The Scottish Parliament
Pàrlamaid na h-Alba

Economy, Energy and Tourism Committee

Low Carbon Scotland: Draft Report on Proposals and Policies

The Committee reports to the Parliament and the Transport, Infrastructure and Climate Change Committee as follows—

INTRODUCTION

Background

1. The Scottish Government published a document entitled *Low Carbon Scotland: The Draft Report on Proposals and Policies* on 17 November 2010. This document was published to accompany the Scottish Government's Draft 2011-12 Budget. The *Draft Report on Proposals and Policies* is formally being considered as a whole by the Transport, Infrastructure and Climate Change Committee as the lead committee. However, with the agreement of the Transport, Infrastructure and Climate Change Committee, the Economy, Energy and Tourism Committee is taking evidence on the issues raised in Chapter 3 of the Draft Report, specifically energy supply, as this falls within the Committee's remit. It should be noted that as part of its normal budget scrutiny work, the Committee took evidence on the energy expenditure levels proposed within the Draft Budget as well as the *Carbon Assessment of the 2011-12 Draft Budget* and the *Draft Electricity Generation Policy Statement 2010* documents.

2. In addition to the written submissions of evidence received, the Committee held 3 oral evidence-taking sessions as follows—

Evidence from various interested organisations (24 November 2010)

Norman Kerr, Director, Energy Action Scotland
Mark Ruskell, Director of Communications, Scottish Renewables
Elizabeth Leighton, Senior Policy Officer, WWF Scotland

Evidence from the enterprise agencies (1 December 2010)

Crawford Gillies, Chair, Scottish Enterprise
Iain Scott, Director of Finance, Scottish Enterprise
Julian Taylor, Director of Strategy and Economics, Scottish Enterprise

William Roe, Chair, Highlands and Islands Enterprise
Alex Paterson, Chief Executive, Highlands and Islands Enterprise
Forbes Duthie, Director of Finance, Highlands and Islands Enterprise

Evidence from the Cabinet Secretary for Finance and Sustainable Growth and Scottish Government officials (8 December 2010)

John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth
David Wilson, Director of Energy, Scottish Government
David Fotheringham, Sustainable Housing Team Leader, Scottish Government

3. The Committee would like to express its thanks, both to those who submitted written evidence, and to those who took part in the oral evidence sessions. All the written evidence can be found at:
http://www.scottish.parliament.uk/s3/committees/eet/meetings.htm

Climate Change (Scotland) Act 2009 and key Scottish Government policies

4. The Climate Change (Scotland) Act 2009 requires that the Scottish Ministers lay a report in Parliament setting out their proposals and policies for meeting the annual emissions reduction targets. This report - *Low Carbon Scotland: The Draft Report on Proposals and Policies* (RPP) - is to be scrutinised by relevant parliamentary committees in the first instance to inform Parliament and the final report. The main objective of the Scottish Government's report is to set out how Scotland can deliver annual targets for reductions in emissions to 2022, including a 42% reduction in emissions by 2020[1].

5. The target set out in the Climate Change (Scotland) Act 2009 for an 80% reduction by 2050 will require emissions to fall to a little under 15 Mt CO_2 equivalent. When the Economy, Energy and Tourism Committee carried out its energy inquiry in 2009, it concluded at the time that "the current trajectory for emissions reductions (based on the trend between 1990 and 2005) is not sufficient to meet this statutory target in Scotland".[2]

6. As indicated above, the *Draft Report on Proposals and Policies* was laid at the same time as the Scottish Government's Draft 2011-12 Budget and the Committee has considered both reports to determine if they provide the framework to fulfil the commitments within the Climate Change (Scotland) Act 2009. For the Economy, Energy and Tourism Committee, the Report's provisions in Chapter 3 on energy supply has been the main focus of evidence-taking and is the main focus of this report. Chapter 3 contains proposals and policies on electricity generation, renewable heat and energy efficiency measures.[3]

7. It should be noted from the outset that the Scottish Government's Draft Budget 2011-12 contains provisions for expenditure on an energy budget which has been reduced from £43.2 million in 2010-11 to £34.6 million for 2011-12, representing a

[1] Low Carbon Scotland: The Draft Report on Proposals and Policies (2010), p7.
[2] Determining and delivering on Scotland's energy future, 7th Report, 2009. Available at: http://www.scottish.parliament.uk/s3/committees/eet/reports-09/eer09-07-vol01-01.htm#6
[3] Low Carbon Scotland: The Draft Report on Proposals and Policies (2010), p38.

real terms cut of 22%. Other related cuts being 17% on innovation and industries and 12% on industry and technology grants.

8. The Committee noted that part of the reason for the reduction between 2010-11 and 2011-12 was that the 2010-11 energy budget included an allocation of £10m for the Saltire Prize. David Wilson, Director of Energy Scottish Government indicated that this sum would be transferred to Scottish Enterprise to fund the Wave and Tidal Energy: Research, Development and Demonstration Support fund (WATERS), and that this transfer would be reflected in the Spring Budget Revision.

> "…the spend during 2010-11 on the WATERS scheme that is being taken forward by Scottish Enterprise is being transferred from our budget this year—I think that that will be done in the spring budget revision. It is not in the Scottish Enterprise budget for this year yet, but Scottish Enterprise is assuming that it will become part of its budget. There is no transfer into Scottish Enterprise's budget before 2011-12."[4]

9. In the draft budget 2011-12, the Scottish Government states that "Energy is key to delivering the low carbon economy, meeting our climate change targets and is a key industry sector in its own right." Key priorities are listed as "delivery of the Renewables Action Plan, including investment in the £70 million National Renewables Infrastructure Fund", with further priorities being "...heat and skills, the delivery of the Energy Efficiency Action Plan and support to implement the Low Carbon Economic Strategy".[5]

LOW CARBON SCOTLAND: THE DRAFT REPORT ON PROPOSALS AND POLICIES: KEY ISSUES

The creation of a low carbon economy

10. It is the Scottish Government's intention to create a low carbon economy and through the development of a low carbon economy "see Scotland become the green energy capital of Europe".[6] The Scottish Government has outlined in the draft budget 2011-12, the *Low Carbon Report on Proposals and Policies* (RPP) and the *Low Carbon Economic Strategy Report* how they intend to achieve this ambition.

