The Committee will meet at 9.30 am in Committee Room 4.

1. **Decision on taking business in private:** The Committee will decide whether to take item 4 in private.

2. **A fundamental review of the purpose of an enterprise agency and the success of the recent reforms:** The Committee will take evidence from—
   
   - Paul Sheerin, Vice President, Global Operations, Polaroid Eyewear;
   - Paul Nelson, Managing Director, Allied Vehicles;
   - Michael Levack, Chief Executive, Scottish Building Federation;
   - Lorraine Hubbard, Training Development Officer UK, and Martin Hottass, Energy Sector Business Partner, Siemens;

   and then from—
   
   - Damien Yeates, Chief Executive, and Andrew Livingston, Director of Finance and Audit, Skills Development Scotland;
   - Linda McTavish, Principal of Anniesland College, Glasgow and Convenor of Scotland's Colleges Principals' Convention;
   - Laurence Howells, Senior Director of Skills, Research and Knowledge Exchange, Scottish Funding Council;
   - Jacqui Hepburn, Director, Sector Skills Alliance;
   - Martin Kirkwood, Deputy Director, Scottish Funding Council.

4. **Protection of Workers (Scotland) Bill:** The Committee will consider a briefing paper produced by SPICe on emerging issues for its draft Stage 1 report.

5. **A fundamental review of the purpose of an enterprise agency and the success of the recent reforms (in private):** The Committee will consider the evidence heard during today’s meeting and its approach to the inquiry.

Stephen Imrie  
Clerk to the Economy, Energy and Tourism Committee  
Room TG.01  
The Scottish Parliament  
Edinburgh  
Tel: 0131 348 5207  
Email: stephen.imrie@scottish.parliament.uk
The papers for this meeting are as follows—

**Agenda Item 2**

Note by the clerk  
PRIVATE PAPER

**Agenda Item 3**

Note by the clerk  
SPICe briefing paper

**Agenda Item 4**

PRIVATE PAPER
Economy, Energy and Tourism Committee

28th Meeting, 2010 (Session 3), Wednesday, 27 October, 2010

A fundamental review of the purpose of an enterprise agency and the success of the recent reforms

Background

1. The Committee received the following written submissions from today’s enterprise inquiry witnesses in response to the Committee’s call for evidence in September 2010:

   - Skills Development Scotland
   - Alliance Sector Skills Councils, Scotland
   - Scottish Further and Higher Education Funding Council

In addition, the Committee also received the attached submission from:

   - Scottish Engineering, which is the representative body for Polaroid Eyewear and Allied Vehicles, who are represented on today’s first panel.

2. These submissions are attached in the annexe to this paper and Members are invited to take them into account in their deliberations when questioning today’s witnesses.

   Joanna Hardy
   Senior Assistant Clerk to the Committee
   October 2010
SUBMISSION FROM SKILLS DEVELOPMENT SCOTLAND

Introduction

1. Skills Development Scotland welcomes the opportunity to contribute to the Committee’s Inquiry. In order to ensure that it is as relevant as possible, our submission is restricted to the specific question focusing on the creation of our organisation and the benefits we believe this has brought to the skills and learning system. However, in addressing this question we also provide a perspective on the extent of collaborative working between the agencies charged with delivering skills and learning in support of economic recovery.

Background

2. Skills Development Scotland (SDS) is an Executive Non-Departmental Public Body and was established in April 2008 through the merger of Careers Scotland, Scottish University for Industry, and skills and training functions of Highlands and Islands Enterprise and Scottish Enterprise.

3. At our formation, we were tasked with doing more than just continuing to deliver existing services; the Scottish Government envisioned that we would be a catalyst for positive change in Scotland’s skills performance, anticipating benefits from our creation under four headings:

   Strategic and policy
   - Supporting the delivery of Skills for Scotland, by developing a distinctively Scottish approach to skills, coordinating public investment in skills and driving a step change in economic growth.

   Customer
   - Placing the customer at the centre of our services, making it easier for employers and individuals to access the learning and information, advice and guidance they need.

   Resource
   - Generating an expectation of efficiency savings to be realised from the merger of organisations with a common customer focus, with an annual indicative benefit of around £4.7m.

   Process and governance
   - Contributing to a de-cluttered organisational landscape, by knitting together national and local delivery and facilitating the better alignment of lifelong learning organisations.

4. Achievement of these benefits underpins the Skills Strategy itself which seeks to create a more cohesive, responsive and demand-led system which serves both individual and business customers more effectively. These aims are, in turn, reflected in our Corporate and Operating Plans,¹ which provide the framework for achieving our

¹ SDS Corporate Plan 2010-2012 and SDS Operating Plan 2010-2011, available to download at http://www.skillsdevelopmentscotland.co.uk/our-story/key-publications.aspx
purpose\(^2\) and vision of positive change. Through these plans, our work is structured around three goals, focused on the people and organisations with which we work: enable people to fulfil their potential; make skills work for employers; and be a catalyst for positive change. Supporting these goals are nine key strategies, delivered through key services and partnerships. This relationship is illustrated in more detail at Appendix A.

**Services and delivery in a challenging operating context**

5. The economic context in which we are operating is by now well understood; the longest and deepest recession in decades has created substantial demand for our services whilst simultaneously requiring us to make efficiency savings for the public purse. We have a responsibility to deliver for the people and businesses of Scotland and we have risen to this challenge; with fewer resources we have delivered more services to more people and more businesses, increasing the scale and scope of our activities:

- Modern Apprenticeships (MAs) allow individuals to undertake vocational learning and achieve a recognised qualification whilst in paid employment. In 2009/10 we achieved over 20,000 new starts (against a Scottish Government target of 18,500), representing almost twice as many starts as in 2008/09;\(^3\)
- We expanded the accessibility of learning for those on low incomes, enabling 59,000 active Individual Learning Accounts (ILAs), a 44% increase over 2008/09;
- We supported over 200,000 individuals, including 136,000 school pupils, to make better career choices, and helped 85.7% of school leavers into positive destinations;
- Nearly 32,000 small to medium-sized businesses were supported through web resources and around 5,000 small and large businesses were supported through the MA programme.

**Economic recovery**

6. We have made a significant contribution to the Scottish Government’s Economic Recovery Plan. We have sustained our investment in skills throughout the recession and enhanced our offering by implementing ScotAction, the Scottish Government’s skills support package. This package provided support for redundant apprentices, for businesses to retain existing or employ new apprentices, and to develop existing staff through several initiatives – assisting over 6,200 individuals in 2009/10\(^4\) – and required us to respond quickly and flexibly by tailoring or adapting our programmes. A crucial aspect of this has been our leadership of Partnership Action for Continuing Employment (PACE), Scotland’s redundancy support service, discussed in more detail below.

7. In 2010-11 we have made available 5,000 Flexible Training Opportunities to small businesses, match-funding training which helps to meet business objectives.\(^5\) In response to the anticipated increased numbers of young people leaving school and college in the summer this year we launched the *Step Forward Scotland* campaign, in conjunction with the Scottish Government, to help young people find employment or work experience and to support employers in finding the right employees for their

\(^2\) Our purpose is to maximise our contribution to sustainable economic growth by unlocking the potential of Scotland’s greatest asset – its people.

\(^3\) See table at Appendix B.

\(^4\) [http://www.skillsdevelopmentscotland.co.uk/media/141305/scotaction%20summary.pdf](http://www.skillsdevelopmentscotland.co.uk/media/141305/scotaction%20summary.pdf)

\(^5\) Up to £500 per employee and up to ten employees per business.
business. Step Forward Scotland shows the value of a single organisation dedicated to both careers and skills, allowing us to “match make” young people and businesses.

8. This campaign has been complemented by our exams helpline, staffed by careers advisers and designed to offer information, advice and support to young people who may not have got the exam results they wanted.

Working with partners

9. Across the range of our activities we are collaborating closely with partners to deliver innovative, better-aligned and more efficient services:

- The Skills Committee, a joint committee with the Scottish Funding Council, is a key alliance in seeking systemic change in Scotland’s learning system, particularly through our colleges and universities. The Committee provides advice to both Boards on the changing demand for, and challenges in, skills in Scotland.

- In August 2010, in partnership with Jobcentre Plus, we rolled out our Integrated Employment and Skills (IES) services nationally following successful trials in 21 locations across all six Jobcentre Plus districts. A practical demonstration of greater national capability and connectedness, IES saw substantial numbers of staff across both organisations undertake training to gain a fuller understanding of respective service offerings, which customers to refer, and how and when to do this. As a result, IES provides a seamless, joined-up service ensuring unemployed customers get the employment and skills support they need to help them find sustainable work.

- Partnership Action for Continuing Employment (PACE) is a unique Scottish partnership initiative which provides support to employees when an organisation is facing a redundancy situation. Led nationally by SDS on behalf of the Scottish Government and several partner organisations (including Highlands and Islands Enterprise and Scottish Enterprise), PACE delivers information, advice and guidance on skills, careers, benefits, vacancies, finance, health and wellbeing, and business start up, as well as access to funding, employability support, and literacy and numeracy support. Interventions are tailored to the needs of affected employers, employees and the local area. PACE supported 15,898 individuals and 306 businesses in 2009/10.

- We have undertaken an extensive engagement programme with all of Scotland’s Local Authorities, and are now implementing Service Delivery Agreements with each of them in the wider context of Community Planning Partnerships and Single Outcome Agreements. We are the only Scottish NDPB to have undertaken this approach to engagement – which is still in the early stages of its development – with our Local Authorities. The Service Delivery Agreement process, which has been resource-intensive, has enabled us to identify the most

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6 This £6.5m campaign provides: an employer helpline; a £1000 incentive for up to 2000 employers to provide an MA to young people facing specific barriers; 100 volunteering opportunities; 750 graduate placements; 60 entrepreneurial training opportunities; 800 vocational pathway opportunities for 16 and 17 year olds; and access to an additional 5,000 MA places. Elements of SFS are run with support from Highlands and Islands Enterprise, Scottish Enterprise and Young Enterprise Scotland.
effective means of delivering services and jointly maximising resources at a local level and has given us a better understanding of local issues which will allow us to prioritise our approach in future. Outcomes from the engagement programme have enabled us to work with local partners on the development of new approaches to service delivery including examples of co-location, support for 16+ Learning Choices agreements, and work towards the joint commissioning of ESF-funded Get Ready for Work and Training for Work activity. We have been able to deepen our local engagement with strategic partners to support the development of joint actions across the Partnerships including current issues such as emerging employability demands resulting from the economic downturn and in joint staff development to support the implementation of the Curriculum for Excellence.

- Critically, we are actively listening and responding to industry to ensure that the services and programmes we supply are more clearly aligned with business demand. This work is informed by our relationships with key representative bodies such as the Confederation of British Industry, Federation of Small Businesses, Institute of Directors, Scottish Chambers of Commerce, Scottish Council for Development and Industry, and the Scottish Trades Union Congress. We are focusing on, and building capacity in, the key growth sectors identified in the Scottish Government’s Economic Strategy through the development of Skills Gateways in partnership with Industry Advisory Boards, business organisations, Sector Skills Councils, other public agencies – including the Enterprise agencies – and the Scottish Government. This focus has allowed us to substantially increase activity in key sectors: for example, in the food and drink sector we increased the number of MAs from 13 in 2008/09 to 592 in 2009/10; and in the energy and renewables sector, working with Renewable UK and Energy and Utility skills we have introduced the new Wind Turbine Technician MA framework, the first of its kind in the UK. Working alongside the Alliance of Sector Skills Councils and other industry bodies, 35 new MA frameworks were introduced in 2009/10 to better cater for employers’ needs.

- Other work with the Enterprise agencies has included: the development of Skills Utilisation Networks; support for business improvement skills in conjunction with the Scottish Manufacturing Advisory Service; support for Scottish Development International’s inward investment and job safeguarding work through a closer, more structured working relationship; and numerous activities with key sector teams, including the co-financing of the Food and Drink Academy at the University of Abertay, support for Regional Tourism Forums, and the development of the Financial Services Employer Council.

- As part of our catalytic role, we are working with Sector Skills Councils to strengthen the scope and availability of labour market intelligence, to support our staff, our partners and our customers.

