Bill are to reduce greenhouse gas emissions and reduce fuel poverty by promoting the widespread adoption of energy efficiency measures by householders and businesses and the development of a mass market for micro-generation.

While there have been incremental changes in policy and government action in Scotland since the Members Bill was first proposed there remains no commitment to the principal proposals in the Members Bill namely to;

- Require Scottish Government to set targets for energy efficiency and micro-generation and for local authorities to consider such technology by setting targets and strategies to take this forward.
- Require Scottish Government to report annually on the progress of the implementation of the Members Bill.
- Implement one off discounts in domestic tax for householders who install energy efficiency and micro generation in their properties and similar one off discounts in business rates for small businesses
- Require all new buildings to include renewables or some form of low or zero carbon technology.

The fifth proposal in the initial Members Bill for permitted development rights for microgeneration was dropped from the Members Bill following the commitment given by Scottish Ministers after the 2007 elections that this would be taken forward by the new Scottish Government. The announcement of permitted development rights has taken until 6<sup>th</sup> February 2009 and while this makes some progress, it still means air source heat pumps and micro wind turbines have to go through the planning system to gain permission.

## **What organisations have supported development of these proposals?**

The Members Bill Steering Group has brought together organisations with interests in the environment, fuel poverty and industry to work for warm, energy efficient homes and workplaces that are good for people and the planet. The Members of the Steering Group for the Energy Efficiency and Microgeneration (Scotland Bill) include:

WWF

Friends of the Earth Scotland

Energy Action Scotland

Age Concern Scotland

Barnardo's

Since the Members Bill was originally launched in December 2005, micro-generation and energy efficiency has shot to the top of the political and social agendas. A website (<http://www.microgenscotland.org.uk>) has been established by these environmental, fuel poverty and industry groups to push this agenda forward, and keep supporters informed.

### **Why are the proposals contained within the Members Bill still needed?**

Since September 2007, the Cabinet Secretary for Finance and Sustainable Growth, John Swinney MSP has informed Sarah Boyack MSP that Scottish Government would not be supporting her Member's Bill. He has however suggested that the Scottish Government may incorporate some of the provisions within the Energy Efficiency and Microgeneration (Scotland) Bill in the forthcoming Government Bill on Climate Change but to date there has not been any specific commitment made<sup>1</sup>.

Despite several Scottish Government announcements on energy efficiency and microgeneration, none of these fulfils the proposals set out in the Members Bill or will ensure that energy efficiency improvements and microgeneration measures are mainstreamed across society by requiring or incentivising such measures in homes or businesses. So, at the end of 2007, the Members Bill Steering Group agreed to support Sarah Boyack in moving the Members Bill to the next stage – to get it formally drafted and introduced into Parliament and supports her still in moving these proposals forward.

Since these proposals were set out, all the other political parties in the Scottish Parliament have continued to indicate support for this legislation. This was reaffirmed through cross party support for the Liberal Democrats' amendment to the motion on Fuel Poverty which was passed by the Scottish Parliament in March 2008<sup>2</sup> and in the final amended motion following the Labour Business Debate on the 13<sup>th</sup> November 2008.

### **How would these proposals help Scotland fight climate change?**

The Scottish Government has set a target of reducing greenhouse gas emissions by at least 80 per cent by 2050. The burning of fossil fuels to generate electricity or for heat are among the main sources of emissions. Research suggests that the widespread installation of microgeneration could provide 30-40 per cent of our electricity needs by 2050<sup>3</sup>, making a substantial contribution to reducing emissions. Microgeneration can also make a significant contribution to Scotland's heat needs. Microgeneration technologies are now at a stage where they could begin to make a major contribution to the Scottish Governments climate change objectives. However, much of the hardware is expensive, being manufactured only in small quantities. A recent report estimated that there is the potential for 7-9 million installations of microgeneration by 2030, equivalent to 1 million in Scotland.<sup>4</sup>

Legislation to mainstream energy efficiency and microgeneration measures could kick start the market so volume of production can bring down prices, making the technology accessible to everyone, and encouraging Scottish manufacturers to expand. The sooner we start making progress in this area, the easier it will be to reduce emissions and tackle climate change. The Energy Efficiency and Microgeneration (Scotland) Bill proposals also aim to ensure that all new buildings include some form of micro-generation or low carbon technology as soon as possible to reduce their carbon footprint.