Emissions reduction

11. A key question for the Committee during its consideration of the RPP is whether the current plans and policies will enable the Scottish Government to meet the targets specified in the Climate Change (Scotland) Act 2009. In some of the evidence heard, witnesses indicated that in their view, the Scottish Government's current policy could only achieve 38% emissions reduction, as

[4] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 8 December 2010,* Col 4507.
[5] Scotland's Spending Plans and Draft Budget 2011-12, pages 92-93. Available at: http://www.scotland.gov.uk/Publications/2010/11/17091127/0
[6] Scotland's Spending Plans and Draft Budget 2011-12, page 32. Available at: http://www.scotland.gov.uk/Publications/2010/11/17091127/0

opposed to the target of a 42% reduction by 2020. For example, in its written submission, Stop Climate Chaos Scotland stated—

> "… the RPP acknowledges that current policy can only achieve a 38% cut in emissions by 2020. Drafted proposals must therefore be translated into policy if the remaining reductions are to be achieved."[7]

Renewable energy- electricity and heat

12. The largest reduction within the energy budget for 2011-12 is in the area of renewable energy, which has been reduced by just over £11 million, or almost 50%.[8] This area includes support for the Community Renewables Loan Fund, Community Energy Scotland (established to help communities make the most of opportunities available to them through sustainable energy development) and support for the development of district heating networks.

13. It should be noted that the Scottish Government has set a target for renewable electricity generation that by 2020, 80% of Scottish electricity demand is to be provided by renewable sources.[9] The Scottish Government states that "Scotland now generates 22% of its final electricity demand from renewables and is comfortably on course to meet targets of 31% by 2011 and 80% by 2020".[10]

14. The Scottish Government has also set a target for 11% of Scotland's heat to come from renewable sources, and for a 12% reduction in total final energy consumption by 2020.

15. The Committee recommended in its 2009 energy inquiry report that—

> "Given that heat accounts for the majority of our energy demand in Scotland, the Committee supports a marked increase in investment in combined heat and power plants, particularly those using renewable fuels and those combined with district heating."

16. The Committee also recommended the rapid introduction of heat initiatives modelled on renewable obligation certificates and the consideration of financial incentives, including local taxation or non-domestic rate rebates, for renewable heat installations.[11]

17. The UK Government confirmed in the October 2010 Spending Review that the UK Renewable Heat Incentive (RHI) scheme will begin in June 2011, with a commitment of £860 million funding for the UK over the spending review period. However, the spending review also indicated that the RHI would have to find

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[7] Stop Climate Chaos Scotland. Written submission to the Economy, Energy and Tourism Committee.

8 Scottish Government, Economy, Energy and Tourism Level 4 data for 2010-11 and 2011-12 Draft Budgets. Available at: http://www.scottish.parliament.uk/business/financialscrutiny/documents/DraftBudget2011-12Level4.xls

[9] Low Carbon Scotland: The Draft Report on Proposals and Policies (2010), p39.

[10] The Low Carbon Economic Strategy (LCES). Available at: http://www.scotland.gov.uk/Publications/2010/11/15085756/0

[11] Determining and Delivering on Scotland's Energy Future, 7th Report, 2009. Available at: http://www.scottish.parliament.uk/s3/committees/eet/reports-09/eer09-07-vol01-01.htm#6

efficiency savings of around 20% from the previous administration's proposals. Further details on implementation are still to be announced.[12]

18. Mark Ruskell of Scottish Renewables told the Committee that there is still uncertainty surrounding the RHI—

> "We know that there will be an RHI, but we do not know whether someone who receives an RHI will have to substantially invest in energy efficiency in their home."[13]

19. Scottish Renewables indicated that there is scope to support heating schemes prior to the RHI introduction in June 2011—

> "Consideration needs to be given to ways in which loan and grant support for energy efficiency work can dovetail with the RHI to avoid creating any state aid issues."[14]

20. The Scottish Government has an obligation under the Climate Change (Scotland) Act 2009 to publish a Renewable Heat Action Plan which will contain all of Scotland's policies for encouraging and supporting renewable generation. The Scottish Government published the *Renewables Action Plan: Update 2*[15] on 4 August 2010 and has committed to updating the plan every 6 months.

21. Scottish Renewables also stated in a written submission to the Committee that the Scottish Government should "Support offshore wind before competitors gain advantage."[16] One of the key policies to support this are the grants available from the Wave and Tidal Energy: Research, Development and Demonstration Support fund (WATERS) which help to develop emerging energy technologies and improve the operation of marine renewables devices. Scottish Renewables told the Committee that they would "welcome the continuation of this funding stream".

22. For these reasons, the Committee asked the Cabinet Secretary for Finance and Sustainable Growth if the proposed reduction in the energy budget was compatible with the Scottish Government's priorities for carbon reduction and the development of the renewables sector. Mr Swinney responded that —

> "In the Scottish Parliament's current financial arrangements, I cannot avoid confronting a 25 per cent reduction in capital expenditure […] We are taking a focused approach to the opportunities in the low-carbon economy sector. In several areas, we are ensuring that we identify the opportunities to support and fund projects through the decisions that the Government and its agencies take."[17]

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[12] Low Carbon Scotland: The Draft Report on Proposals and Policies (2010), p41.
[13] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 24 November 2010,* Col 4407.
[14] Scottish Renewables. Written submission to the Economy, Energy and Tourism Committee.
[15] Renewables Action Plan: Update 2. Available at: http://www.scotland.gov.uk/Publications/2010/08/02141416/0
[16] Scottish Renewables. Written submission to the Economy, Energy and Tourism Committee.
[17] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 8 December 2010,* Col 4489-4490.