Education and learning providers

- We are also heavily engaged with partners throughout the learning and skills system, working to make it more efficient and provide a better match between supply and demand. We are undertaking a series of workshops with college sector partners on how best to support the key growth sectors, bringing together
industry bodies and vocational learning providers. Our work with schools has supported the implementation of Curriculum for Excellence through pilots designed to embed good career management skills and develop more engaging and effective links between the curriculum and the workplace, with the help of highly visible and attractive partners such as NASA. Work with SCQF has seen the piloting of a tool for the recognition of prior learning (RPL) in Scottish secondary schools with young people at risk of leaving school with no or few formal qualifications. Contracting for the National Training Programmes is facilitated by our good relationship with the Scottish Training Federation.

**Budget and efficiencies**

10. The formal alignment of customer-facing processes and common objectives with relation to common customer groups has allowed us to realise resource benefits. The following table shows our core grant-in-aid allocations year on year along with efficiencies achieved against equivalent legacy organisation budgets.

<table>
<thead>
<tr>
<th>Year</th>
<th>Core grant-in-aid (£millions)</th>
<th>Efficiency saving (£millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/09</td>
<td>176</td>
<td>8</td>
</tr>
<tr>
<td>2009/10</td>
<td>176</td>
<td>12</td>
</tr>
<tr>
<td>2010/11</td>
<td>170</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>522</td>
<td>39</td>
</tr>
</tbody>
</table>

11. The efficiency savings achieved and projected – through measures such as the reorganisation and realignment of staff resources, rationalisation and streamlining of support service mechanisms, and partnership working – compare favourably to the figure estimated in 2008 by the Scottish Government of around £4.7m annually.

**Challenges**

12. Bringing four organisations together to create one, greater than the sum of its parts, has brought with it some challenges. For staff there were periods of disruption and some uncertainty, but despite this we were able to continue delivering for our customers throughout particularly difficult economic circumstances. Our restructuring is now complete and we have introduced ongoing employee engagement and leadership and management development programmes. The issues of the merger are being addressed and SDS is fully focused on delivery and championing flexible learning for an adaptable economy.

13. The economic outlook, although improving, remains fragile and pressure on our role is likely to remain intense. Part of this role is to balance our critical social responsibilities – including our work with the More Choices, More Chances customer group, Activity Agreements, and Get Ready for Work, all of which make a genuine and positive impact on the lives of our customers – with our contribution to economic development, a substantial challenge in itself.

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7 Core grant-in-aid excludes additional funding for ILA Scotland and other income such as European funding, invoicing other public bodies for collaborative working and revenue from the utilisation of assets.

8 The efficiency saving for 2010/11 is projected at this stage and is currently on track.
14. Furthermore, the Scottish workforce development landscape remains crowded; Highlands and Islands Enterprise and Scottish Enterprise – which retain responsibility for leadership and management and organisational development – Local Authorities, Business Gateway, the Scottish Funding Council, Sector Skills Councils and SDS all have a role to play. Scotland makes a substantial investment in its public workforce development offer but despite this questions linger over its efficiency and efficacy. With clear guidance from the Scottish Government on the role of key agencies in delivering the Scottish workforce development offer we should eliminate any remaining overlap and gaps in provision. Progress on this is already underway through our contribution to the work and recommendations of the Workforce Development Action Group – reporting to the Skills Committee – and the development of our employer offer, but we look forward to the outcomes of the Committee’s Inquiry. In line with our vision and the expectations of both the Scottish Government and the people and businesses of Scotland, we will continue to focus on making our relationships with our partners closer and smarter to deliver an integrated approach to skills and learning and sustainable economic growth.

Conclusions

15. The creation of Skills Development Scotland has realised a number of advantages for the people and businesses of Scotland. The Scottish skills agenda is now both broader and better understood, particularly in terms of its relevance to economic recovery and sustainable economic growth. The logical consolidation of skills and careers functions has allowed us to join up existing and new services, such as IES, PACE and Step Forward Scotland, for the benefit of our customers. It has simplified the skills and learning landscape, enabling a clearer focus on skills than was previously possible, and has facilitated our agile and flexible response to changing economic circumstances.

16. Through this submission we have illustrated the increasing levels of activity within our organisation, both quantitatively and qualitatively. Despite substantially increased demand for our services we have been able to deliver positively, innovatively and effectively, and have done so with fewer resources.

Skills Development Scotland
September 2010
Appendix A

<table>
<thead>
<tr>
<th>Goals</th>
<th>1 Enable people to fulfil their potential</th>
<th>2 Make skills work for employers</th>
<th>3 Be a catalyst for positive change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key strategies</td>
<td>Foster career agility and career management skills</td>
<td>Create new frameworks to develop skills for the 21st century</td>
<td>Work together to expand our collective capabilities</td>
</tr>
<tr>
<td></td>
<td>Create new levels of connectivity between learning and jobs</td>
<td>Prioritise skills development in the GES key sectors</td>
<td>Generate new approaches to entrenched challenges</td>
</tr>
<tr>
<td></td>
<td>Equip individuals with the skills Scotland needs</td>
<td>Optimise how skills are used in the workplace</td>
<td>Focus our energies on national outcomes</td>
</tr>
</tbody>
</table>

Key services and key partners

- Career Management Skills
- My Learning Space
- Integrated Employment and Skills Services
- Scottish Employer Service
- Skills for Growth
- Skills Gateways
- Strategic Forum
- Skills Utilisation Leadership Group
- Skills Committee
- Community Planning Partnerships (CPPs)

Our goals, strategies and services are linked to seven outcomes which form part of our Performance Management Framework, which is in turn aligned to the Scottish Government National Performance Framework, as shown below:

National Performance Framework

<table>
<thead>
<tr>
<th>Purpose Targets</th>
<th>Economic Growth</th>
<th>Productivity</th>
<th>Participation</th>
<th>Solidarity</th>
<th>Cohesion</th>
<th>Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 National Outcomes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7 SDS Outcomes

1. More people progress, achieve and sustain positive destinations
2. Employers are more productive as a result in the skills and development of their employees
3. More efficient labour supply
4. Equalities in learning and employment are improved across Scotland
5. SDS is valued by, and has a strong reputation with, customers and key stakeholders
6. SDS influences and stimulates a high performance skills system
7. SDS achieves its goals and delivers its services in ways that minimise environmental impacts

SDS Outcomes
- Measures: What difference is SDS making?

SDS Output Measures: What are the direct results of SDS interventions

SDS Activity Measures: What coverage are we achieving

Outcomes

Outputs

Activities

Inputs
Appendix B

All MAs (16-19 + 20+)

<table>
<thead>
<tr>
<th>Year</th>
<th>New starts</th>
<th>Year on year % variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007/08</td>
<td>15,803</td>
<td>n/a</td>
</tr>
<tr>
<td>2008/09</td>
<td>10,579</td>
<td>-31%</td>
</tr>
<tr>
<td>2009/10</td>
<td>20,216</td>
<td>+91%</td>
</tr>
</tbody>
</table>

+28% (2007/08 – 2009/10)
SUBMISSION FROM ALLIANCE SECTOR SKILLS COUNCILS, SCOTLAND

1. The reform of Scottish Enterprise and Highlands and Islands Enterprise activities has served to enhance and refocus support for business growth.

2. This refocus helped ensure that key account managed companies were able to access the support, and advice required to increase productivity and competitiveness. At the same time Skills Development Scotland was established.

3. This new body took on responsibility for all government funded training programmes and Careers advice. Over the last two years the body has made progress, as evidenced through the increased numbers of Modern Apprenticeships, measures to support young people and the long term unemployed to get into work and the creation of PACE programmes to support individuals being made redundant due to the recession. Looking forward at the skills needs of Scotland as it recovers from recession, and the likely impact of the constraints in public expenditure, it will be necessary for the body to review its offer to ensure that its investment in skills and learning, and support for young people and the long unemployed is targeted effectively to ensure maximum return.

4. As is evidenced from the labour market intelligence from Sector Skills Councils there are significant needs to upskill and reskill the workforce to enable it to increase productivity and increase business growth. This, along with the impact of demographic issues within particular sectors, the likely increase in unemployment, and the need to continue to provide opportunities for new entrants to the workforce will mean that a more informed skills offer is required.

5. This offer should be based on the needs of both employers and individuals, and ensure that it enables individuals to have the skills to access and progress in employment. This must include core skills to allow individuals to adapt to the changing circumstances within the economy and for new industries. For employers this should provide support for them to grow the business and enable them to see the benefit of investment through an increase in productivity and business growth. This will ensure that Scotland has a highly skilled and flexible workforce which is equipped with the skills to maximise the opportunities in new industries, support sectors of high participation and sectors that underpin the economy. It will also be important for consideration to be given to how micro business are supported given the different focus for the Enterprise networks and recognition of the good practise which has been developed by employers in areas such as management and leadership which can be different from the current offer.

6. There will be a need for further recognition of the role of a wider range of qualifications and learning opportunities including qualifications from national Awarding bodies and other specialist industry bodies but also use of national occupational standards to recognise competence.

7. The development of Skills Development Scotland has provided an opportunity for the bringing together of programmes to better support employers and individuals in Scotland. However, further work is required to ensure transparency of the roles of Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland on programmes to support workforce development. Further clarity would help employers
understand what support is available and where to access it. Better links between the Enterprise Agencies who are supporting business growth, and SSCs who support employers to grow skills would help increase employer ambition in Scotland.

Alliance Sector Skills Councils, Scotland
September 2010
SUBMISSION FROM THE SCOTTISH FURTHER AND HIGHER EDUCATION FUNDING COUNCIL

1. The Scottish Funding Council would wish to make a contribution to this enquiry, responding to the question

- How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?

2. The Funding Council has been working increasingly closely with Scottish Enterprise and with Highlands and Islands Enterprise in a number of fields of activity. In particular

- the inclusion of universities as one of the 7 key economic sectors has emphasised the role which higher education has to play in delivering the goal of sustainable economic growth and led to increased engagement between the Funding Council and the Enterprise bodies. A Funding Council representative attends Scottish Enterprise Board meetings and 2 University Principals are members of that Board. There is very regular engagement between staff of the Funding Council and the Enterprise bodies on a range of issues, including, for example, the development of the new Beechwood campus in Inverness (where the Funding Council is represented at Board and Senior management level on the newly established Beechwood Forum, chaired by the Cabinet Secretary for Finance and Sustainable Growth) and the support and development of new innovation projects (see below). In addition, Scottish Development International is now working increasingly with Scottish institutions in supporting their overseas activities.

- the Enterprise bodies and the Funding Council have recognised that there is a need to ensure seamless support for projects with potentially significant economic impact from initial concept through to full market exploitation. The track of such projects is often not linear (initial idea developed in a university and then brought through to market) but frequently involves complex interactions between universities, businesses and other players and public sector support must therefore be managed in a way that is sympathetic to that complexity and available at the right level in the right place at the right time to the right people. The Enterprise bodies and the Funding Council are therefore working closely together at all stages of developing projects, supporting the creation of knowledge, encouraging knowledge exchange and the development of economically valuable products in fields such as life sciences, food and drink and renewable energy. The Funding Council's Horizon Fund for Universities has provided a means of targeting investment and the joint Skills Committee of the Funding Council and SDS helps provide a joined-up input to the skills aspects of such projects.

3. The Strategic Forum has been valuable in providing an opportunity for the sharing of ideas and the identification of opportunities which might be served by collaboration between a number of bodies. A recent initiative in the food and drink sector, involving the Enterprise bodies, SDS, Visit Scotland and the Funding Council is illustrative of this.
4. Relationships between different bodies inevitably have their ups and downs. But the Funding Council's view is that currently, the relationships between itself and the Enterprise bodies are strong and effective. A significant contributing factor to that is the National Performance Framework and, particularly the requirement there has been on public bodies to align their corporate planning to that Framework, thereby creating common objectives to which we are working and for which we are accountable. That creates a powerful environment for collaborative working which we are collectively seeking to exploit.

Mark Batho
Chief Executive
Scottish Funding Council
August 2010
SUBMISSION FROM SCOTTISH ENGINEERING

Key questions

Value of recent reforms

Q1. What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?

A1. The effect of the rationalisation on member companies has not been major. Initially as staff and offices were re-arranged it proved difficult to find the correct people in Scottish Enterprise. Now that the change has bedded in, there is no noticeable difference in service.