The proposals in the Members Bill would address the need to act swiftly to reduce Scotland's emissions.

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<sup>1</sup> *Official Report, Transport, Infrastructure and Climate Change Committee*, 2 October 2007; c 178

<sup>2</sup> Scottish Parliament: Official report 13<sup>th</sup> March 2008 c. 6913

<sup>3</sup> Energy Efficiency & Microgeneration: A Strategy for Scotland, Consultation draft. Scottish Executive, March 2007, Para 1.28

<sup>4</sup> The Growth Potential for Microgeneration in England, Wales and Scotland (June 2008) Element Energy for DBERR et al

## **How would these proposals help reduce fuel poverty across Scotland?**

The most recent estimate from Energy Action Scotland states that there are 850,000 households living in fuel poverty in Scotland<sup>5</sup>. Domestic gas and electricity bills have risen by 128 per cent and 76 per cent in the past five years. These increases equate to a combined average bill in excess of £1,000 meaning affordable energy is beyond the reach of many households. In 2008 alone the six dominant firms increased domestic prices by up to 26 per cent for electricity and 55 per cent for gas. Every 1 per cent rise in price pushes 8,000 more households into fuel poverty.

The proposals in the Members Bill will contribute to the Scottish Government's target of eradicating fuel poverty, so far as is reasonably practicable, by 2016. Increasing the use of microgeneration – such as ground and air source heat pumps and solar panels - can particularly benefit the 30 per cent of the population who are off the gas network and often reliant on expensive and inefficient oil based systems. Increasing the energy efficiency of the building will help to reduce bills and make energy more affordable for the poorest households throughout Scotland.

### **Part 1: Emission Reduction Targets**

#### ***Point in Time Targets***

The Climate Change (Scotland) Bill proposes two 'point in time' targets relating to emissions. The first target is an 80% reduction in emissions by the year 2050 while the second is a target of 50% reduction by 2030.

The steering group members believe that the 2030 target is too late and inadequately ambitious to meet this rationale, and to fulfil the scientific imperative behind the Bill. We believe that energy efficiency measures and householder renewables have the potential to raise householder awareness and deliver early and significant carbon emission reductions. Home energy efficiency should be the place to start because relatively low cost measures can release substantial technical potential, and financial savings for householders.

Householder scale renewables are also now available but the price will not come down until there is a mass market. Research published by the Energy Savings Trust in May 2008 repeated the findings of previous research that one off discounts from the Council Tax would be an effective measure to promote uptake of energy efficiency measures<sup>6</sup>.

The Steering Group is convinced that significant commitments are still required in the Bill that promote micro generation and energy efficiency as a vehicle to achieve early and significant reductions in greenhouse gas emissions.

#### **Annual Targets**

In addition to 'point in time' targets, The Climate Change (Scotland) Bill also provides for annual targets. Under the current proposals, the annual target will be rolled out in stages.

- Pre 2020 - Annual reductions need only be greater than the previous year
- Post 2020 - Annual reduction must be at least 3% year on year

The Steering Group believes that action to combat climate change needs to start immediately. The failure to stipulate specific targets starting immediately in the Climate Change Bill means as it now stands only marginal improvements in emission reductions between now and 2020 need to be delivered. This does not fulfil the SNP manifesto commitment or promises made that it would be radical. The proposals in the Members Bill would deliver significant greenhouse gas emission reductions in the short term.