Decarbonisation of the energy sector and the role of Carbon Capture and Storage (CCS) technology

23. The Scottish Government believes that one of the ways of achieving the emissions reductions target is the drive towards a low carbon Scotland. It has stated that it aims to see the—

> "Demonstration of CCS at commercial scale in Scotland by 2020 and full retrofit across coal and gas power stations thereafter by 2025-30."[18]
>
> And aims to—
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> "Deliver a low carbon energy supply without the need to rely on nuclear plant."[19]

24. According to the *Draft Electricity Generation Policy Statement 2010*, the Scottish Government policy for reducing emissions from thermal generation requires "that CCS should be fitted to new or existing Scottish coal power stations by 2020, to be economically and technically proven by 2020 and progressively fitted to all coal and gas thermal plants thereafter by 2030."[20] In its view, full decarbonisation of the electricity supply sector in Scotland can be achieved by 2030. The statement also contains further detail on the recent developments in renewable electricity generation, thermal electricity generation, energy efficiency, transmission and interconnection. It also covers the Scottish Government's plans and policies for onshore wind, offshore wind, wave and tidal power. Overall, the Scottish Government believes that—

> "The decarbonisation of the electricity sector is a vital first step to decarbonising other parts of the Scottish economy."[21]

25. It should be noted that there are proposed new developments for thermal electricity generation plants: Hunterston coal power station and Cockenzie gas power station. Additionally, work is underway for the introduction of the CCS levy, the 300 MWe CCS requirement and the proposed UK carbon floor price and Emissions Performance Standard.

26. However, according to the Scottish Government, "the price of allowances alone is not likely to be high enough to drive decarbonisation of the power sector by 2030."[22] The Scottish Government states in the RPP that—

> " … the policies aim to incentivise the construction of low-carbon infrastructure to enable the transformational outcomes … renewable heat will not pay back the additional capital costs of installation, and so requires a financial incentive to be created."[23]

[18] Draft Electricity Generation Policy Statement 2010, p17.
[19] Draft Electricity Generation Policy Statement 2010, p5.
[20] Draft Electricity Generation Policy Statement 2010, p12.
[21] Low Carbon Scotland: The Draft Report on Proposals and Policies (2010), pages 38-39.
[22] Low Carbon Scotland: The Draft Report on Proposals and Policies (2010), pages 42.
[23] Low Carbon Scotland: The Draft Report on Proposals and Policies (2010), pages 47.

Interconnection and grid upgrades

27. One of the key issues for the Committee in its 2009 report on energy was the vital need to further develop the nation's electricity transmission system if the full potential for renewable energy technologies was to be captured. In our 2009 report, we said that, "In our view, the existing grid infrastructure within Scotland and from Scotland to England is the first priority."[24]

28. In his evidence to the Committee, Alex Paterson, Chief Executive of Highlands and Islands Enterprise, told the Committee that grid connectivity "to the Western Isles and other parts is vital" and that it was an important issue for them. He said—

> "There is a wider issue with grid connectivity in the Highlands and Islands, transmission charging and connection charging. The current set-up is a disincentive to investment in parts of the region."[25]

29. On its part, the Scottish Government has said that it wants to seek "increased interconnection and transmission upgrades capable of facilitating projected growth in renewable capacity".[26]

30. The Committee was therefore disappointed to note the recent decision of Scottish and Southern Energy not to develop the transmission line from the mainland to the Western Isles, due to a lack of financial underwriting from electricity generators, attributed in part to the high level of transmission charges.

Transmission charges

31. The Committee also raised concerns in its 2009 energy report regarding the evidence received at the time in relation to the current and planned charging and access regimes to the transmission networks. We remain particularly concerned that this regime is already undermining the viability of renewable energy developments in Scotland and could act as a major inhibitor to growth in this sector. The Committee has made a submission to Ofgem's review of transmission charging and grid access to cover these issues.

32. The RPP states that Scotland having greater powers will assist in the creation and funding of a low carbon energy sector—

> "Responsibility for the way energy markets and energy generation, transmission and supply are regulated would help deliver a low carbon energy sector in Scotland, develop connection to the UK and Europe for the export of energy and ensure security of Scotland's future energy supply."[27]

33. We are aware that the Scottish Government has stated that the issue of the locational charging methodology applied by Ofgem levies higher charges on

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[24] Determining and Delivering on Scotland's Energy Future, 7th Report, 2009. Available at: http://www.scottish.parliament.uk/s3/committees/eet/reports-09/eer09-07-vol01-01.htm#6
[25] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 1 December 2010,* Col 4441.
[26] Draft Electricity Generation Policy Statement 2010, p18.
[27] Low Carbon Scotland: The Draft Report on Proposals and Policies (2010), p48.

generators furthest from the main centres of demand for connection and use of the grid is a barrier to renewable energy in Scotland.[28]

34. During his evidence, William Roe, Chair of Highlands and Islands Enterprise, told the Committee that—

> "Changing the capping and charging regimes is critical to market and investor confidence."[29]
>
> And that—
>
> "…there is no question but that the opportunities in and around the Highlands and Islands are of a nature, diversity and scale the like of which our country has not seen before ... All of them hold great promise and will hold even greater promise if the energy charging and transmission regime—which was created for the previous century—can be turned into a 21st century regime."[30]

35. Similarly, Alex Paterson of Highlands and Islands Enterprise told the Committee—

> "We therefore welcome the Ofgem consultation and the Department of Energy and Climate Change's move to look at transmission capping at least as an interim measure."[31]

36. The Committee shares the view that this is an issue that needs resolved as soon as possible. We welcome Ofgem's offer of a more detailed engagement with the Committee on this issue in the New Year. Resolving this problem will go a long way to assisting the ability of the Scottish Government to meet the emissions targets in the Climate Change (Scotland) Act 2009.

Green Investment Bank (GIB) and the Fossil Fuel Levy (FFL)

37. In its 2009 energy report, the Committee called on the Scottish and UK Governments to "work constructively together to see if a way can be found that will release the funds held by Ofgem in its fossil fuel levy account in a manner which will not impact on the Scottish Consolidated Fund."[32] The Committee notes that the UK Government's proposal is to ring-fence £250 million of investment from the proposed Green Investment Bank (GIB) from 2013 in return for the Scottish Government's agreement to draw down the fossil fuel levy and accept clawback of the same funds from the Scottish Consolidated Fund.