Q2. Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?

A2. The majority of Scottish Businesses are small to medium and therefore rely on the Business Gateway for their information. In Scottish Engineering’s experience, often the Business Gateway staff, especially those on the helpline, are not aware of the initiatives currently available via either SDS or Scottish Enterprise. There is an opportunity for these three organisations to share information on initiatives and markets. There is surely an opportunity also to facilitate a business-to-business mentoring scheme. Scottish Engineering can and does help facilitate best practice information transfer between companies and sectors. Larger companies who are account managed through Scottish Enterprise receive a much better service.

Q3. What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?

A3. There is no question that Scottish Enterprise provides a very worthwhile service, many of our member companies receive advice and support and benefit from the training initiatives offered throughout the country. However a few of our members feel that it does not appear that the current public sector bodies in general have the level of expertise necessary to support Scottish companies to internationalise and to attract inward investment from within a very competitive market. For example, members feel that Scottish Enterprise Account Managers are not sufficiently skilled to be able to offer support during a board meeting considering expansion opportunities.

Q4. How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?

A4. Several Scottish Engineering member companies have spoken positively about the excellent support they have had via the Regional Selective Assistance funding and have praised Scottish Enterprise account managers for their
assistance in this regard. Many companies have been helped to grow business through technology transfer. SDI could do more to develop the dialogue between Scottish companies and international customers.

Q5. What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?

A5. Skills Development Scotland seems to have been reluctant to promote and bring into the public domain their solutions to the issues on the skills agenda in Scotland. They have not made their successes visible, which would encourage other organisations/individuals to seek similar help. They have however publicised the funding inputs they have received from the Scottish Government, however the amount of this funding is not nearly enough and there is still a major shortage of funding for older apprentices in the Engineering sector. In the current economic climate there are more and more over 20 year olds seeking apprenticeships, and they are being disappointed.

Due to the split between the activities of Scottish Enterprise and Skills Development Scotland there have been some support programmes that have been terminated. It would be useful for both organisations to clarify and promote the programmes that they are currently running, such as Scottish Enterprise help with mergers and acquisitions, Leadership Development, etc and what type of organisation is eligible for these.

The Scottish Manufacturing Advisory Service, which is run under the auspices of Scottish Enterprise, has provided excellent service across the manufacturing sector and Scottish Engineering has received many positive reports from member companies regarding the excellent help they have received. We would hold up SMAS as an example of best practice and suggest that organisations such as Skills Development Scotland could perhaps learn from them.

More fundamental, first principles analysis

Q6. Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?

A6. A possible way to create more efficiency and reduce cost within this public service vehicle could be to bring the Highlands and Islands Enterprise under the direct control of Scottish Enterprise. We recognise that the HIE has a broader social as well as economic remit. This however does not create a need for a separate board and a whole tranche of executive officers, many of whom duplicate the efforts of SE.

Q7. What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?

A7. Financial assistance for developing the export marketplace (product management/marketing/sales). This should be supplied by an Agency that not
only had access to finance but also to experienced business people with the necessary levels of skills and experience on hand to coach companies with exporting.

Comments on SDI from a Glasgow company

Inward investment seems to be well supported through SDI, although SDI don't seem to advertise themselves/services very well. In terms of the support needed for internalisation, more needs to be done here - especially given the global financial crises as this has increased competition and protectionism within export markets. Scotland could benefit greatly from some kind of international exporting forum, made up of business leaders from across the sectors. Manufacturing needs support to reduce the costs of manufacturing and be better at marketing their products in new markets.

More investment in Trade Missions would be worthwhile, taking Scottish Manufacturing to the Export market. This is especially important in times when overseas companies are more reluctant to send representatives overseas due to costs. In Scotland, when dealing with export companies/customers, we have the added challenge of encouraging them to pay for an additional flight once they arrive in London. It may also be beneficial to get some form of briefing to all of the Embassies - outlining what Scotland has to offer, perhaps including individual case studies on 'best of breed' Scottish companies.

Scottish Engineering
September 2010
Energy, Energy and Tourism Committee

28th Meeting, 2010 (Session 3), Wednesday, 27 October, 2010

Energy efficiency action plan – written submissions

Background

1. The Committee received the following written submissions, providing views on the energy efficiency action plan:

   - Energy Action Scotland
   - Energy Saving Trust
   - The Sustainable Development Commission Limited.

2. The submissions are attached in the annexe to this paper and Members are invited to take them into account in their deliberations when discussing this agenda item.

Diane Barr
Assistant Clerk to the Committee
October 2010
SUBMISSION FROM ENERGY ACTION SCOTLAND

Energy Action Scotland (EAS) is the national charity with the aim of ending fuel poverty in Scotland. EAS has been working with this remit since its inception in 1983. EAS campaigns on the issue of fuel poverty in Scotland and delivers research and demonstration projects to tackle the problem of cold, damp and expensive to heat homes. EAS is a member of the Scottish Fuel Poverty Forum, which advises Scottish Ministers on achieving the Scottish Government’s statutory duty to end fuel poverty, as far as is practicable, by 2016.

Overall Reaction

EAS believes the publication of the Scottish Government’s Energy Efficiency Action Plan marks an important step forward in addressing the need to make Scotland’s homes more energy efficient.

It welcomes the Action Plan’s comprehensive stance on reducing the demand for expensive energy and in particular the urgent need to improve domestic energy efficiency and specifically to help those in fuel poverty.

However, EAS believes that the challenge will be to turn the intentions of the plan into action and ensure that the government’s aspirations will be delivered.

As the government acknowledges, the problems faced by many in fuel poverty because of a combination of low incomes and energy-inefficient homes continue, with a real fear of being cold over the winter, and programmes for those most in need must be stepped up in the short term.

Further Reaction

Energy Efficiency of Existing Homes
A comprehensive strategy is needed to improve the energy efficiency of existing homes across all sectors. The need to use less energy overall is the only sustainable way of reducing the risk of fuel poverty and ensuring that the cost of fuel has less impact on householders.

The Plan makes an important acknowledgement of the fact that not all energy efficiency improvements to housing will result in less energy being consumed. This can in part be because of some people in fuel poverty who may need to use more energy, not less, for the sake of their health and well-being, but who currently self-ration their energy use due to the high and unaffordable cost of domestic fuel and/or the energy-inefficiency of their homes.

SHQS – Social Rented Sector
In the social rented sector, the Scottish Housing Quality Standard (SHQS) should be reviewed as a matter of urgency in order to look beyond the current target of achieving an NHER score of 5 by 2015. EAS believes the next SHQS target should be to achieve NHER 8 by 2020.
SHQS – Private Rented Sector

The SHQS should, in EAS’s view, also be extended to the Private Rented Sector. In this way, no home in Scotland would be let unless it meets these energy efficiency standards as a minimum. The private rented sector is the poorest performing in terms of the energy efficiency of housing stock. It is unfair that the private rental sector is allowed to provide homes for rent, normally at a higher rent than social landlords, that can be of a low standard and often the fuel poor are in the worst homes.

Hard to Treat Homes

It is crucial that government/supplier programmes and incentives to householders to improve the energy efficiency of homes make significant provision for hard to heat/hard to treat properties. While the more common insulation measures such as cavity wall and loft insulation are very important, 25% of homes in Scotland do not have a loft and about a third do not have cavities to fill. Measures such as internal thermal dry lining, solar water heating, reinstatement of wooden shutters, replacement of concrete floors and alternative heating sources - including microgeneration - will all make significant contributions to this end. However, many of the measures are costly and many do not attract any element of grant funding. The Scottish Government should give priority to including such measures into its grant and loan programmes, while working directly with the UK Government to ensure that programmes such as CERT, CESP and the proposed Green Deal would allow fuel suppliers to support these types of energy saving measures.

It is in these situations that fuel suppliers should be encouraged to provide energy services through what is termed as Energy Services Companies (ESCOs). ESCOs can provide finance for both basic and advanced measures of insulation and heating. The capital is repaid over a set period of time as the customer reaps the benefit of reduced bills due to the improved energy efficiency of the home. For example, if a new and efficient boiler uses one third less gas, it would be very realistic for the repayment of that boiler to be made to the ESCO over a three or four year period. Fuel suppliers have already been encouraged by the regulator Ofgem to develop ESCOs, but so far without much evidence of take-up in terms of the delivery of energy efficiency measures.

Support and Costs

Government grant programmes will still be required to support the fuel poor and those on a low income who are unable to take up or benefit from schemes requiring access to finance or which are reliant on energy savings being made. Of growing concern is the general increase to customer fuel bills to pay for the cost of energy-related initiatives.

Deliver a Single, Well-funded and Comprehensive Fuel Poverty Programme

The Energy Assistance Package should be expanded to incorporate the area-based energy efficiency programmes (the Home Insulation Scheme and the Universal Home Insulation Scheme) and so become both reactive and proactive under the one branding. The current multiple branding of the programmes is too confusing for the public and referral agencies and brings with it inefficiencies in operation and delivery.

The Fuel Poverty Index developed some years ago to enable local authorities to pinpoint pockets of fuel poverty at a local level should be updated and re-issued.
HECA
While EAS believes that a review of duties under the Home Energy Conservation Act (HECA) was due, it very much believes that the experience, expertise and achievements made under ten years of HECA should not be lost. EAS therefore strongly supports a continuation of HECA-type duties within local authorities’ Local Housing Strategies. In particular, local authorities should be expected to report within their Local Housing Strategies on the progress of energy efficiency within specific housing sectors ie local authority, housing association, owner occupier and private rented.

Attitudes and Behaviour
A major factor in achieving significant change in energy use is the issue of energy advice. The public needs to receive consistent messages and then have them reinforced over time to stimulate action.

There is also the issue of the difference between advice and information. A leaflet will provide information but with little real encouragement to take action, while advice given face to face and at key trigger points in individuals’ circumstances will more likely lead to action. All government programmes should have an element of face to face energy advice built in. Existing research highlights the need for advice to be delivered face to face if behavioural change is to be maintained.

It is also essential to provide an ample advocacy service to assist vulnerable people to solve problems with their energy bills and energy supply and to make informed choices about their energy use. For example, the complex nature of some debt problems and of interpreting licence conditions in the domestic energy industry should not be underestimated. The need for advocacy by trained advisers on behalf of vulnerable customers should therefore be a priority.

Cross-cutting Issue
Fuel poverty is a cross-cutting issue. Taking action on fuel poverty can also contribute to the achievement of many other government priorities in addition to climate change, energy security and the economy ie health and well-being, anti-poverty targets and Community Planning. Solutions to fuel poverty can also create and sustain local employment. By formally acknowledging these links and making smarter, more effective use of existing resources, it is possible to achieve multiple targets with one action.

For example, every Community Planning Partnership needs, in EAS’s view, to include fuel poverty in its agenda. Ideally, each Partnership would benefit from having a fuel poverty representative to ensure specific action is taken locally and to liaise across departments and agencies.

A recent study by the University of Ulster, for Save the Children, found that every pound spent on tackling fuel poverty reduces the cost to the NHS by 42p. EAS believes every Health Authority should have a fuel poverty target so that they make active contributions to the regional actions in tackling both poverty and fuel poverty.
SUBMISSION FROM ENERGY SAVING TRUST

Thank you for providing the Energy Saving Trust with the opportunity to input into the Committee’s consideration of the Scottish Government’s recently published Energy Efficiency Action Plan.

We have aimed to provide you with as concise a summary of the Energy Saving Trust’s initial analysis of the Action Plan as possible. As such our comments focus primarily on key areas where we believe action could be strengthened. In this context it is important to highlight that we very much welcome the publication of the Action Plan and the Scottish Government’s commitment to energy efficiency as a cost effective contribution to meeting climate change targets.

The Energy Saving Trust’s views on the Action Plan, split by the Plan’s relevant chapter headings, are outlined below. Our response focuses on the key areas of the Energy Saving Trust’s activities and expertise. Please note that this response should not be taken as representing the views of individual Energy Saving Trust members.