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<sup>5</sup> Towards 2016: The Future of Fuel Poverty Policy in Scotland: a report by the Scottish Fuel Poverty Forum, Page 3

<sup>6</sup> Generating the Future: An analysis of policy interventions to achieve widespread microgeneration penetration in Scotland. Energy Saving Trust, May 2008

### **Parts 3: Reporting Duties**

The policy memorandum for The Climate Change (Scotland) Bill states that Ministers should be subject to strong and robust reporting requirements.

The Climate Change (Scotland) Bill imposes a duty to report annually and make a statement to Parliament relating to that report. Such a report would, if required, explain why emission targets are not met. In addition, there would be a duty on the Government to produce a report and statement on proposals and policies designed to meet future annual emission targets. It also requires reporting to include information on electricity generated and used in Scotland. It would be a simple matter to include a mandate to report on progress on efficiency and microgeneration in line with the Members Bill proposals.

The Members Bill proposals would also require the Scottish Government and Local Authorities to set targets to take forward the measures in the Bill and the Scottish Government to report annually to Parliament on progress made. This would be a practical way to deliver early progress on greenhouse gas emission reduction.

### **Part 4: Duties of Public Bodies**

The current draft of the Climate Change (Scotland) Bill employs enabling powers to allow the Government to create secondary legislation to impose public sector duties, perhaps, at some time in the future. However, there is wide spread agreement including amongst the Steering Group, that duties on public bodies need to be implemented right from the start and need to be established by the primary legislation, i.e. in the Climate Change (Scotland) Bill.

The public sector has a critical role to play, reducing emissions in line with national reduction targets and being seen to take a leadership role in society and the workplace. Many public bodies, responding to the consultation on the Climate Change Bill, responded positively about duties on public bodies. COSLA, in its response to the Climate Change (Scotland) Bill consultation, stated that it would have no objection to the proposal for enabling powers as long as local authorities were provided with adequate resources to act to enable those duties.

The Bill would be stronger if it required public bodies to be accountable for meeting targets, as those bodies would be more focused on delivering them. Voluntary measures are not enough to ensure delivery, or it would be happening already

Such duties are common in other legislation such as the Land Reform (Scotland) Act 2003, Nature Conservation (Scotland) Act 2004 and the Water Environment and Water Services (Scotland) Act. Duties on public bodies and reporting requirements were outlined in the proposals for the Members Bill.

### **Part 5: Other Climate Change Provisions**

#### **Chapter 3 - Action Plan**

Section 48 of the Climate Change Bill requires Scottish Ministers, within 12 months of the section coming into force, to “prepare and publish a plan for the promotion of energy efficiency in Scotland” and that “the plan must include provision about the promotion of the energy efficiency of living accommodation”. This is welcome, but there is no need to wait until the Bill is enacted to produce the first plan. The first Energy Efficiency Strategy was promised by Scottish Government in December 2003.

The Section will effectively repeal Section 179 of the Housing (Scotland) Act 2006 which stipulates that a strategy for improving the energy efficiency of *living accommodation* is required. The Scottish Government claim that the proposals in the Climate Change Bill will strengthen the existing statutory duty. However, while it would widen the duty, we would question whether it strengthens it.

While the Housing (Scotland) act required a strategy for 'improving' energy efficiency, the new Bill only requires a plan 'promoting' it. The connotations of 'improve' suggest greater pro-activity of response compared to the weaker 'promote'.

There is concern that as it currently stands, the Bill will be weaker than the existing provisions for the domestic sector.

One thing is clear, in order to be successful in improving energy efficiency, incentives are required to drive change. In England the existing provision of council tax discounts have been used in conjunction with power utilities to promote energy efficiency schemes which enable utilities to meet their CERT obligations. In Northern Ireland, Finance Minister Nigel Dodds announced his intention to introduce a 'green' rebates scheme for householders who bring their homes up to modern standards of insulation. Existing householders will qualify for a rebate by making energy efficiency improvements to their homes such as cavity wall and loft insulation. The scheme is being introduced to lower domestic consumption and reduce carbon emissions<sup>7</sup>. This is why the proposals, for domestic incentives such as a reduction in Council tax, have been made in the Member's bill.