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[28] Draft Electricity Generation Policy Statement 2010, p15.
[29] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 1 December 2010,* Col 4445.
[30] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 1 December 2010,* Col 4447-8.
[31] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 1 December 2010,* Col 4457.
[32] Determining and delivering on Scotland's energy future, 7th Report, 2009. Available at: http://www.scottish.parliament.uk/s3/committees/eet/reports-09/eer09-07-vol01-01.htm#6

38. The Scottish Government has stated that it is not in agreement with the UK Government's proposal and has expressed the view that there is a need for the fossil fuel levy money to be made available for investment immediately—

> "The UK proposal falls well short of the Scottish Government's long-argued case to have the FFL funds made immediately available in full in addition to Scotland's DEL to introduce the urgent and much needed support to accelerate key renewables industry developments in Scotland - particularly in relation to infrastructure for offshore wind manufacture and deployment."[33]

39. The Committee heard evidence supporting the view of immediacy. Mark Ruskell of Scottish Renewables told the Committee that—

> "From an industry viewpoint, this proposal does not release the funds within the next 6-12 months, when investment in the offshore supply chain is needed."[34]

40. Crawford Gillies of Scottish Enterprise reiterated this view in evidence to the Committee. He said—

> "… if we had more resources—for example, if we were able to get the fossil fuel levy money—that would undoubtedly allow us to accelerate what we are doing."[35]

41. Alex Paterson of Highlands and Islands Enterprise told the Committee that HIE could not at the moment provide all the necessary funds for the development of renewable energy in its area. He said—

> "Various other sources must come together, and the fossil fuel levy is particularly important, given the port infrastructure investment requirements … The opportunity is huge and the financial investment requirement is equally huge."[36]

42. **The Committee would like to see the funds from the fossil fuel levy being made available to take advantage of investment in renewable energy and not to miss the opportunities available. The Committee asks the Scottish and UK Governments to work constructively together to see if a way can be found that will release the funds held by Ofgem in its fossil fuel levy account in a manner which will not impact on the Scottish Consolidated Fund.**

43. **More generally, we share the desire of the Scottish Government to see more information on the Green Investment Bank, particularly in relation to the timeframe for development and scale of the proposed fund, the nature of funding (grants, loans or equity etc.) and the governance and oversight issues, including the role of the Scottish Ministers. Furthermore, we share**

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[33] Low Carbon Scotland: The Draft Report on Proposals and Policies (2010), page 41.
[34] Scottish Renewables. Written submission to the Economy, Energy and Tourism Committee.
[35] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 24 November 2010*, Col 4426.
[36] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 24 November 2010*, Col 4444.

the view as a Committee that the Green Investment Bank should be located in Scotland.

Scottish National Renewables Infrastructure Fund (N-RIF)

44. One of the most significant developments was the announcement by the Scottish Government that it is to create a £70m Scottish National Renewables Infrastructure Fund (N-RIF), to be delivered through a partnership of Scottish Enterprise and Highlands & Islands Enterprise until 2015. A figure of £17m has been included in the Draft Budget for 2011-2012. The purpose of the N-RIF is "strengthening port and manufacturing facilities, to leverage additional low carbon investment and improve supply chain provision for manufacturing offshore wind turbines and related components".[37]

45. However, in correspondence with the Committee the Cabinet Secretary confirmed that the N-RIF would be funded from within the existing resources of Scottish Enterprise—

> "To reiterate briefly, the £70M NRIF, which will be operational between now and 2015, will be available for sites in the SE area … HIE is similarly committed to supporting infrastructure investment as part of its wider commitment to renewables, although it has not ring fenced a specific budget for the purpose."[38]
>
> And that—
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> "HIE were making no allocation to the fund. The fund would therefore only apply to projects in the SE area."

46. This was confirmed in oral evidence to the Committee. Crawford Gillies, Chair of Scottish Enterprise told the Committee that the money was "coming from within our overall settlement" and that Scottish Enterprise had allocated £8.5 million within the budget figures for the next year and would be able to allocate the full £17 million (or up to £20 million) if necessary. He told the Committee—

> "we are confident that, should the quality demand be anything up to £20 million, we will find the resources in year to meet that demand."[39]

47. Scottish Enterprise told the Committee that their spend on energy was increasing, despite an overall reduction in the budget allocation for HIE and SE of 7%. Crawford Gillies said—

> "In our case, the overall spend in the energy sector is anticipated to rise by 65 per cent year on year. That is a significant increase, and it includes the NRIF."[40]

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[37] Scotland's Spending Plans and Draft Budget 2011-12, page 32. Available at: http://www.scotland.gov.uk/Publications/2010/11/17091127/0

[38] Letter from the Cabinet Secretary for Finance and Sustainable Growth to the Convener of the Economy, Energy and Tourism Committee, 30 November 2010.

[39] Scottish Parliament Economy, Energy and Tourism Committee, Official Report, *1 December 2010,* Col 4422.

48. Alex Paterson of Highlands and Islands Enterprise told the Committee that no money had been ring-fenced from within their existing budget for the N-RIF—

> "It is important to say that our support for renewables is not just for offshore wind, which is primarily what the NRIF is for. We are involved in a wider range of activity, which includes R and D and company support, as well as infrastructure support."[41]

49. The Committee noted that Scottish Enterprise indicated in evidence that they had an anticipated spend of around £6 million on port development activity, prior to the N-RIF announcement.

50. Both HIE and Scottish Enterprise indicated the importance of the N-RIF and that their priorities included renewables. Alex Paterson of Highlands and Islands Enterprise said—

> "… we share the priority of renewables […] Therefore, one of HIE's top priorities is to ensure that we capitalise and realise the opportunities and benefits that renewable energy brings to the region".[42]

51. The creation of the N-RIF and the initial investment was welcomed by Scottish Renewables. However, they told the Committee that a greater investment was required—

> "The National Renewables Infrastructure Plan identified £223m of investment required in ports and harbours for Scotland to capture the maximum economic opportunities of the offshore wind supply chain. The early release of Fossil Fuel Levy and early access to the GIB would help to create the right funding package to match the NRIF monies."[43]

52. The Scottish Government expects that its initial investment in the N-RIF will leverage significant private sector investment. This view is shared by the government agencies who gave evidence to the Committee. For example, Crawford Gillies of Scottish Enterprise, told the Committee—

> "It is important to recognise that we get—and expect to get—significant leverage on the investment. It is not just Scottish Enterprise going in; we are leveraging private sector finance, which should be a significant part of what happens". [44]

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[40] Scottish Parliament Economy, Energy and Tourism Committee, Official Report, *1 December 2010,* Col 4432.
[41] Scottish Parliament Economy, Energy and Tourism Committee, Official Report, *1 December 2010,* Col 4440.
[42] Scottish Parliament Economy, Energy and Tourism Committee, Official Report, *1 December 2010,* Col 4439-4440.
[43] Scottish Renewables. Written submission to the Economy, Energy and Tourism Committee.
[44] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 1 December 2010*, Col 4425.

