

**Just Transition Commission – call for evidence
FINAL response from Energy Saving Trust**

Full name or organisation's name

Energy Saving Trust

1. What do you see as the main economic opportunities and challenges associated with meeting Scotland's climate change targets?

Opportunities

There are significant economic opportunities to be gained from increasing levels of uptake of energy efficiency in Scotland's housing sector. The economic benefits of investing in energy efficiency are well documented and while these benefits have not changed since our first submission to the Just Transition Commission in 2019 it is notable that they have received considerable attention over recent months as part of efforts to determine the 'best' means of post-covid economic recovery.

Many reports have been published over recent weeks and months highlighting the benefits associated with increased investment in energy efficiency and advocating that energy efficiency be a key element of economic stimulus packages. The recently published report from Scotland's Advisory Group on Economic Recovery for example highlights that *'Non-traded sectors and activities which are less affected by international competitiveness concerns such as domestic heating, energy efficiency and ground transport are all ripe for a programme of investment and innovation which will deliver emissions reductions, jobs and potential opportunities in supply chain development'*.

Some of the key economic benefits are neatly summarised in a recent report from the IEA and IMF¹: *'We estimate that 9-30 jobs would be created for every million dollars invested in energy efficiency measures in the buildings sector. Measures in this area often have short lead-times: existing efficiency programmes, for example, can be rapidly expanded and new projects can be shovel-ready within weeks or months...Government investment in accelerating energy efficiency in buildings would bring long-lasting benefits: it would reduce energy bills for consumers, reduce energy poverty, improve health and comfort, and improve resilience in the face of climate events and price shocks'*.

Scottish specific research shows a £7.8bn boost in real GDP over the period of a 30 year energy efficiency programme can be realised, with 'sustained delivery of 0.2% GDP in the long term' as the impacts of energy efficiency gains continue.² This suggests there could be a return of £5 in GDP per £1 of government investment, though figures will vary as timescales are brought forward to address the economic and climate crisis. As far as jobs are concerned analysis within Scottish Government's Energy Efficient Scotland route map³ notes that *'every £100 million spent on energy efficiency improvements*

¹ Sustainable Recovery, World Energy Outlook Special Report, International Energy Agency in collaboration with the International Monetary Fund, 2020.

² Potential wider economic impacts of the Energy Efficient Scotland programme, 2018, Centre for Energy Policy, University of Strathclyde.

³ Energy Efficient Scotland: route map, Scottish Government, May 2018.

in 2018 (is) estimated to support approximately 1,200 full-time equivalent jobs across the Scottish economy’.

As noted in our first submission to the Commission there are considerable opportunities to build on the success of existing programmes in this context. The apprenticeships and training provided under the Scottish Government’s Warmer Homes Scotland (WHS) scheme is a useful example here. The programme’s objectives include that WHS will *‘provide benefits to the wider community through vocational training and employment opportunities’*. To date almost 100 apprenticeships in the supply chain have been created.

Challenges

There are numerous potential challenges associated with ensuring that energy efficiency makes its full contribution to meeting Scotland’s climate change targets. We do not seek to provide an exhaustive list. However, some of the key challenges include:

- 1) There is a low general awareness from the population of the need to improve the energy efficiency of their homes and to switch away from conventional heating. The CCC has emphasised that where people are involved in the changes that are required, they are likely to be achieved faster and at less cost.⁴ Currently though, there is very low awareness of how people can take action. A recent [survey](#) by the Energy Systems Catapult⁵ for example, found that less than half the 2,000 people they surveyed were aware that their gas boiler was contributing to climate change (it is responsible for around a third of the average household’s emissions). There was far higher awareness of the contribution to climate change of transport, air travel and household waste, despite these all having a lower impact (27 percent; 12 percent and 3 percent according to ESC calculations). Our experience is that where an appropriate policy framework is put in place to build awareness, support consumer and incentivise action, then this is the most effective means of driving action.
- 2) Supply chain readiness – there appears to be conflicting evidence, from a supply chain perspective about whether an expanded programme would have a positive or negative effect on quality, skills and capacity and consumer protection. On the one hand, the Energy Saving Trust has feedback that suppliers have provided through the Scottish Government’s Sustainable Energy Supply Chain Programme that the supply chain needs sufficient time to grow both their capacities and capabilities. This is an industry with an ageing workforce and it is therefore important to get young people interested in energy efficiency which may take time. On the other hand, the Existing Homes Alliance, of which we are a founder member, has evidence from a survey of the supply chain which suggests that the supply chain is prepared to deliver an expanded programme⁶.
- 3) Not all of the relevant policy levers are controlled by the Scottish Government, for example the UK Government’s proposed replacement of the Renewable Heat Incentive will not deliver anything like the scale of heat pump uptake required over the coming years.
- 4) Action is often dependent on policy progress in other areas (i.e. out with climate change, fuel poverty and energy efficiency policy) and progress in these areas does not always take place at a speed in keeping with the need urgently reduce emissions. For example, properties being

⁴ <https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/>

⁵ <https://es.catapult.org.uk/reports/net-zero-a-consumer-perspective/>

⁶ Supply Chain Survey on Energy Efficient Scotland Route Map, Existing Homes Alliance Scotland, June 2019.

wind and watertight are a prerequisite to energy saving measures. However, as recently highlighted by the Scottish Parliamentary Group on Tenement Maintenance, for tenement properties in Scotland there are not yet appropriate solutions in place to aid, assist and compel owners of tenement properties to maintain their building.⁷

2. What do you think are the wider social (health, community etc.) opportunities and challenges associated with meeting Scotland's climate change targets?