Evidence shows this is the strongest incentive, and without any other proposals that would achieve the same ends, the Steering Group urge the Committee to consider it to bolster the provisions on energy efficiency in the Climate Change (Scotland) Bill.

## **Miscellaneous**

### **New Build**

The Scottish Planning Policy Guidance 6 (SPP6) document published in March '07 sets out how the planning system should manage the process of encouraging, approving and implementing renewable energy proposals when preparing development plans and determining planning applications.

It includes an 'expectation' that all proposed developments over 500m<sup>2</sup> should incorporate on-site low or zero carbon equipment delivering an extra 15% reduction in CO<sub>2</sub> emissions. Some authorities in England and Wales already expect 20% reductions.

The SPP6 was intended to incentivise energy efficient development as the more energy efficient a building is, the less on-site renewables will be needed to make the 15% reduction. However, this intention is only expressed in Planning Advice Note No.84 (PAN84)<sup>8</sup> that accompanies the SPP6, not the SPP6 directly, and the drafting of the SPP incorrectly defines the baseline as the building standard level, not the designed level of the particular building. The Steering Group understands that this disjuncture risks being overlooked in the Scottish Government's proposed rationalisation of Scottish Planning Policies.

Surveys of the 32 Scottish local authorities suggest that SPP6 is not being given sufficient priority. A level playing field is required so that all developers are required to incorporate appropriate technologies in every development, thus stimulating the manufacture of renewables products and driving down costs. Without this requirement there is no evidence that these technologies will be routinely incorporated in developments.

The Steering Group therefore believes that the Climate Change (Scotland) Bill should improve upon SPP6 by including a requirement that all new developments should incorporate on-site zero and low carbon equipment contributing to a figure greater than the current 15% reduction in CO<sub>2</sub> emissions beyond the 2007 building regulations. This improvement should also have a clear statement regarding any impact an increase in energy efficiency installation would have on the requirement to install micro generation equipment for new developments.

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<sup>7</sup> Northern Ireland Executive 23<sup>rd</sup> December 2008 <http://www.northernireland.gov.uk/news/news-dfp/news-dfp-december-2008/news-dfp-231208-green-rate-rebates.htm>

<sup>8</sup> Reducing Carbon Emissions in New Development, Scottish Government, March 2008, (para 33)<http://www.scotland.gov.uk/Resource/Doc/214728/0057273.pdf>

## **Council Tax Incentives**

The Scottish Government have remained steadfastly against this proposal. Initially, because they were committed to replacing the Council Tax with Local Income Tax (LIT) and as such the proposal was moot.

Note however, Liam McArthur MSP's contribution to the debate of November 13<sup>th</sup> where he stated the need for accepting the principal of incentives, whether through council tax or LIT. In Northern Ireland, the incentive outlined above, relates to rates as the domestic taxation system. Now that LIT has been dropped by the Scottish Government there is now no argument for not enabling discounts from council tax.

As indicated above, research by the Energy Savings Trust suggests that a council tax rebate would be the more visible than other fiscal incentives. This in turn would maximise the potential for uptake. The Climate Change (Scotland) Bill should give local authorities the power to offer council tax rebates to incentivise householders.

## ***Business Rates***

Parallel proposals targeted at small businesses would ensure that a similar incentive for businesses would mean that where they operated in modest properties they would be encouraged to install energy efficiency and small scale renewables.

The Steering Group on the Energy Efficiency and Microgeneration Bill supports the Climate Change (Scotland) Bill and hopes that much of the learning around constructive proposals can be accommodated into the Climate Change Bill, as the Cabinet Secretary on Finance and Sustainable Growth has proposed previously.