Energy efficiency targets and monitoring

- We support the introduction of the target to ‘reduce total final energy consumption in Scotland over the period to 2020 by 12%’. We believe the target is encouragingly ambitious. However, if this is to be met it will be important to know the contribution that each sector will make to this, and within this what actions will deliver what proportion of the targets. It will also be important to have an accurate sense of what proportion of the targets will be met by UK government actions and what proportion will be met by Scottish government actions. This information is not included in the Action Plan. If this is not established then it will be impossible to ensure that the target will be met. The Plan notes that the Report on Policies and Proposals (RPP) will ‘set out fuller detail how energy efficiency will combine with other measures to reduce carbon emission to achieve the emissions targets…’. It is important that the RPP explicitly considers what actions will meet what proportion of the 12% target.

- We note that the annual maximum consumption targets are only presented within a small graph. It is not possible to pull out actual figures from this graph and therefore there is nowhere within the Action Plan where the actual annual maximum consumption targets are listed.

Domestic energy efficiency

- The Action Plan outlines a number of very positive actions relating to improving the energy efficiency of houses, and we were particularly pleased to see a number of these, including, but not limited to, the commitment to further develop powers to enforce energy efficiency standards in the private sector, the development of a post-SHQS energy efficiency standard for social housing, a commitment to provide ongoing support and financial help for energy efficiency in existing housing, and ongoing research and promotion of energy efficiency in traditional buildings.

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1 The Energy Saving Trust is one of the UK’s leading organisations set up to address the damaging effects of climate change. We aim to cut emissions of carbon dioxide (CO2) – the main greenhouse gas causing climate change – by promoting the sustainable and efficient use of energy. We are an independent, non-profit making organisation who provide free, impartial information and advice. We have a dedicated office in Scotland and will advise more than 400,000 households this year. Our work programme in Scotland is funded by the Scottish Government.
• We would like to have seen a commitment within the Action Plan to develop a trajectory for energy and carbon standards for all existing homes, in much the same way that a trajectory for lower carbon and zero carbon homes in the new build sector in Scotland was developed as part of the Sullivan review.

• 21% of the CO₂ emissions from the average house arise from heating water. Water saving measures (e.g. tap aerators and water efficient shower heads) can therefore play a big role in reducing CO₂ emissions. While the Action Plan broadly acknowledges this, it could have gone further by committing to consider the inclusion of water saving measures within large scale Scottish Government funded installation schemes (such as the Energy Assistance Package and the Home Insulation Scheme).

• We feel that more needs to be done to ensure that local government in Scotland fulfils its potential to lead and inspire communities to act on climate change and fuel poverty. Plans to replace data reporting under HECA with strengthened guidance on addressing climate change in Local Housing Strategies are likely to put climate change action down the agenda in some local authorities. A requirement to act (for example by requiring the relevant section of the Local Housing Strategy to include targets that are appropriate to the local area) is a much stronger incentive than guidance on how to act. Clearly any local authority requirements would need to be matched with resources.

Achieving energy efficiency through Building Standards

• We very much welcome the recent improvements in building regulations, and new measures for the improvement of existing buildings triggered by the extension of a dwelling. In order to ensure that building regulations continue, over time, to improve the energy performance of existing homes, it will be important that opportunities for improvement are regularly reviewed. We would like to have seen a commitment for such reviews within the Action Plan.

• Post occupancy testing is vital to understand whether the energy efficient or renewable technologies are working as intended and whether the way that people live in their homes is impacting on the technologies’ ability to deliver as anticipated. In this context we support the Scottish Government’s plans to undertake research on providing information to building occupants to optimise the performance of low carbon homes. However, we would have liked to have seen the Action Plan provide a commitment and timeframe for post occupancy testing of homes to ensure they meet the energy standards of the Building Regulations.

Infrastructure for the built environment

• It is important that barriers to the uptake of microgeneration by householders are removed and as such we welcome the steps that have already been taken within the planning system to facilitate this. It is however important to ensure that permitted development rights for microgeneration are progressed as quickly as possible. By removing a key barrier to deployment, this will provide a significant, much needed boost to the industry. Moreover, this policy has the potential to empower people and
businesses to take action to reduce their own carbon emissions, whilst increasing the amount of energy produced from renewables.

Changing how we use our transport systems

- We were pleased to see a holistic approach being taken through the inclusion of transport within the Action Plan, and the inclusion of a number of very positive actions relating to reducing the need to travel and improving the energy and fuel efficiency of Scotland’s transport system.

- We welcome the action to reduce the need to travel and the commitment to analyse and test issues relating to community hubs. Further detail on other actions to reduce the need for travel would be valuable. For example, there may be ways to support more rapid take up of video conferencing facilities or equivalent web-based systems in the non-domestic and public sector by building on existing support mechanisms to these sectors. As well as the direct energy and financial savings achieved by the relevant organisations, wider use of such facilities would make them more useful in the community hubs referred to.

- The Cycling Action Plan for Scotland and its aim to increase the modal share for bikes to 10% by 2020 is encouraging. We would like to have seen a clearer requirement for transport infrastructure projects to occur in a way which reduces emissions, as far as possible, rather than increasing them. Infrastructure enhancements need to maximise support for walking and cycling and public transport, for example by providing safe cycle and foot paths to train stations, by provide appropriate cycling facilities at train stations and fast lanes for buses. This is important as sustainable travel messages are undermined when infrastructure investment is aimed at increasing road or aviation capacity without sustainability issues being addressed.

- While we support measures to reduce travel and increase uptake of active travel, we welcome the recognition of the need for further driver training and the switch to low carbon vehicles (LCVs) as carbon emissions from private, fleet and freight vehicles are significant and will remain so without action.

- In the context of showing public sector leadership (and reducing emissions) we would like to have seen a more specific commitment to reduce grey fleet emissions. We were pleased to see that the Action Plan proposed to encourage ‘the public sector to show leadership through the visible procurement of LCVs and their required infrastructure’. Grey fleet emissions and costs can be substantial and the provision of lower carbon pool or rental cars and unified communications systems (video conferencing etc) could reduce this. This may also be a way to bring electric cars to market. If fleets act as early adopters, they can give access to the new technologies to fleet drivers who will use the cars and familiarise themselves with them. Access to electric cars through the workplace will make drivers more likely to buy them for their own private use as they have developed trust for the technology. Fleet cars also are a good way to develop a second hand market for cars, as fleets are more likely to buy new cars first hand and then sell them onto the second hand market to private drivers.
SUBMISSION FROM THE SUSTAINABLE DEVELOPMENT COMMISSION
SCOTLAND

I am writing to provide you with views from the Sustainable Development Commission Scotland (SDC Scotland) on the Scottish Government’s recently published Energy Efficiency Action Plan.

SDC Scotland is the Scottish Government’s independent adviser on sustainable development. We hold Government to account to ensure the needs of society, the economy and the environment are properly balanced in the policy decisions it makes and the way it runs itself.

We are the only organisation charged with reporting publicly, independently and impartially on how well Government decisions contribute towards a fair, healthy and prosperous future for everyone.

We are jointly owned by the UK Government, the Scottish Government, the Welsh Assembly Government and the Northern Ireland Executive, reporting directly to the Prime Minister and First and Deputy First Ministers.

We welcome the opportunity to respond to the Scottish Government’s Energy Efficiency Action Plan but would like to note that the plan has been a long time in development. This is disappointing given the importance of the topic to Scotland’s economy, our environment, and also to helping us manage costs for Scottish households. This effort has been in marked contrast to Government action on renewable energy, where the opportunities are clearly being understood and realised.

However, we are now seeing that Scottish Ministers understand the role energy efficiency in meeting climate change targets and how energy efficiency will contribute to social and economic development through cost reduction and new business opportunities.

In particular we see that the Energy Efficiency Action Plan brings a more strategic approach to Government action. Previously there have been good individual initiatives but these have not been brought together. Action on energy efficiency by Government has been characterised by too many separate schemes or initiatives not being sufficiently linked together.

Our headline points are as follows:

Governance and delivery: We see that the Action Plan provides a much more strategic framework for tackling energy efficiency. However, we have concerns about the size of the resource within the Scottish Government for delivering energy efficiency. We support the overall target within the Plan but would like more detail on how this breaks down to different aspects and how the Scottish Government will report against this.

We are also not clear about how the Action Plan will fit alongside the forthcoming Report on Proposals and Policies and the Low Carbon Economy Strategy. Government needs to ensure consistency across these documents. These documents also need to provide more detail on some of the actions within the Action Plan, including information on timescale and means of delivery.

Investment: We are glad to see that identifying new investment routes is highlighted by the Scottish Government but disappointed that further detail is not available in the Action
Plan. This is something that the Government needs to act fast on, particularly given active discussions at a UK level on the role and focus of a Green Investment Bank. The Government’s Scottish Futures Trust also has an important role in looking at how funding vehicles can be developed to encourage investment in energy efficiency.

Economic development: The Action Plan recognises the potential for energy efficiency to contribute to our economy, both through reducing costs, but also through the development of new products. However, there is little detail in the Plan about the likely scale of savings of new opportunities. This is in stark contrast to the well studied Scottish renewables market. Its potential numbers of jobs and market growth is well understood.

Behaviour change: We are very pleased to see the Government adopting the “Four Es” model for looking at how to influence attitudes and behaviours. SDC Scotland sees this as the most well developed model for influencing climate change behaviours. We support the Government’s commitment to “develop and refine the four Es model.” However we are concerned that the Government is shying away from the difficult actions it needs to take by saying ‘...we need to improve our understanding of people’s energy related attitudes and behaviours and how to influence them.’ Our view is that there is sufficient understanding of this, and the priority is action that properly incentivises changing behaviour.

Transport: We are pleased to see that the Government includes transport efficiency within this Plan. However, as set out in Getting There our recent review of Scottish Government strategy and delivery, we see transport as being a critical area and one in which the situation in Scotland is not sustainable. Subsequent to publication of this report, the Scottish Government has decided not to update the existing Strategy. However, we see that the current Strategy is not delivering the required outcomes in transport, meaning it either needs to be updating, or the means of implementation needs to change.

I hope that this is of use to your Committee in its review of the Energy Efficiency Action Plan.

Below are more details on the above points. If you would like further information from Scottish Renewables please do not hesitate to get in touch.

The Sustainable Development Commission Limited
Governance and delivery

Government focus on energy efficiency has been poor in comparison to action on other related topics such as renewable energy. We hope that the publication of the Action Plan and its delivery will remedy this. One concern is how the Scottish Government organises itself to deliver energy efficiency. Action across many parts of Government will be required, so there must be shared knowledge, expertise and responsibility across Government. However there also needs to be a central strategic resource that can manage delivery. The team put together to deliver this Action Plan and coordinate delivery needs to be maintained and strengthened.

We support the Government’s basis for setting the target. However, a potential downside of the approach of linking the target to final energy consumption is the lack of information about the potential contribution of different sectors to the overall target. A reduction of 12% by 2020 is achievable, but will be challenging given that energy use in the transport sector is rising, not falling. Government will need to report on the energy use of different sectors, and may need to provide more details on the contribution of these sectors to the overall target. The Plan notes (p17) that Government has “considered the potential for reduction in energy consumption at a sectoral level” but notes that “a target to reduce ‘total final energy consumption’ will not focus on the same fuels or have comparable outcomes across these sectors.”

The Action Plan sets out a series of five specific indicators. These are

1. Household energy rating: Standard Assessment Procedure/National Home Energy Rating
2. Installations of key energy saving measures
3. Final energy consumption by fuel for the Industrial and Commercial Sector
4. Road transport fuel consumption per vehicle kilometre
5. Road transport energy consumption: tonnes of fuel per 1000 of population.

We see that each of these indicators will prove useful in helping Government track progress. However none of them measure actual energy use of these sectors. Government will therefore need to publish data on energy use in the domestic, industrial/commercial and transport sectors so that it can target resources and keep its overall target on track.

As well as the Energy Efficiency Action Plan, we also expect the Government to publish its Low Carbon Economy Strategy and its Report on Proposals and Policies. The relationship between each of these is not clear, but we expect that the Low Carbon Strategy will set out in more detail what action Government is taking to secure the economic opportunities around energy efficiency, while the Report on Proposals and Policies will provide more detail on delivery of some of the Actions set out within this Action Plan.