53. More generally, William Roe of HIE said that—

> "We have worked stringently to try to ensure that we achieve greater leverage in every project in which we invest. For every £1 that we have invested in the Hebrides, which is the toughest part of the Highlands and Islands, more than £7 has been provided by others. That is a testament to the possibility of achieving greater leverage and of our ability to do so."[45]

54. In evidence to the Committee the Cabinet Secretary for Finance and Sustainable Growth agreed that funding for the N-RIF would come from Scottish Enterprise's budget and that SE would provide £17 million next year if required—

> "The national renewables infrastructure fund will be supported out of the budgets of Scottish Enterprise."
>
> And that the amount for next year—
>
> "…depends entirely on the demand for support under the national renewables infrastructure fund."[46]

55. The Committee is encouraged by support for other opportunities within the renewables sector, such as the Scottish Government's support for the International Technology and Renewable Energy Zone (ITREZ), a hub of engineering excellence around Glasgow.

Fuel Poverty

56. The Scottish Government definition of fuel poverty is as follows: "A household is in fuel poverty if it would be required to spend more than 10% of its income (including Housing Benefit or Income Support for Mortgage Interest) on all household fuel use."[47] According to Scottish Government figures, 25.3% of Scottish households were in fuel poverty in 2007 using this definition and 32.7% in 2009.[48]

57. In its 2009 energy report, the Committee stated at the time that the Scottish Government's statutory target of eliminating fuel poverty by 2016 looked immensely challenging.[49] During our current scrutiny of the RPP and the Draft 2011-12 Budget, the Committee heard evidence from Norman Kerr of Energy Action Scotland that more investment was required to meet the 2016 target—

> "In 2006, Energy Action Scotland calculated that, with 10 years to go to reach the statutory target of eradicating fuel poverty by 2016, it would take £170

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45 Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 1 December 2010*, Col 4443.

46 Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 8 December 2010*, Col 4495.

47 Scottish Fuel Poverty Statement 2002. Available at: http://www.scotland.gov.uk/Publications/2002/08/15258/9951

48 Scottish Government. (2008) *Scottish House Condition Survey Key Findings 2007*, Table 19. Scottish Government.

49 Determining and delivering on Scotland's energy future, 7th Report, 2009. Available at: http://www.scottish.parliament.uk/s3/committees/eet/reports-09/eer09-07-vol01-01.htm#6

million a year for 10 years. We have not had that investment over the past four years, and the amount needed continues to build up, so we are moving significantly further away from the investment that we need if we are going to meet the 2016 target."[50]

58. He also said—

"It is hard to see, at this point and given the information in the draft budget, how we can meet the aspirations that are set out in the RPP. For example, the line in the housing budget for support for the energy assistance package, which is the main fuel poverty programme, has been reduced by £20.5 million … the £10 million that went into support for the universal home insulation scheme—has gone. So we have seen somewhere in the region of £20 million to £30 million go from, energy efficiency."[51]

59. The *Scottish Government's House Condition Survey Key Findings for 2009* found that the number of households in fuel poverty had in fact increased over the past year with 770,000 homes now in fuel poverty, compared with 618,000 in 2008.[52] This is an increase of 6.2% in one year and an increase of 7.4% since 2007. The survey indicated that fuel poverty has continued to increase from 2002 to 2009.

60. William Roe of Highlands and Islands Enterprise told the Committee that fuel poverty is currently worse in the seven local authorities in the Highlands and Islands than anywhere else in Britain. He said—

"It would be obscene if all that energy could be generated and distributed but the seven local authority areas in the Highlands and Islands remained the worst in the UK for fuel poverty."[53]

61. The Scottish Government defines 'extreme fuel poverty' as a household having to spend more than 20% of its income on fuel. The *Scottish Government's House Condition Survey Key Findings for 2009* found that extreme fuel poverty had also risen with 243,000 homes in extreme fuel poverty in 2009, compared with 182,000 in 2008.[54] This is an annual increase of 2.5% and an overall increase of 8.7% for both fuel poverty and extreme fuel poverty.

[50] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 24 November 2010,* Col 4409.
[51] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 24 November 2010,* Col 4399-4400.
[52] Scottish Government. (2009) *Scottish House Condition Survey Key Findings for 2009*, Table 21. Available at: http://www.scotland.gov.uk/Publications/2010/11/23125350/4
[53] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 1 December 2010,* Col 4448.
[54] Scottish Government. (2009) *Scottish House Condition Survey Key Findings for 2009*, Table 21. Available at: http://www.scotland.gov.uk/Publications/2010/11/23125350/4

Fuel Prices

62. The Scottish Government states that "the 3 main factors in fuel poverty are incomes, energy efficiency and fuel costs."[55] In its 2009 energy report, the Committee stated that it considered that fuel poverty was a blight on our society, was inconsistent with our goal for a socially just energy system and called on Ofgem as the energy regulator to take all steps to ensure the transparency of social tariffs and require energy utilities to deliver on these and address problems with pre-payment meters.[56]

63. We are, therefore, worried by the continued increase in both fuel poverty and extreme fuel poverty in some Scottish households and are concerned that the Scottish Government's target of eliminating fuel poverty by November 2016 looks increasingly unachievable given these continued increases as well as with the reduction in the support for households within the energy budget, the reduction in household incomes more generally and the increase in fuel prices. The Committee welcomes, in respect of the latter, Ofgem's probe into energy prices amongst the major suppliers.

Energy Efficiency Measures

64. The Scottish Government has stated that "Household energy efficiency could save a cumulative £8.5bn by 2050, and provide thousands of jobs[57]" and that it would "proactively develop district heating as a discrete policy area within energy efficiency."[58] In response to this, Norman Kerr of Energy Action Scotland told the Committee that—

> "There are very few CHP or district heating schemes in Scotland. If we want to move on, we need to encourage the enterprise companies to look to how they can support the growth of those schemes."[59]

65. He also said that it was not apparent to him what input the enterprise agencies have had to date with regards to home energy efficiency schemes and that these have so far been led by local authorities.

