

## **Draft Energy Strategy and Just Transition Plan consultation**

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### **Chapter 1 - Introduction and vision**

1 What are your views on the vision set out for 2030 and 2045? Are there any changes you think should be made?

Please give us your views:

Our members are keen to support Scotland's transition to net zero and commend the many positive initiatives highlighted in the draft Energy Strategy and Just Transition Plan designed to deliver this. Despite this, the industry is concerned with the practicalities of achieving such ambitious targets.

Resourcing, skills, and the limited capacity of supply chains are significant barriers that we believe will impede delivery. Our members have specifically raised concerns with the target of decarbonising one million Scottish homes by 2030 and this initiative should be supported by underlying policies and funding. Not only is there a skills gap and a cost consequence, but also getting properties sufficiently insulated to allow electrical energy to be effective, will be extremely difficult to achieve both practically (some will be impossible) and financially without significant government support. This is not just an issue for domestic buildings either. The December 2018 baseline report for the Scottish Government estimated some 75% of Scottish non-domestic buildings had an EPC band of E or below. Some of this outcome will be attributed to the use and occupation of the buildings (retail, hotels, cafes, and restaurants) were often assessed at Band G at this time. Although we do feel there has been progress since this report, we still need to see an improvement for the significant majority of the existing non-domestic building stock.

Members believe that there should be reforms brought into the energy market to ensure affordable energy delivered to households and businesses, which would require the cooperation of UK Government and GB regulators with the Scottish Government.

Our members believe that this strategy is crucial in achieving the transition to net zero for Scotland, but we would need a route map on how to achieve that with more practical deliverables. Further to this, we believe effective planning, appropriate funding measures, coordination and knowledge exchange between stakeholders, training, and skilled resourcing in the field would be necessary to deliver this strategy.

### **Chapter 2 - Preparing for a just energy transition**

2 What more can be done to deliver benefits from the transition to net zero for households and businesses across Scotland?

Please give us your views:

The dilemma is to achieve rapid net zero progress when set against ongoing affordability and cost/budgetary issues. Our members have pointed out that 'it would be counterproductive for the Scottish Government to achieve zero carbon in 2030 by putting a massive debt onto its inhabitants.' Tackling fuel poverty and delivery of affordable energy should be the focal point for this strategy if we aim to decarbonize all buildings and move to non-fossil fuel energy sources. Energy must be affordable and resilient to switch from fossil fuels and gas – this should be the crucial role for government in order to meet our net zero ambitions.

3        How can we ensure our approach to supporting community energy is inclusive and that the benefits flow to communities across Scotland?

Please give us your views:

Our members suggest that we need to be very careful that the community benefits, mentioned repeatedly throughout the document, do not cause hardship to the rest of the country. The provision of part ownership and profit sharing is all very good for the local community as it encourages wind farms to be more acceptable, but the outcome is a considerable cost which impacts energy prices as a hidden cost.

We must also consider the social cost associated in the drive towards net zero. Given the commercial sector pays wholesale electricity rates and that the current unit prices for gas is cheaper than electricity, it is critical the domestic sector has access to green financing tools to incentivise a shift towards electricity. To ensure community energy is inclusive, incentives to install electric heating solutions, subsidies or carbon credits should be prioritised.

4        What barriers, if any, do you/your organisation experience in accessing finance to deliver net zero compatible investments?

Please give us your views:

The real estate investment community and many corporate occupiers are demanding environmentally sustainable buildings but there is currently a lack of such product to meet this demand. The concern is that unless we are able to create new or regenerated buildings that meet this standard, then these investors and businesses will invest elsewhere.

5        What barriers, if any, can you foresee that would prevent you/your business/organisation from making the changes set out in this Strategy?

Please give us your views:

Our members have reported the new build heat standard and changes in building regulations have a requirement for more insulation on the fabrication of the building which would be a requirement for this strategy in order to retain the heating generated by electricity to be effective. The cost of decarbonising the building hence increases in terms of resourcing materials. There are also practical issues in retrofitting and installing electrical heating in a high proportion of old builds. The cost sourcing of new material for insulation and the actual generated carbon emissions to produce the insulation materials is high. Some have therefore questioned the sustainability of insulation as a solution. We must strike a balance between embodied carbon in the building rather than just focusing on operational costs.

7        What more can be done to support the development of sustainable, high quality and local job opportunities across the breadth of Scotland as part of the energy transition?

Please give us your views:

We welcome and support initiatives like the creation of new national public energy agency – Heat and Energy Efficiency Scotland. There is a need to support and transfer the right skills across the sector for this transition. Equipping the staff working in the sector by providing training and knowledge transfer from national and international experts.

### **Chapter 3 - Energy supply - Scaling up renewable energy**

15 Our ambition for at least 5GW of hydrogen production by 2030 and 25GW by 2045 in Scotland demonstrates the potential for this market. Given the rapid evolution of this sector, what steps should be taken to maximise delivery of this ambition?

Please give us your views:

Our members believe that hydrogen may be an option once we resolve the technological issues. We need to accept that it is not an efficient energy carrier and is inefficient to produce - using more energy than it provides back, it is a greenhouse gas and is corrosive to most current gas supply pipework. It is also not a versatile alternative fuel as it can only be used for specific machines and is unlikely to be used for cars, trains and buses.

To provide a sustainable energy supply we still need other forms of energy until technology resolves how we effectively (and efficiently) deliver new or alternate sources of energy. Closing existing power stations should only be progressed once we have a solution in operation.

Our members have suggested that there should be an exploration of other sustainable alternate fuels as well. To derive the most out of renewable resources we need energy storage units as they are not a constant source of energy.

### **Chapter 4 Energy demand - Heat in buildings**

27 What further government action is needed to drive energy efficiency and zero emissions heat deployment across Scotland?

Please give us your views:

Our members have noticed that we need considerably more electricity generation to satisfy the demand for housing, transport, and industry. In fact, to satisfy all of these needs we need to quadruple current availability. The proposal to increase electricity generation from 52 TWh in 2020 to 93TWh in 2030 and then almost double that by 2045 is necessary but extremely ambitious given that we only raised generation from 49TWh in 2010 to 52TWh in 2020. Considering this target is to be achieved using mostly renewable sources seems unlikely in the short term. We therefore need to look at all possible energy production and go at a pace that aligns with technology if we are to achieve this increase.

### **Impact assessment questions**

46 Is there any further action that we, or other organisations (please specify), can take to protect those on lower incomes or at risk of fuel poverty from any negative cost impact as a result of the net zero transition?

Please give us your views:

We suggest that there is a need to equalize the unit tax paid on electricity and gas to reduce the cost impact. This can be

done with cooperation of UK Government and GB regulators.

As mentioned in earlier answers, the social cost for this transition is higher for the domestic sector as well as rural and remote regions of Scotland. To improve affordability and reduce embodied carbon, we suggest the materials for the insulation on the fabrication of houses should be locally sourced or low carbon. There may be buildings which are not suitable for conversion to all electric heating systems and there should be mechanisms in place to support this transition, including accessible and inclusive funding options.

### **About you**

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61 Are you responding as an individual or an organisation?

Organisation

62 What is your organisation?

Organisation: Scottish Property Federation

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## **WE HELP SCOTLAND'S REAL ESTATE INDUSTRY GROW AND THRIVE**

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