Investing in energy efficiency

Our comments here focus on domestic energy efficiency, and in particular the use of finance to support neighbourhood retrofit programmes, as set out in our 2010 UK report The Future is Local.
Identifying sufficient investment will be a challenge for Scotland. The dominant model in the past has been through government grant support. In the domestic sector support comes either through Government or energy supply companies, but there are limits to how much these two sectors can contribute. Certainly if we are to see improvements in thermal performance of housing throughout Scotland, more significant investment is available than is currently available. We are glad to see that the Scottish Government has identified this as an issue, and that the 2011 Conference on Investment (following the 2010 Edinburgh conference on Investment in Low Carbon Generation) will be focused on energy efficiency.

Businesses wanting to invest in efficiency usually need to call on their own resources, and while there are good support programmes to provide advice – for example the Carbon Trust – these programmes are small in scale in comparison with the scale of the problem/opportunity.

In transport, Government is relying primarily on business to deliver innovation and bring more efficient products to market. Loans and innovation grants are available, supplemented by regulatory and taxation measures to encourage a market shift in consumer behaviour.

Government must think carefully about how best to stimulate investment in energy efficiency. While many regulatory and tax powers are reserved to the UK Government, there are opportunities for Scotland to develop new funding vehicles for communities.

Public sector funds will be very constrained so we need to use what is available more effectively. This means giving a greater capability to neighbourhood partnership to influence how public sector funding (and that over which the public sector has some influence, such as the new obligation on energy companies) is used in their area. The fact that the Scottish Government has given greater financial autonomy to local authorities is a welcome addition to this capability. But Government needs to look more closely at the neighbourhood level when reviewing ways to devolve power and greater autonomy to local government and community groups.

We see that there is most benefit in structuring funds to support neighbourhood retrofit programmes in which whole areas are improved. Upgrades can generate profit in the short and long term, delivering quick and slow wins to investors. However, it can be difficult for neighbourhood partnerships to access institutional investment. Institutional investors typically require investment scales of circa £50m for equity investment and £100m for debt investment. If neighbourhood partnerships are to attract private sector investment we need to develop mechanisms which make it easier for them to access finance. The role of the proposed UK Green Investment Bank will be critical in this. The Bank must fund efficiency as well as generation, and must be able to unlock finance for neighbourhood level projects alongside large scale strategic infrastructure.

If places are to be truly sustainable in the long term however, we must move beyond simply attracting institutional investors. We need to enable communities to develop self-sustaining local investment vehicles which retain and re-invest any surplus profits for community benefit. These surplus profits can be used to help fund those projects which have no direct revenue-generating potential but can deliver a range of community benefits.

To support local investment vehicles we need to be smarter about how we use the limited public sector finance there is available. The early stages of projects (scoping and development) carry the highest risk to investors. Public sector resources could be used
to minimise this risk and allow projects to progress. This can be achieved through a variety of methods including public sector underwriting, use of public assets, seed funding for scoping works, research and development, and setting a clear policy framework. When deciding how public money is spent, consideration should be given to how it could provide a return for local re-investment.

**Economic development**

It is clear there is significant potential for energy efficiency to support the Scottish economy. Increased efficiency will cut costs, or at least minimise the impact of increases in the unit cost of energy. Any savings can be reinvested into the economy rather than spent on fuel. There will also be significant opportunities for Scotland’s economy, through a range of actions. These stem from local area based employment in installing insulation and equipment, through to development of new products and technologies that use energy more efficiently. One critical area will be in the development of smart meters and smart grids in which generation and demand are “actively” managed. Opportunities exist for Scottish university spin off companies and others to benefit from this emerging global market. However, the Action Plan does not set out the scale of this opportunity or on what aspects the Scottish Government and Scottish Enterprise will focus on.

The Scottish Government is finalising its low Carbon Economy Strategy, and has made it clear that this Strategy is about the whole economy, not just low carbon generation technologies. We hope that the finalised Strategy sets out clearly the scale of opportunity here and more detailed actions.

**Behaviour Change**

SDC Scotland is very pleased to see a comprehensive and wide-ranging set of actions to encourage more energy efficient behaviours in Scottish homes, businesses and in the public sector. The combination of social marketing, information and advice is vital to fill the knowledge gap recent research (SEABs-08 and the messaging research undertaken by Flamingo on behalf of Scottish Government) has identified.

We are also very pleased to see that the Scottish Government’s behaviour change work takes the 4E’s framework as a starting point. This framework is essential to understanding the complexities of the attitude/behaviour gap that exist in relation to energy efficient behaviours. The approaches work best when they are delivered as part of a package, properly researched and evaluated.

However we are concerned that the Government is shying away from the difficult actions it needs to take by saying ‘...we need to improve our understanding of people’s energy related attitudes and behaviours and how to influence them.’ (p25)

All policy interventions impact on behaviour in some way. Behaviour change needs to be seen as an outcome, and not an intervention in itself. Enabling sustainable behaviours is particularly challenging due to the disconnect people face between the current benefits of their behaviours and lifestyles and the longer term negative impacts on the environment and society. While a growing number of consumers are prepared to make the more difficult, expensive or outside the norm ‘green’ choice, the majority cannot or will not. It is therefore essential for policy makers to consider how all people can be ‘enabled’ to live more sustainable lives. The evidence that ‘changing contexts’ – the environment in which we make decisions – is more effective than ‘changing minds’ is well documented. Despite this evidence, we continue to see ‘personal responsibility’
advocated by many politicians and commentators as a favoured approach to behaviour change.

SDC Scotland believes that the 4-E’s and recent behaviour change research (a review can be found in SDC’s recent submission on behaviour change to the House Of Lords Science and Technology Committee) demonstrates that non-energy efficient behaviour is caused by a range of factors outwit lack of information or a laissez-faire attitude to environmental issues or climate change.

Much of the SDC’s advice to government on behaviour change has been based on our involvement in the Sustainable Consumption Roundtable and the subsequent report I Will If You Will (2006). It made clear that the scale of transformation needed to address the major challenges of climate change and global sustainability cannot be achieved by ‘green’ consumers alone. Government policies and business practices need to ensure that sustainable choices are the easy choices for everyone. This is the background to our advice on sustainable diets (Setting the Table, 2009); sustainable travel (Smarter Moves, 2009) and homes and communities (Stock Take, 2006; The Future is Local, 2010). We have also showcased ideas that could have a transformative effect on the sustainability of the economy, places and people’s lives (Breakthroughs for the 21st Century, 2009) and significantly we have demonstrated how government should re-evaluate it’s policy appraisal in our vision for a sustainable transport system in Scotland (Getting There, 2010).

The Scottish Government’s own research (SEAB’s 08) shows that people who fall into the ‘Deep Green’ classification often behave contrary to their articulated beliefs and values by for example flying on holiday or driving to work. Tackling this attitude/behaviour gap goes to the heart of government’s efforts on energy efficiency and many other policy challenges. Policy teams need to understand where people are, how to engage better, how to incentivise people to change, and how to drive the market. Initiatives and approaches need to be evaluated. We therefore recommend more evaluation and understanding of what interventions work best in practice, e.g. which levers and which combination of levers are more effective in different situations, and who is best to deliver these. This will require closer working between government, business, civil society and academia.

An example here is how people need to be encouraged to take up new technologies and to continue to use them appropriately. There is likely to be an ongoing rebound effect from climate friendly behaviour. People may purchase a more fuel efficient vehicle but drive further in it, or they may take an extra holiday flight because they have saved money on their energy bill. Any behaviour change programme needs to be sustained and to combine work on influencing attitudes and behaviour with the kinds of infrastructural changes that both enable and encourage the desired behaviours long term.

There are positive examples of the Scottish Government engaging on climate change. Both the Climate Challenge Fund and the 2020 Delivery Group have brought new groups and interests to the table to find practical solutions to Scotland’s climate change challenge.

The case for extending or repeating the sort of community funding provided by the CCF seems to rest on a fairly widely shared sense amongst activists and some policymakers that more sustainable lifestyles will be embraced by increasing numbers of people whose imagination and trust are captured by genuine bottom-up movements starting from where people are.
However, learning emerging from current CCF work suggests it is important to discuss outcome measures that differentiate between lifetime changes (e.g. loft insulation which once installed can be assumed to make a permanent contribution) and lifestyle changes (e.g. active travel – is a convert to cycle commuting likely to be a convert for life?). This aspect of behaviour change is not covered by the EEAP and will have to be addressed in-depth through the plan’s action points.

SDC Scotland remains sceptical to the Scottish Government’s approach of disseminating advice and information to create behaviour change. But we are equally encouraged that the Energy Efficiency Action Plan includes reference to the 4E’s model and an approach to behaviour change that is systematic and implemented in policy development. We hope this will be developed and built on in the research and engagement work outlined in the plan’s actions.

**Transport and energy efficiency**

Earlier in 2010, SDC Scotland produced Getting There, a review of Scottish transport policy. We see that transport policy in Scotland is not delivering against sustainable development criteria. While Government is taking action to reduce emissions, improve quality, accessibility and affordability, improving journey times and connections, transport indicators are showing a negative trend.

Both emissions and the volume of road traffic continue to increase. They are symptoms of an unsustainable transport system. A shift to more use of public transport and active travel like walking and cycling has yet to take place. Rain use is up but bus use remains in decline. In short, how we use transport in Scotland is a long way from the Government’s stated aims of improving journey times and connections, reducing emissions and improving quality, accessibility and affordability.

It is also clear that improvements in vehicle technologies and changes in fuel type (e.g. use of biofuels or use of electric vehicles) will bring reductions in impact, they will be insufficient to meet overall emission reduction targets. Scottish Government research shows that to deliver the 2020 climate change target will require a wide range of actions including politically difficult ones such as road speed reductions and increasing parking charges. This must be implemented alongside options like investing in cycling infrastructure and public transport and supporting electric car technology.

The Scottish Government has decided not to refresh its existing Transport Strategy. Given this, we see that the Government must look afresh at its delivery of the existing strategy, given that current action is failing to make sufficient change in reducing the impact of transport in Scotland. We also want to see more detail in the Report on Proposals and Policies on the actions Scotland will take to tackle emissions in transport.
BRIEFING FOR THE ECONOMY, ENERGY AND TOURISM COMMITTEE
ON THE SCOTTISH GOVERNMENT ENERGY EFFICIENCY ACTION PLAN

Introduction

1. Conserve and Save, the Energy Efficiency Action Plan for Scotland (EEAP) was published on 7 October 2010. The document:

“sets out the framework for the Scottish Government’s comprehensive approach to energy efficiency and microgeneration. It focuses on their contribution to energy and economic development, their role in reducing energy consumption in buildings and transport, and their role in delivering climate change targets”.

2. In its June 2009 report Determining and delivering on Scotland’s energy future, the Economy, Energy and Tourism Committee made a number of recommendations in the energy efficiency policy area. In the report the Committee reaffirmed its call on the Scottish Government for a rapid publication of its detailed energy efficiency action plan, with delay beyond 2009 not acceptable. The key references on energy efficiency in the Committee’s report are detailed below, together with information on how the actions in the EEAP respond to the concerns of the Committee.

3. It can be presumed that the Scottish Government would take the view that the EEAP in its entirety should address the concerns of the Committee. To that end all the actions in the document are reproduced in the Annex to this briefing.

Efficiency embedded in energy policy

4. The Committee stated in its report that “Scotland’s energy future has to be one where the concept of efficiency, in the broadest sense of the word (i.e. meaning not just energy efficiency), is embedded at the very core” and that “the focus of Scotland’s energy policy has to be on building a system where efficiency is maximised in all respects”. The Committee rejected the premise that energy consumption must be allowed to continue to grow inexorably come what may and that it was essential to build a society where we aim to supply and use energy as efficiently as possible. The Committee further stated that “Energy efficiency has long been described as the Cinderella of energy policy, and believed that this is no longer tolerable and seeks appropriate shifts in the public policy landscape”. The overarching desire of the
Committee for energy efficiency to be a primary concern was clear in its report.

5. There is some evidence in the EEAP that the concept of “efficiency” is the top priority in Scotland’s energy future and that energy efficiency is no longer the Cinderella of energy priorities and investment. In particular there are a number of top level statements which set out the Scottish Government’s position.