66. The Committee also heard that the cuts in funding of incentive schemes, the increases in fuel prices and the financial investment expected of consumers to implement renewable energy measures in their homes would all make achieving the expected household energy efficiency savings challenging. Norman Kerr of Energy Action Scotland told the Committee of his concerns of the ability of people to repay loans under the Green Deal scheme—

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[55] Scottish Government. (2009) *Scottish House Condition Survey Key Findings for 2009*, Para 69. Available at: http://www.scotland.gov.uk/Publications/2010/11/23125350/4

[56] Determining and delivering on Scotland's energy future, 7th Report, 2009. Available at: http://www.scottish.parliament.uk/s3/committees/eet/reports-09/eer09-07-vol01-01.htm#6

[57] The Low Carbon Economic Strategy (LCES). Available at: http://www.scotland.gov.uk/Publications/2010/11/15085756/0

[58] The Energy Efficiency Action Plan for Scotland, page 6. Available at: http://www.scotland.gov.uk/Resource/Doc/326979/0105437.pdf

[59] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 24 November 2010*, Col 4402.

"Even a low-cost loan for someone who lives off the gas grid or who lives in fuel poverty is an issue. We might tell such people that they need solid-wall insulation and something such as a heat pump. A heat pump costs £8,000 to £10,000 and solid-wall insulation might cost another £8,000 to £10,000. We have to ask how people would be able to repay a loan of £20,000, and over how long a period they should be allowed to repay it."[60]

Home insulation schemes and area-based energy conservation programmes

67. The Scottish Government budget does not contain money for the continuation or expansion of the home insulation scheme, which is funded through the carbon emissions reduction target programme, and will come to an end in 2012.

68. **The Committee heard from the Cabinet Secretary for Finance and Sustainable Growth that it was not possible to provide exact figures for either the home insulation scheme or energy efficiency packages at this time as the level of future investment was still the subject of negotiations between the Scottish Government and private companies. In a follow-up letter to the Committee the Cabinet Secretary indicated that "The EAP and HIS budgets will be announced shortly".[61] The Committee notes the lack of financial information provided on this during the budget scrutiny process. The Committee had previously stated that investment should be in the order of £100-170 million per year and is therefore disappointed at the proposed reduction of £20.7 million to £83.9 million for the 'supporting sustainability' budget.**

The Scottish Government's Energy Efficiency Action Plan

69. The Scottish Government's *Conserve and Save: Energy Efficiency Action Plan (EEAP)* contains a target "to reduce total final energy demand in Scotland by 12% by 2020" with the aim that "the combination of reducing demand and incentivising clean supply will provide the most efficient route towards decarbonisation".[62]

70. The key question for the Committee was whether the RPP and the Draft 2011-12 Budget provide the necessary framework and resources to achieve this target. The EEAP provides an indication of how this will be monitored and an outline of a reporting framework. The Scottish Government states that the EEAP is "a key component of our approach to meeting Scotland's climate change targets and securing the transition to a low carbon economy in Scotland."[63]

71. The Scottish Government estimates that the up-front cost of implementing home energy efficiency measures to be "around £2.9 billion to 2022" and that "most of these costs will be met by the consumers". In written evidence, WWF Scotland stated that the energy efficiency budget was being cut rather than increased. It said that it—

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[60] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 24 November 2010*, Col 4405.

[61] Letter from the Cabinet Secretary for Finance and Sustainable Growth to the Economy, Energy and Tourism Committee, 13 December 2010.

[62] Conserve and Save: Energy Efficiency Action Plan. Available at: http://www.scotland.gov.uk/Publications/2010/10/07142301/0

[63] Draft Electricity Generation Policy Statement 2010, p7.

"…would appear from details of the scale of the proposals that home energy efficiency investment could be as much as halved to just £12.5m alongside cuts to the fuel poverty programme. WWF believes that this year's Budget should include an explicit commitment for £100m to support energy efficiency improvements in existing homes."[64]

72. In her oral evidence, Elizabeth Leighton of WWF Scotland told the Committee that what was required was—

"…an upscaling in a national retrofit programme to be fully integrated with an adequately funded fuel poverty programme."[65]

73. She also said that—

"This is not a time to step back from energy efficiency programmes; it is a time to invest in them further."[66]

74. In its 2009 energy report, the Committee recommended that the Scottish Government, in the forthcoming budget round, should consider substantially increasing resources for an area-based, targeted energy efficiency/conservation programme designed to tackle fuel poverty and reduce energy demand. At the time, the Committee stated that the size of the investment could be in the order of £100-170 million per year over the next decade to come, with spending targeted on the basis of a geographical mapping of fuel poverty needs.[67]

75. The Committee questioned the Cabinet Secretary for Finance and Sustainable Growth on whether the Draft Budget 2011-12 energy budget allocation was of a scale necessary to deliver on the recommendation in our 2009 energy report. He said—

"The Government shares the committee's objective on energy efficiency [...] That is a difficult question for me to answer because, as I said, it is not only Government activity that will achieve that but private investment, investment by utility companies and the various initiatives that they have. However, the Government is committed to working in that direction to achieve those objectives."[68]

The Green Deal

76. The UK coalition Government introduced the Energy Bill on 8 December 2010 with a key aim of enabling people to invest in energy efficient measures to their home or business. The Bill includes a new financing framework called the Green Deal which will provide funding for energy efficient measures by adding a charge

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[64] WWF Scotland. Written submission to the Economy, Energy and Tourism Committee.
[65] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 24 November 2010*, Col4406
[66] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 24 November 2010*, Col 4407.
[67] Determining and delivering on Scotland's energy future, 7th Report, 2009. Available at: http://www.scottish.parliament.uk/s3/committees/eet/reports-09/eer09-07-vol01-01.htm#6
[68] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 8 December 2010*, Col 4514.

on energy bills, meaning that consumers do not have to pay upfront costs and instead pay back the money over a period of time.

77. The Green Deal is not expected to be operational until autumn 2012 and WWF Scotland indicated in their written submission to the Committee that the Scottish Government needed to consider the provision of other finance options prior to its introduction. She said—

> "Soft loans (similar to the Home Energy Saving Scotland Loans scheme) offering zero or low interest and a long payback period should be included as a policy in the RPP to encourage and support take-up of more expensive measures such as solid wall insulation."[69]

78. In a letter to the Committee the Cabinet Secretary for Finance and Sustainable Growth indicated that the Energy Saving Scotland Home Loan "pilot scheme had been evaluated, and the evaluation report will be published before Christmas.[70]" The Committee looks forward to reading the report and would hope that the Scottish Government will recommend a continuation of the pilot scheme.