6. The Approach section of the EEAP states:

   “energy efficiency and microgeneration are critical to satisfying our requirements for the services that energy provides (heat, light, clean water etc.), whilst ensuring that these remain affordable and we protect the environment for future generations. This places energy efficiency at the top of our hierarchy of energy policies as the simplest and most cost-effective way to reduce emissions whilst seeking to maximise the productivity of our renewable resources”.

7. In the foreword to the EEAP the First Minister states:

   “As we move to a low carbon society, energy efficiency must become a priority across all Scottish Government work, complementing Scotland’s other energy-related strengths and working across areas such as housing, transport and business to help us achieve our purpose of sustainable economic growth”.

8. The Summary of Actions section of the EEAP outlines that “In order to deliver the targets set in the Climate Change (Scotland) Act 2009, we must deliver a step-change reduction in energy use and move to non-carbon alternatives”. To underpin this, the EEAP includes a headline target to reduce Scottish final energy consumption by 12% by 2020, together with information on how this will be monitored (note that at the end of 2006, the EU pledged to cut its annual consumption of primary energy by 20% by 2020 – however this was part of a package of targets which included 20% of all energy being produced from renewable sources, and the Scottish target is based on average consumption figure from 2005, 2006 and 2007 figures).

9. These are some of the highest level strategic statements of this kind in the EEAP – though the Approach section states that:

   “this Action plan is intended to provide a strong, strategic focus for action on energy efficiency, to provide people and business with the confidence to invest for the future, and to stimulate demand for energy efficiency measures, products and services”.

10. The Committee report found that the public policy and legislative framework needed a radical overhaul to be as efficient and co-
ordinated as possible and necessary steps should be taken to build, for example, an efficient planning and consent system, and a coherent legislative and institutional landscape.

11. The Vision in the EEAP explores this a little stating:

“the Energy Efficiency Action plan takes a comprehensive approach, orchestrating action across all sectors to create a broad platform from which we can drive greater overall momentum. We look at energy efficiency within individual sectors (housing, non-domestic and public sector), as well as the supporting infrastructure, including planning, district heating and skills. We include microgeneration throughout, as energy efficiency and microgeneration together will help to achieve a low carbon future for our homes and workplaces. Our activities across these areas are closely connected, and no section of the plan should be taken in isolation”.

12. As regards planning in particular the EEAP makes a number of references to the development of district heating and the key role for the planning system. For example Action 6.2 outlines that the Scottish Government will proactively develop district heating as a discrete policy area within energy efficiency, including (as one of 5 sub-actions) by investigating options for training or workshops for planning authority officers. The EEAP also highlights advice written by the Energy Saving Trust on Sustainable Energy in the Built Environment Best Practice for Scottish Planners.

13. The Committee report called for a regulatory approach that reduces the current deficiencies in our energy sector, such as the need to move away from high carbon-content technologies, reduce the excessive generation and transmission losses, tackle grid constraints, eliminate the investment or fiscal disincentives hindering the efficient use of our indigenous energy resources in the North Sea or Scottish wind, wave and tidal resources.

14. Some of these issues, which relate to the wider desire for “efficiency” in the energy system the Committee called for in its report are not covered in any particular detail in the EEAP, though readers are directed to the discussion document Towards a Low Carbon Economy which considers many of these issues. On energy efficiency this document stated: “Maximising energy efficiency helps to play an important role in achieving the Scottish Government’s economic, climate change and social objectives. For example, it contributes to the Governments primary targets of increasing economic growth, productivity, and labour market participation through the work required to implement energy efficiency measures.”

15. In its report the Committee wanted to see “a radical shift in policy towards energy efficiency and for substantial investments of resources
in initiatives which focus on maximising the efficiency of supply and consumption of energy. These steps should be first in the hierarchy of priorities within a Scottish energy policy”.

16. As already noted, the EEAP states that energy efficiency is now at the top of the Scottish Government’s energy hierarchy – this seems to be a change since the evidence provided by the Energy Minister to the Committee during its energy inquiry when renewable energy and the use of clean fossil fuels were given priority. Beyond the overarching statements reproduced earlier, specific evidence for the change is hard to find when considering the EEAP in isolation - the proof of this change will be in effective implementation of the actions in the plan.

Tackling Fuel Poverty

17. The EEAP highlights fuel poverty as a particular challenge, and reaffirms that “the Scottish Government is committed to ending fuel poverty, so far as is reasonably practicable, by 2016”.

18. The Committee considered in its report that the Scottish Government must take substantive steps, with immediate effect, to achieve the sea change required to meet its statutory target of eliminating fuel poverty by 2016. The actions below are those in the EEAP which refer to fuel poverty though clearly other actions (such as in relation to building standards) are of course relevant.

19. **Action 1.4** in the EEAP states that the Scottish Government will streamline delivery of support for the EST’s energy efficiency, fuel poverty and transport programmes.

20. **Action 2.2** states that the Scottish Government will regularly review energy efficiency programmes to make them more effective in achieving the outcomes of reduced fuel bills for Scottish households, reduced emissions, reduced fuel poverty, and a strong energy efficiency industry in Scotland. This includes increasing the uptake of GB-wide programmes.

21. **Action 2.8** states that the Scottish Government will strengthen guidance for local housing strategies by issuing supplementary guidance jointly with Cosla on local authority coverage of climate change as a key step in progressing further local councils’ activity on energy efficiency and climate change towards a more strategic approach integrated with fuel poverty and mainstream housing policies. Associated with this action the EEAP states that “Cosla has worked closely with us in streamlining strategic planning for housing, and the local housing strategy is now the sole strategic document dealing with housing and related issues, across all tenures, including fuel poverty.”

22. The Committee called for an area-based, targeted energy efficiency/conservation programme designed to tackle fuel poverty and
reduce energy demand with the size of the investment in the order of £100-170 million per year over the next decade to come, and with spending targeted on the basis of a geographical mapping of fuel poverty needs.

23. The EEAP sets out the financial assistance provided by the Scottish Government, including the area-based home insulation scheme, all of which have at least a part focus on reducing fuel poverty. The EEAP states that in addition to the Carbon Emission Reduction Target (CERT), which is discussed in more detail later in this briefing, that the Scottish Government seeks to complement such funding through direct support such as:

- £25 million this financial year for area-based home insulation schemes;
- a target of £2 million of energy efficiency loans to SMEs in 2010-11;
- the recent pilot of energy efficiency loans for householders worth over £2 million;
- £1.1 million this year for the Energy Efficiency Design Awards, to drive forward innovative energy saving solutions;
- £13.5 million this year for community renewables and microgeneration; revolving loans through the Central Energy Efficiency Fund (CEEF), worth £20 million for public sector bodies;
- an additional £4 million in interest free loans for Further and Higher Education institutions, delivered through Salix Finance;
- up to £10 million this financial year for the Energy Saving Trust and Carbon Trust to deliver advice and guidance across all sectors.
- potential benefits from the Energy Assistance package (with a core budget of £45.9 million this year from Scottish Government, plus CERT funding from the major energy supply companies), and the Climate Challenge Fund, worth £27.4 million for 2008-11.
- successful home loans pilot and extended the Home Insulation Scheme
- a £2 million Scottish boiler scrappage scheme
- the EEAP also identifies further programmes that will receive funding, such as the VIBES award for energy efficiency, pilots that will promote energy efficiency in traditional buildings, microgeneration projects in transport, and work to assess the skills demand and its implications.

Carbon Emission Reduction Target (CERT) Scheme

24. The Carbon Emission Reduction Target (CERT) requires all domestic energy suppliers with a customer base in excess of 50,000 customers to make savings in the amount of CO₂ emitted by householders.
Suppliers meet this target by promoting the uptake of low carbon energy solutions to household energy consumers, thereby assisting them to reduce the carbon footprint of their homes.

25. The Committee felt that the Scottish Government should seek to work as a matter of urgency with the UK Government to tackle the shortcomings of the CERT scheme in Scotland which, as designed, did not best meet the challenges of Scottish building stock and the particular needs of off-grid and remote households. The Committee felt action on this might include a separate Scottish co-ordinating or delivery unit, with (executively) devolved responsibilities.

26. The Scottish Government recognises in the EEAP that CERT is the main mechanism for providing home energy efficiency improvements in Scotland, and that it could be worth over £300 million for the period 2008-11. The EEAP states that the Scottish Government is “working with energy companies to help leverage a proportionate share of their supplier obligation for Scotland”.

27. The EEAP reports on recent action by the Scottish Government, building on the 2009 CERT Strategy for Scotland:

“as a first step we have set up the CERT strategy steering group, chaired by the Minister for Housing and Communities. We are also working with DECC, energy suppliers, Ofgem and the Energy Retail Association to improve the data on delivery of CERT. In September 2010, figures for Scotland from the first and second year of CERT were published, showing an increase in the number of measures installed in Scotland from the first to the second year. This is a positive outcome which, we believe, has been supported by the setting up of the Energy Saving Scotland Advice Centres and by programmes such as this and EAP being designed to provide referrals to CERT, as well as deliver other objectives. To ensure future schemes, such as the energy company obligation which is expected to succeed CERT [post 2012], are developed so that they are effective for Scottish households, the Scottish Minister for Housing and Communities has joined the Ministerial oversight group set up by UK Government for the Green Deal Programme”.

28. The EEAP further states that the Scottish Government “intend to report on the installation of important energy conserving measures such as loft and cavity wall insulation which are supported by the Carbon Emission Reduction Target (CERT) and other enabling Scottish

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1 The Green Deal was announced by the UK Government on 21 September 2010. According to DECC the scheme is a “new and radical way of making energy efficiency affordable for all, whether people own or rent their property. The upfront finance will be attached to the building’s energy meter. People can pay back over time with the repayments less than the savings on bills, meaning many benefit from day one. It will help save carbon, energy and money off fuel bills. The Green Deal is expected to be available in late 2012.”
Government or UK policies” and that “as far as possible, ensure Scottish Government programmes continue to be designed to make the most of other sources of investment. for example, both the Home Insulation Scheme (HIS) and Energy Assistance Package (EAP) have been designed to increase uptake of measures supported through the Carbon Emission Reduction Target (CERT)."

29. **Action 2.3** in the EEAP says that the Scottish Government will continue to work closely with the Department of Energy and Climate Change (DECC) in the development of future GB-wide programmes to improve deliverability in Scotland to make it easier for Scottish householders to benefit from these schemes.

**Support and incentives to the industrial and commercial sectors**

30. The Committee believed in its report that there was a need to take a more holistic approach to industrial and commercial energy usage and provide greater support and incentives to this sector to improve its energy efficiency and was of the view that the efficient use of energy in this sector was vital to minimise the effect of any future increases in energy costs on production and services in the Scottish economy.

31. Section C3 of the EEAP is devoted to energy efficiency for business stating that the Scottish Government “will support businesses to maximise their competitiveness through the improved energy efficiency of non-domestic buildings and business processes and by taking advantage of the opportunities that energy efficiency will offer in the transition to a low carbon economy”.

32. The EEAP categorises the issue for business as being two-fold – firstly that the growing requirement for energy efficiency across all sectors will create significant business opportunities; and secondly early action and transformational change are essential to make nondomestic buildings and business processes more energy efficient in order to meet Scotland’s climate change targets.

33. The business section of the EEAP reaffirms that the Scottish Government will liaise with the UK Government on the development of the Green Deal scheme to mobilise capital investment to allow businesses and public sector organisations to carry out energy efficiency improvements (particularly for those businesses not included in existing policy instruments).

34. Specific actions in the business section of EEAP are:

- **Action 3.1** - We will address energy efficiency as a key area of opportunity underpinning the transition to a low carbon economy in the low carbon economic strategy, currently being developed in partnership with our enterprise agencies, SEPA and others.
• **Action 3.2** - We will actively promote the provision of energy efficiency advice to businesses in Scotland, including through the establishment of a single Energy and Resource Efficiency Service.

• **Action 3.3** - We will engage with industry more deeply on a sector specific basis, including by supporting the roll out in Scotland of the Carbon Trust’s Industrial Energy Efficiency Accelerator (IEEA).

• **Action 3.4** - We will encourage businesses to develop and use innovative energy efficiency solutions by focussing the VIBES judges’ special award in December 2010 on energy efficiency. For future years, we will investigate the possibility of developing an award specifically for energy efficiency within the VIBES scheme.

• **Action 3.5** - We will drive forward the CRC Energy Efficiency Scheme in Scotland, ensuring that it delivers on energy efficiency for large non-energy-intensive Scottish public and private sector organisations.

35. In the EEAP activity on building standards for non-domestic building stock is addressed together with that for domestic buildings. The Scottish Government has recognised that there is a lack of structured data on the energy performance of non-domestic buildings in Scotland and is therefore undertaking a scoping study on mapping the existing non-domestic stock to better facilitate the targeting of appropriate measures.

36. The EEAP reports that new building standards coming into force in October 2010 will deliver a 30% reduction in CO\textsubscript{2} emissions from new homes and non-domestic buildings when compared to 2007 standards, and around a 70% reduction compared to the standards that existed in 1990. Revisions will include:

- a 10–15% improvement in the minimum energy performance of the building fabric;
- improvement in the performance of building services, including improved efficiencies for space heating and hot water and the introduction of minimum efficiencies for ventilation and cooling systems;
- a greater percentage of low energy lighting;
- an expanded role for low carbon equipment to contribute towards the delivery of co2 savings;
- a reduction in the level of uncontrolled air infiltration coupled with the introduction of random airtightness testing.

37. In addition the standards have some revisions specific to the non-domestic sector:

- improved cooling system efficiencies and controls; and
- increased provision for energy metering and sub-metering including the direct metering of low carbon equipment.
38. The improved 2010 energy standards apply when owners elect to carry out new work on their existing buildings, whether in the public or private sector. For existing non-domestic buildings, where alteration, extension or conversion work is subject to a building warrant and involves new building services, owners will be required to assess and make a proportionate improvement to the efficiency of existing building services should these perform poorly.

39. The energy standards in the Building Standards will be further reviewed in time for 2013 and 2016. The 2013 review of building standards will consider water efficiency measures. Under provisions in the Climate Change (Scotland) Act 2009, a register for existing non-domestic buildings will be established.

40. In its report the Committee called on the Scottish Government to consider, in the next budget round, how measures such as Loan Action Scotland and the Renewables Obligation Certificates can better support the industrial and commercial sector to improve its energy efficiency.

41. Since the Committee’s report, Loan Action Scotland has changed to Small Business Loans. These are administered by the Energy Saving Trust and are 0% fixed rate small business loans of £1,000 to £100,000 to help businesses to install renewable energy technologies or measures that reduce energy consumption. The EEAP makes no reference to Renewables Obligation Certificates though this is no surprise given the focus on microgeneration.

42. The EEAP also pointed to a forthcoming Scottish Government low carbon economic strategy.

43. Provision of energy efficiency advice to business is covered below.

Public sector championing of energy efficiency

44. In its report the Committee was concerned about a lack of a public sector lead in championing energy efficiency, together with a paucity of quality consumption data and too few energy managers/champions in senior, decision-making positions. The Committee felt this was a matter that required immediate action from the Permanent Secretary in the Scottish Government and the chief executives of non-departmental public bodies, agencies, local government and others.

45. The EEAP sets out that the Scottish Government itself is seeking to take the leadership role required by the Committee. The EEAP states that the Scottish Government will “provide clear energy efficiency guidance and leadership to the public sector to enable the delivery of energy saving improvements and promote exemplary behaviour”.

46. In terms of the other key players the Committee mentioned, these should all be captured to some degree by the tools the Scottish Government has at its disposal including the Public Bodies Climate Change Duties (currently out for consultation), the Leading by Example Programme, and the School Estate Strategy.

47. The key actions in the public sector section of the EEAP are:

- **Action 4.1** - We will use the commencement of the Public Bodies Climate Change Duties as an opportunity to focus attention across the public sector on improving energy efficiency and, more specifically, to advise on ways in which public bodies can contribute to delivery of the actions within this plan.

- **Action 4.2** - We will support public bodies to reduce the energy consumption of their estate and to embed good energy efficiency practice within their organisation by funding organisations such as the Carbon Trust to provide expert technical, behavioural and change management advice, tailored to the size of the organisation.

- **Action 4.3** - Working in partnership with the Carbon Trust and public sector representative bodies, we will develop a methodology for setting appropriate energy saving targets for the public sector in Scotland. We will then:
  i. set an overarching energy saving target for the sector as a whole; and
  ii. ensure, in collaboration with the sector, that all public bodies set individual annual energy efficiency targets.

- **Action 4.4** - We will work with the Carbon Trust to develop an asset mapping approach through to 2050, initially for the largest public sector building assets.

- **Action 4.5** - We will work with the Carbon Trust to produce guidance by end of March 2011 on the procurement of energy efficient, low carbon buildings in the public sector.

- **Action 4.6** - We will maximise the potential of available financial support for energy efficiency projects on the public sector estate.

- **Action 4.7** - We will promote the reporting of public sector energy consumption, including by:
  i. publishing details of the Scottish Government’s weekly energy consumption in our headquarter buildings by Spring 2011. This will be supported by rolling out the installation of Automated Meter Reading equipment for electricity and gas across those buildings that we are required to report on under the CRC Energy Efficiency Scheme.
  ii. working with the public sector to ensure that all public bodies report on their energy consumption, and their progress in attempting to reduce this, at regular internal board meetings.

48. The EEAP also highlighted the need for more work to build on that already carried out by groups such as the Scottish Energy Officers
Network of local authority energy managers (SEON) and Sustainable Scotland.

**Tougher mandatory standards for building energy use**

49. The Committee believed in its report that tougher mandatory standards for building energy use (as opposed to building standards) were required and that these should be revisited regularly and progressively increased. The Committee also considered that a greater use of Energy Savings Companies (ESCOs) should be explored as a means of promoting energy efficiency in both public and private buildings.

50. On the use of ESCOs the EEAP states that “since the green deal’s market driven approach may encompass ESCOs, we will consider relevant funding mechanisms for housing, such as funds available through the European Investment Bank, once the UK Energy Security and Green Economy Bill has been laid before the UK Parliament later this year and proposals are known more fully”.

51. On energy use more generally the EEAP contains a number of behaviour change actions, many of which should result in changing practices in the use of energy in buildings.

52. The Committee also raised the issue of tariff structures within utilities and smart meters - the EEAP does not explicitly mention tariffs and says little on smart meters beyond that “the rollout of smart meters will make householders more aware of their energy use, and people will be encouraged by friends, neighbours, prospective tenants, community groups, advice services and/ or government to take action”. Both these issues are the subject of initiatives at UK Government and regulatory level.

**Streamlining the promotion of energy efficiency**

53. The Committee believed that a more streamlined approach to promoting energy efficiency would benefit individuals and businesses and called for the Scottish Government to examine the roles of all of the bodies active in the field with a view to determining whether they could either be merged or, in the shorter-term, encouraged to work more closely together.

54. In the business section of the EEAP the Scottish Government recognises that “Current access to advice and support for businesses on energy and resource efficiency can appear unclear and disjointed” and that “engagement with industry by Scottish Enterprise and SEPA indicates a need for:

- a more effective, joined-up approach between agencies, including the need for better integration of services, better
signposting between agencies, and a more customer-focused approach;

- the provision of clear information that adds value to business, including relevant case study material and examples of best practice; and
- action to remove some of the barriers that impede effective delivery, including inconsistencies between agencies”.

55. The EEAP cites the examples of the development of Scotland’s environmental & rural services (SEARS) initiative, as an example of partnership between nine public bodies working together to provide an efficient, effective and joined up service to rural land managers and proposes, in Action 3.2 the establishment of a single Energy and Resource Efficiency Service to include and build on “the strengths of, the Carbon Trust, EST, the enterprise agencies and SEPA.

56. The Scottish Government believes:

“This will offer a more joined-up and customer-focused service to businesses of all sizes. It will ensure that all businesses have the appropriate opportunities presented to them, improve cross-agency referral processes, and reduce the amount of information requests and time involved for small and medium sized businesses (SMEs). At the same time, we recognise that dedicated specialist expertise may be required to advise and support on particular aspects and projects”.

57. The Scottish Government also highlights that the Business Gateway is being redeveloped to deliver a single online portal for all public sector information, regulation, advice and support to businesses in Scotland. The Scottish Government will complement the development of the Single Resource and Energy Efficiency Service by ensuring that the energy and resource efficiency elements of the redeveloped Business Gateway are improved and businesses are signposted on appropriately.

General permitted development rights for air-source heat pumps and micro wind

58. In its report the Committee welcomed the moves to extend general permitted development rights for air-source heat pumps and for micro-wind and called for the relevant provision to come into force as soon as possible.

59. The Town and Country Planning (General Permitted Development) (Domestic Microgeneration) (Scotland) Amendment Order 2010, which came into force on 8 March 2010, provides for free-standing micro-wind turbines and air-source heat pumps. This will benefit mainly rural householders. The EEAP outlines that the Scottish Government has:
“recently consulted on proposals to extend further permitted development rights for micro-wind turbines and air source heat pumps. This develops areas of policy excluded from the earlier Scottish Statutory Instrument due to the three-month period stipulated in rules regarding notification of the European Commission of changes to technical standards which may affect a market. It is anticipated that a future Order will provide scope for more domestic properties to benefit from permitted development rights for wind turbines and air source heat pumps, including properties in urban areas”.

Supplemental information

60. On 25 October 2010 the UK Government response to the Energy and Climate Change Committee report into Fuel Poverty is due for publication. This will detail the Government’s response to recommendations made by the Committee in its Fifth Report of Session 2009-10, HC 424-I, *Fuel Poverty*.

Graeme Cook
Principal Researcher
SPICe
October 2010

**ACTION POINT**

1. Encouraging Behaviour Change - We will focus attention on understanding and shifting behaviour through our co-ordinated approach to Climate Change research, sustainability in education, and influencing practical behaviour through social marketing, information and advice.

**Action 1.1** In order to understand how best to influence energy efficiency behaviour, we will address energy efficiency within the Scottish Government’s Climate Change Behaviours Research Programme and apply the lessons from this and other research to ongoing energy efficiency policy making.

**Action 1.2** We will educate our citizens about the principles of energy efficiency, most notably working with schools, colleges and universities, and the wider community in Scotland to deliver the actions set out in Learning for Change.

**Action 1.3** In order to influence the wider public, we will use Scottish Government social marketing research, in tandem with the output of the Climate Change Behaviours Research Programme and other social research, to inform and build future marketing campaigns related to energy efficiency. Energy efficiency will come under the new overarching Greener Scotland Climate Change narrative, and we will employ the single Natural Scotland brand identity across all Scottish Government communication. We may also include, when appropriate, the Energy Saving Trust and Carbon Trust identities.

**Action 1.4** We will communicate helpful information and advice to the groups who need to take forward energy efficiency in a way that is coherent, consistent, and easy to understand. Within this, we will:

- continue to support organisations such as the Energy Saving Trust and Carbon Trust to provide advice to domestic and small business users and to larger SMEs and energy intensive businesses respectively; and
- streamline delivery of our support for the EST’s energy efficiency, fuel poverty and transport programmes

**Action 1.5** We will engage with individuals and organisations across Scotland in a consistent and co-ordinated way, developing our energy efficiency stakeholder engagement plan within context of broader climate change and low carbon engagement.

2. Domestic Energy Efficiency

Improving the energy efficiency of the domestic sector is vital, as around 29% of all energy consumed in Scotland is used in our homes for space and water heating, cooking, lighting, and running electric appliances.
### Action 2.1
Within available resources, we will continue to provide ongoing support and financial assistance for energy efficiency in existing housing, leveraging investment from energy companies and private householders wherever appropriate.

### Action 2.2
We will regularly review energy efficiency programmes to make them more effective in achieving the outcomes of reduced fuel bills for Scottish households, reduced emissions, reduced fuel poverty, and a strong energy efficiency industry in Scotland. This includes increasing the uptake of GB-wide programmes.

### Action 2.3
We will continue to work closely with DECC in the development of future GB-wide programmes to improve deliverability in Scotland to make it easier for Scottish householders to benefit from these schemes.

### Action 2.4
With relevant partners, we will investigate options for financing mechanisms for major energy efficiency measures in private sector housing.