Financial matters

79. The central issue for the Committee as part of its scrutiny of the RPP and the Draft 2011-12 Budget is whether the necessary finance, as well as the appropriate policies, are in place to achieve the targets set out in the Climate Change (Scotland) Act 2009.

80. In written evidence, WWF Scotland indicated that they did not think the Draft 2011-12 Budget prioritised energy issues sufficiently. It said—

> "While the Draft Budget identifies tackling climate change and maximising Scotland's low carbon economic opportunities as priorities, it falls short of providing the step change in spending priorities needed to reflect this vision."[71]

81. William Roe of Highlands and Islands Enterprise told the Committee that if there were additional resources available to his organisation, then these would be spent on renewable energy issues and that it was HIE's ambition to have the Highlands and Islands labelled as "Europe's marine renewable energy capital".[72]

82. Elizabeth Leighton of WWF Scotland told the Committee that it was unclear how the policies within the RPP were to be funded—

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[69] WWF Scotland. Written submission to the Economy, Energy and Tourism Committee.
[70] Letter from the Cabinet Secretary for Finance and Sustainable Growth to the Economy, Energy and Tourism Committee. 13 December 2010.
[71] WWF Scotland. Written submission to the Economy, Energy and Tourism Committee.
[72] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 1 December 2010*, Col 4465.

> "When we match the budget with the draft report on proposals and policies, it is not clear in several cases where the budget commitments are to the policies that are written into the RPP."[73]

83. The Committee heard from a number of organisations that they found interpreting: a) what the Draft Budget would be spent on in relation to energy issues; b)where the cuts in expenditure would be; and c) how the Low Carbon Report and Draft Budget linked together very difficult.

84. For example, Scottish Renewables indicated in its written evidence that it was unclear what the cuts to the energy budget were—

> "Clarity from the Scottish Government is required to understand what the likely impact on energy spending will be across the budget, not just under the energy budget line. This will require Level 4 information for 2011-12 to analyse further the proposed spend."[74]

85. WWF Scotland indicated in their written submission that they would like future budgets to "…provide details of specific policies or programmes which will be funded under specific budget headings" as "the level of detail set out in the Draft Budget makes it difficult to apply carbon assessment in a more robust and detailed manner."

86. From our own analysis of the energy expenditure outlined in the Draft 2011-12 Budget, it appears that there are 3 "new" items - SEGEC & Grid Enhancement, Energy Resilience and CNI, and Low Carbon Economy. Low Carbon Economy had the largest allocation, £10.2 million, and its purpose which appears to be the provision of advice and support to business and public sector on non-domestic energy efficiency to support delivery of actions in the Energy Efficiency Action Plan; Low Carbon Economic Strategy; and Renewable Action Plan. The Draft Budget also indicates support for key technology development in priority areas, promotion of low carbon practices in business and public sector and sponsorship of the Scottish Environment Conference.

87. The Committee questioned the reduction in the support for freight industry from £10.3 to £2.9 million, given the success in moving freight from road to rail, and the consequent reduction in emissions. The Cabinet Secretary for Finance and Sustainable Growth told the Committee that to date there had been an underspend in the support for freight industry and that the £2.9 million allocation was sufficient to meet existing Scottish Government commitments—

> "Since 1 April 2007, the capital budget for the freight facilities grant projects has totalled more than £40 million, while the awards of freight facilities grants have totalled less than £8 million. That puts into perspective the challenge that there has been".
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> And that—

[73] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 24 November 2010,* Col 4399.
[74] Scottish Renewables. Written submission to the Economy, Energy and Tourism Committee.

> "Resources have been available and have been reallocated to other projects, because we have not been able to get the demand. If I am suddenly inundated with requests from companies with good proposals that are state aid compliant and supportable, and which transfer freight from road to rail, I will be more than happy to search for the additional resources that will be required to address that demand."[75]

88. The Committee asked the Cabinet Secretary what capacity there was within the £2.9 million budget for the allocation of new freight facility grants. The Cabinet Secretary told the Committee that "I do not have that degree of detail in front of me, but I am happy to make it available to the committee."[76] The Committee notes that this information was not provided.

Access to detailed budgetary information

89. This Committee has repeatedly raised concerns over the years regarding the lack of immediate access to more detailed (level 4) information in draft budgets and the detrimental impact this has on the Committee's ability to scrutinise and suggest possible amendments to the draft budget. This issue has again arisen this year and is covered within our conclusions and recommendations in the report to the Finance Committee on the Draft 2011-12 Budget.

90. The Committee notes, however, that there was a discrepancy in relation to the energy budget figures and understands that the 2010-11 level 4 figures were, in fact, draft budget figures and not outturns and therefore were unreliable when making comparisons between financial years.

Future budgets, carbon assessments and the RPPs

91. In relation to future documents on draft budgets and on climate change matters, Mark Ruskell of Scottish Renewables suggested that—

> **"**There should be an identifiable read-across between aspirational policies and the programmes that are in the RPP, and the budget lines that are progressing from one year to the next."[77]

92. WWF Scotland, indicated to the Committee in written evidence that the carbon assessment of the Draft Budget could be more effective if it were "further developed, and integrated more closely with other carbon assessment approaches e.g. individual project level carbon assessments and the RPP process".[78]

93. **More generally, the Committee questions whether a one-year budget provides enough information to parliamentary committees when considering how the medium and long-term climate change targets are to be financed and if the Scottish Government is putting in place the necessary finance to meet these targets over the medium- and longer-terms.**

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[75] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 8 December 2010*, Col 4517.
[76] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 8 December 2010*, Col 4516.
[77] Scottish Parliament Economy, Energy and Tourism Committee, *Official Report, 24 November 2010*, Col 4408.
[78] WWF Scotland. Written submission to the Economy, Energy and Tourism Committee.

Skills gap and employment creation

94. The Scottish Government has stated that "jobs in the low carbon sector in Scotland could grow by 4% a year to 2020, rising from 70,000 to 130,000, over 5% of the Scottish workforce".[79] Scottish Renewables stated in their written evidence to the Committee that—

> "The Scottish Government has identified skills as a potential barrier to development of the offshore wind market (Low Carbon Scotland: The Draft Report on Proposals and Policies: Scotland - A Low Carbon Society), so it is incumbent upon government and industry to work together to overcome this."