### Action 2.5
Historic Scotland will take the lead in researching and promoting energy efficiency in traditional buildings. As part of this it will:

1. carry out research and case study projects, and disseminate findings to and through relevant partners, publications and digital media in order to improve advice provision, skills and qualifications for the public and professionals on energy efficiency improvement of traditional housing; and
2. include energy efficiency in domestic properties in its existing and future regeneration and grants programmes, such as the Conservation Area Regeneration Scheme.

### Action 2.6
We will further develop our powers to enforce energy efficiency standards in the private sector, including by publishing a Ministerial report on our position on regulation by the end of March 2011.

### Action 2.7
We will work with social landlords and other stakeholders to consider how best to meet carbon reductions from social housing, including the development of an appropriate energy efficiency standard beyond SHQS.

### Action 2.8
We will strengthen guidance for Local Housing Strategies by issuing supplementary guidance jointly with COSLA on local authority coverage of climate change as a key step in progressing further local councils' activity on energy efficiency and climate change towards a more strategic approach integrated with fuel poverty and mainstream housing policies.

### 3. Energy Efficiency for Business
We will support businesses to maximise competitiveness through the improved energy efficiency of non-domestic buildings and business processes and by taking advantage of the opportunities that energy efficiency will offer in the transition to a low carbon economy.

### Action 3.1
Energy efficiency is a key area of opportunity underpinning the transition to a low carbon economy and makes a significant
contribution to the low carbon economic strategy currently being developed in partnership with our enterprise agencies, SEPA and others.

**Action 3.2** We will actively promote the provision of energy efficiency advice to businesses in Scotland, including through the establishment of a single Energy and Resource Efficiency Service.

**Action 3.3** We will engage with industry more deeply on a sector specific basis, including by supporting the roll out in Scotland of the Carbon Trust's Industrial Energy Efficiency Accelerator (IEEA).

**Action 3.4** We will encourage businesses to develop and use innovative energy efficiency solutions by focussing the VIBES (Vision in Business for the Environment of Scotland) judges' special award in December 2010 on energy efficiency. For future years, we will investigate the possibility of developing an award specifically for energy efficiency within the VIBES scheme.

**Action 3.5** We will drive forward the CRC Energy Efficiency Scheme in Scotland, ensuring that it delivers on energy efficiency for large, non-energy-intensive Scottish public and private sector organisations.

### 4. Energy Efficiency across the Public Sector

We will provide clear energy efficiency guidance and leadership to the public sector to enable the delivery of energy saving improvements and exemplary behaviour.

**Action 4.1** We will use the guidance on the Public Bodies Climate Change Duties to support the delivery of improved energy efficiency across the public sector.

**Action 4.2** We will support public bodies to reduce the energy consumption of their estate and to embed good energy efficiency practice within their organisation by funding organisations such as the Carbon Trust to provide expert technical, behavioural and change management advice, tailored to the size of the organisation.

**Action 4.3** Working in partnership with the Carbon Trust and public sector representative bodies, we will develop a methodology for setting appropriate energy saving targets for the public sector in Scotland. We will then:

i. set an overarching energy saving target for the sector as a whole; and

ii. ensure, in collaboration with the sector, that all public bodies set individual annual energy efficiency targets.

**Action 4.4** We will work with the Carbon Trust to develop an asset mapping approach through to 2050, initially for the largest public sector building assets.

**Action 4.5** We will work with the Carbon Trust to produce guidance by the end of March 2011 on the procurement of energy efficient, low carbon buildings in the public sector.

**Action 4.6** We will maximise the potential of available financial support for energy efficiency projects on the public sector estate.

**Action 4.7** We will promote the reporting of public sector energy consumption, including by:
i. publishing details of the Scottish Government's weekly energy consumption in our headquarter buildings by Spring 2011. This will be supported by rolling out the installation of Automated Meter Reading equipment for electricity and gas across those buildings that we are required to report on under the CRC Energy Efficiency Scheme; and
ii. working with the public sector to ensure that all public bodies report on their energy consumption, and their progress in attempting to reduce this, at regular internal board meetings.

5. Achieving energy efficiency through Building Standards
We will drive improvements to the energy efficiency of Scottish building stock through building standards.

| Action 5.1 | We will introduce new energy standards in October 2010, which will deliver a 30% reduction in carbon dioxide emissions from new buildings when compared to 2007 standards, and will further review energy standards for 2013 and 2016 to help meet our emissions reduction targets. Costing research will be carried out in 2010-11 to support the review for 2013. |
| Action 5.2 | We will consider the impact of introducing water efficiency measures into the building regulations in 2013. |
| Action 5.3 | We have established a working group drawn from across the design and construction industry to explore the development of a sustainability labelling system for domestic buildings. This work would be extended to non-domestic buildings in due course. |
| Action 5.4 | We will continue to publish online guidance on low carbon equipment that include issues relating to building regulations. |
| Action 5.5 | We will undertake research on providing information to building occupants to optimise the performance of low carbon homes. |
| Action 5.6 | We will introduce improved energy efficiency measures in October 2010 for extensions, conversions and alterations, including where building elements such as boilers, cooling systems, windows, and doors are being replaced. |
| Action 5.7 | We will introduce new measures for the improvement of existing buildings triggered either by the extension of a dwelling or work to an existing non-domestic building with a building services component. These will apply from October 2010. |
| Action 5.8 | We will consult publicly on proposals for implementation of the EPBD recast in the first half of 2011. We will explore the possibilities of holding a national register on information from non-domestic Energy Performance Certificates, with a view to building on current mapping work. |
| Action 5.9 | In 2010 and 2011, we will explore the options for improving the energy efficiency of existing non-domestic building stock through a working group, with the intention of developing regulations for 2012. |

6. Infrastructure for the Built Environment
We will proactively support developments across the built environment which strengthen the impact of energy efficiency.

| Action 6.1 | We will actively promote design solutions that support energy-efficient development forms by: |
| i. supporting initiatives that encourage low-carbon communities and sustainable developments, such as the 11 Scottish Sustainable |
Communities Initiative exemplar projects;
ii. Implementing the Designing Streets policy, which aims to prioritise pedestrians and cyclists over vehicle movement in new or retrofitted streets.

**Action 6.2** We will proactively develop district heating as a discrete policy area within energy efficiency, including by:
i. appointing a dedicated officer to take forward district heating policy and co-ordinate activity across Scottish Government;
ii. supporting a number of local heat mapping and feasibility projects over 2010/11;
iii. investigating options for training or workshops for planning authority officers;
iv. pursuing options to finance district heating projects; and
v. SEPA’s advice to planning authorities re. water, heat and power.

**Action 6.3** We will ensure that planning policy takes the potential contribution of microgeneration into account by:
i. carrying out consultations on permitted development rights for microgeneration in domestic and non-domestic properties and bringing relevant legislation into force by April 2011; and
ii. working with planning authorities to meet the terms of Section 72 in a way which is consistent with Scottish Planning Policy.

**Action 6.4** We will actively promote microgeneration, most notably by:
i. seeking to maximise Feed in Tariff and proposed Renewable Heat Incentive investment in Scotland;
ii. supporting the development of a Scottish Microgeneration Certification Scheme (MCS) certification body and exploring other barriers that hinder widespread participation in MCS;
iii. publishing a series of online guides on low carbon equipment; and
iv. our work on skills and to reduce consumption in the transport network.

**Action 6.5** Scottish Water will prepare a plan by 2011-12, outlining how it intends to promote water conservation and water-use efficiency.

**7. Changing how we use our Transport Systems**
We will create an energy and fuel efficient transport system as part of our drive towards a low carbon future for Scotland.

**Action 7.1** We will seek to reduce the need to travel, in particular through further analysis of the community-hub concept to test issues of planning, likely demand, community and business engagement, and value for money.

**Action 7.2** We will extend travel choices to include more sustainable transport options through:
i. supporting more active travel - implementing the Cycling Action Plan to achieve our vision of 10% of all journeys being by bike in 2020 and supporting this with additional funds this financial year;
ii. widespread travel planning - including a range of measures to encourage its use and improve its impact in organisations and schools
and - for households - reviewing the Scottish-based Smarter Choices, Smarter Places demonstration programme, and using the lessons learned to work with COSLA, Regional Transport Partnerships and local authorities to consider how best to deliver Personal Travel Planning post-2011;
iii. management of car parking and road space - working with COSLA, local authorities, and business organisations to consider potential policies relating to parking management, and examining any legislative requirements;
v. supporting the bus industry in adopting low carbon buses;
vi. continuing to promote modal shift to rail and more efficient rail services; and
vii. continuing to promote the benefits of high speed rail as a long-term infrastructure investment.

**Action 7.3** We will encourage more efficient driving and reduce energy consumption in the transport network by:

i. working with industry and motoring and freight organisations to establish how the driver training market can best deliver eco-driving training to improve vehicle efficiencies and reduce fuel consumption;

ii. reducing carbon from the Scottish vehicle fleet by raising awareness of available UK funding support for Low Carbon Vehicles (LCVs) and building on this with specific Scottish interventions, e.g. encouraging the public sector to show leadership through the visible procurement of LCVs and their required infrastructure;

iii. seeking to improve the operational efficiency of our trunk road network through the deployment of Intelligent Transport Systems;

iv. continuing to operate the trunk road and motorway network in the most efficient manner and seeking to reduce energy consumption by roadside electrical equipment;

v. continuing to support the rail industry in developing emission reduction techniques.

**8. Developing the Skills for Energy Efficiency**

In making the most of the new opportunities presented by energy efficiency, we will ensure that our training and education systems are ready and capable to develop the required skills and knowledge so that as many people as possible take up the openings in employment.

**Action 8.1** We will assess the energy efficiency skills demand and current activity by:

i. undertaking a programme of work to draw on existing labour market information from Sector Skills Council and Scottish Government surveys;

ii. assessing the skills implications of this predicted demand in terms of: i) numbers of employees affected; and ii) the level of engagement required to support energy efficiency in Scotland; and
iii. working with Sector Skills Councils and other industry bodies to undertake an assessment of current and planned training provision with an energy efficiency emphasis.

**Action 8.2** We will strengthen our links with the skills work carried out by the Department for Energy and Climate Change (DECC) and its Green Deal skills project, tying in with the Energy Efficiency Partnership for Homes skills work group.

**Action 8.3** We will establish a delivery-focused skills group, made up of key partners, to agree a framework for taking forward energy efficiency and microgeneration skills activity.

**Action 8.4** We will raise business awareness of the skills implications of forthcoming regulations and requirements, demonstrating clear demand and the need to invest in skills.

**Action 8.5** We will actively promote the development of skills and innovation in energy efficiency for the design and construction sector by:

i. developing low-carbon and sustainable industries and disseminating good practice through projects such as Scotland's Housing Expo 2010; and

ii. supporting industry in achieving energy efficient solutions through initiatives such as the Scottish Sustainable Communities Initiative Design Competition.

### 9. Financing Energy Efficiency

We will pursue our work on financing energy efficiency on three fronts:

i. making the case for spending on energy efficiency in future budgeting decisions as part of the broader climate change and economic agendas;

ii. seeking to maximise the contribution that other public funding can make to energy efficiency, e.g. from Europe; and

iii. exploring new finance mechanisms.

**Action 9.1** We will ensure appropriate Scottish Government funding for energy efficiency activity, based on the contribution that this can make to climate change targets and economic development activity.

**Action 9.2** We will actively engage with UK and EU funding policy for energy efficiency with a view to maximising the value of UK, EU and other international funding in Scotland.

**Action 9.3** We will investigate new and further funding options for implementing energy efficiency programmes, working closely with the Scottish Low Carbon Investment Project, the 2020 Group, and other appropriate groups to investigate alternative funding models.

### 10. Taking Energy Efficiency Forward

We will seek to drive forward energy efficiency through our partnerships within Scotland and our national and international engagement, using these to promote and learn from best practice.
Action 10.1 Within Scotland, we will provide leadership and develop strong partnerships to help share best practice and ensure that everybody plays their part in driving forward energy efficiency.

Action 10.2 We will work with partners from across the UK to promote joint working and learning, and will be asking the UK Government to guarantee that its new policies will support the aims of this Energy Efficiency Action Plan.

Action 10.3 We will further the aims of this plan through our international engagement and by seeking to influence European policy in our common energy efficiency interests.