> And that—

> "It is not clear from the draft 2011-12 budget how the allocation for Skills Development Scotland in particular will impact directly on this area of work."[80]

95. The Scottish Government's Skills Strategy Refresh was published in October 2010 and set out Skills Development Scotland's (SDS) overall approach to supporting the Scottish Government Economic Strategy's key sectors, which include energy. In that strategy document, the Scottish Government estimated that a further 60,000 additional low carbon jobs could be created—

> "It is now estimated that concerted action combined with an expanding global market could increase low carbon employment in Scotland to around 130,000 by 2020 from the current figure of some 70,000. An additional 26,000 jobs are forecast in renewables, 26,000 jobs in emerging low carbon technologies and a further 8,000 jobs in environmental management.[81]

96. **The Committee is supportive of the efforts to create low carbon employment opportunities. However, the Committee is concerned about the potential skills gaps and the challenges and scale of training and retraining required. The Committee recommends that the Scottish Government provides the necessary funds for the education and training sector in Scotland to enable the Scottish population to fully take advantage of the employment opportunities in the renewables sector by providing the right skills at the right time.**

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[79] The Low Carbon Economic Strategy (LCES). Available at: http://www.scotland.gov.uk/Publications/2010/11/15085756/0
[80] Scottish Renewables. Written submission to the Economy, Energy and Tourism Committee.
[81] Skills for Scotland: Accelerating the Recovery and Increasing Sustainable Economic Growth. Available at: http://www.scotland.gov.uk/Publications/2010/10/04125111/4

CONCLUSIONS AND RECOMMENDATIONS

97. **Whilst the Committee welcomes the publication by the Scottish Government of a range of energy and climate change documents alongside this year's Draft Budget, the fact that parliamentary committees only have a 60-day period to conclude evidence-taking and report to a lead committee for it to then complete the final report is immensely challenging. Overall, we feel that this has had an adverse effect on the ability of this Committee to effectively scrutinise their contents.**

98. **The Committee would therefore recommend for future years for the publication of the annual Reports on Proposals and Policies that these documents are not published simultaneously with the Draft Budgets and that the Scottish Government considers publishing all of the energy and climate change information at least 6 months prior to the Draft Budget.**

99. **The Economy, Energy and Tourism Committee recommends that the Transport, Infrastructure and Climate Change Committee considers whether parliamentary committees should be consulted much earlier in the budgetary cycle in terms of whether the Scottish Government is on track to meet the target of a 42% reduction in emissions by 2020 and 80% by 2050, and thereby be in a position to propose what should be included in forthcoming Draft Budget. Ideally, this might be at the start of a three-year spending review.**

100. **More specifically, the Committee notes the apparent disparity of statements made by the Scottish Government and the enterprise agencies of energy, and renewable energy in particular, being a top priority, with the proposed cut to the energy budget. We also note the discrepancy between what we called for as a Committee in our 2009 energy report in relation to energy efficiency schemes – namely a rise to between £100-170 million per year – with what is actually being proposed for the next financial year. In this respect, the Committee is concerned that the funding that is being proposed for 2011-12 is not going to be enough to meet the targets set in the Climate Change (Scotland) Act 2009.**

101. **The Committee also regrets that we appear to be in severe danger of failing to meet the target of eliminating fuel poverty by 2016. The numbers of households in Scotland in fuel poverty or in extreme fuel poverty are increasing, not decreasing. We recommend that as a matter of urgency, the Scottish Government puts in place measures to address the increases in fuel poverty, for example, through a significant boost to the home insulation scheme and its extension throughout Scotland.**

102. **The Committee had anticipated that the policies within the Report on Policies and Proposals would be costed (as they were in *Scotland's Independent Budget Review*) and would like to see this in future reports. For those policies which are based on assumptions, for example the assumed compliance rates for new build properties, the Committee would like further information to be provided to enable effective scrutiny. The Committee**

would also like future RPPs to include both medium and longer term trends and to have more policies than proposals.

103. **The Committee would like to see the funds from the fossil fuel levy being made available to take advantage of investment in renewable energy and not to miss the opportunities available. The Committee asks the Scottish and UK Governments to work constructively together to see if a way can be found that will release the funds held by Ofgem in its fossil fuel levy account in a manner which will not impact on the Scottish Consolidated Fund.**

104. **More generally, we share the desire of the Scottish Government to see more information on the Green Investment Bank, particularly in relation to the timeframe for development and scale of the proposed fund, the nature of funding (grants, loans or equity etc.) and the governance and oversight issues, including the role of the Scottish Ministers. Furthermore, we share the view as a Committee that the Green Investment Bank should be located in Scotland.**

105. **The Committee heard from the Cabinet Secretary for Finance and Sustainable Growth that it was not possible to provide exact figures for either the home insulation scheme or energy efficiency packages at this time as the level of future investment was still the subject of negotiations between the Scottish Government and private companies. In a follow-up letter to the Committee the Cabinet Secretary indicated that "The EAP and HIS budgets will be announced shortly".[82] The Committee notes the lack of financial information provided on this during the budget scrutiny process. The Committee had previously stated that investment should be in the order of £100-170 million per year and is therefore disappointed at the proposed reduction of £20.7 million to £83.9 million for the 'supporting sustainability' budget.**

106. **More generally, the Committee questions whether a one-year budget provides enough information to parliamentary committees when considering how the medium and long-term climate change targets are to be financed and if the Scottish Government is putting in place the necessary finance to meet these target over the medium- and longer-terms.**

107. **The Committee requests further information from the Scottish Government on what finance options are in place for consumers prior to the introduction of the UK Green Deal in autumn 2012 and whether there will be an equivalent Scottish measure? The Committee is concerned that households will not invest the sums necessary for climate change measures, as the returns on their energy bills do not always cover the upfront capital costs.**

108. **Finally, the Committee is supportive of the efforts to create low carbon employment opportunities. However, the Committee is concerned about the**

[82] Letter from the Cabinet Secretary for Finance and Sustainable Growth to the Economy, Energy and Tourism Committee, 13 December 2010.

potential skills gaps and the challenges and scale of training and retraining required. The Committee recommends that the Scottish Government provides the necessary funds for the education and training sector in Scotland to enable the Scottish population to fully take advantage of the employment opportunities in the renewables sector by providing the right skills at the right time.