Opportunities

As we noted in our original submission to the Just Transition Commission, improving a home's energy efficiency also improves/reduces the deterioration of the physical and mental health and well-being of those currently living in cold or damp homes that they cannot afford to run. Having a warmer and more affordable to heat homes also means that people can live in them for longer thus reducing the economic and social costs of providing care home places.

Increasing a home's energy efficiency can also increase its occupants' disposable income by reducing fuel costs. The most recent Warmer Homes Scotland annual report⁸ for example, notes that over the 2017-18 financial year the scheme helped 4,903 customers who benefitted from the installation of 13,761 separate measures, giving them an **average saving of £318 off their annual fuel bills**.

Local economies also benefit from having residents with additional disposable incomes.

3. What would a successful transition to net-zero emissions look like for your sector/community?

A successful transition should:

- Result in all homes in Scotland living in warm, well ventilated and affordable to heat net-zero carbon homes that use minimal amounts of energy.
- Result in homes lived in by people who understand how to use their heating systems optimally.
- Mean that no one will have been left behind in the transition. Those unable to invest in low carbon technologies have not been penalised directly or indirectly for failing to act, e.g. with higher tariffs/fuel charges, lack of access to technologies that will make their homes warmer/damp free/cheaper to run.
- Mean that all installations (of low carbon heating systems and energy efficiency improvements) have been undertaken to excellent quality by highly skilled installers.
- Have happened with full public buy in and support for the transformation. Early engagement and awareness raising activities will have ensured that all homeowners, landlords and tenants understood the contribution they could make to meeting climate change targets by improving the energy performance of their home.
- Mean that fuel poverty has been eradicated and the housing sector has delivered its appropriate share of emissions reductions.

⁷<https://www.befs.org.uk/policy-topics/buildings-maintenance-2/#:~:text=Addressing%20the%20condition%20of%20Scotland's,properties%20to%20maintain%20their%20buildings.>

⁸ See: <https://www.gov.scot/publications/home-energy-efficiency-programmes-scotland-warmer-homes-scotland-annual-review-2017-2018/>

4. What actions do you think the Scottish Government should take to manage the opportunities and challenges referenced above?

The Scottish Government has provided consistent funding and support for programmes to improve the energy performance of Scotland's homes over many years this means that many of the necessary building blocks to ensure that the Scottish Government can manage the opportunities and challenges referenced above are in place. The key thing that is now needed is additional funding to expand and redesign existing programmes and to develop new approaches to encourage action. In particular, if Scotland is to meet its net zero target, we believe that funding needs to be at least doubled from 2018/19 levels to a minimum of £240 million per year plus additional funds allocated to the decarbonisation of heat and to the social housing sector⁹. This position is in line with that of the Existing Homes Alliance Scotland of which we are a founding member. It is a positive development that the budget for energy efficiency and fuel poverty increased for the 2019/20 financial year. However, this falls, by some margin, short of the level of funding required. If there is not a considerable ramping up of investment then Scotland's ability to realise a net-zero future while at the same time benefitting both the economy and society could be seriously compromised.

**5. Are there specific groups or communities that may be, or feel that they may be, adversely affected by a transition to a net-zero carbon economy?
What steps can be taken to address their concerns?**

Yes, we believe that specific groups or communities may, if the right steps are not taken, be adversely affected by a transition to a net-zero carbon economy. In particular, we know that some people living with health problems, or who are older and frail, currently find it difficult to engage with referral process for fuel poverty programmes in Scotland. This may be due to isolation, as well as the difficulty for people with long term health problems or finding the time and energy to fill in forms and talk to advisors. It can often be difficult to identify such people in the first place. This means there is a real risk that people who are most in need of help and support as Scotland transitions to a net-zero carbon economy are not able to access it. Fortunately, Scotland has solid foundations to build on here. The Scottish Government funded Home Energy Scotland Homecare project offers intensive in-home support for vulnerable households, with a team of 'energycarers' who work closely with people who lack the capacity, knowledge or ability access fuel poverty support – or indeed wider help with their home and finances. To ensure that the people most in need of help from Home Energy Scotland access the support available to them referral pathways for vulnerable householders are built with trusted intermediary organisations including health and social care organisations.

We also have concerns associated with the fact that in some cases the cost of running a renewable heating system may be more expensive to run than the system it is replacing. Given the Scottish Government's challenging greenhouse gas emissions reduction targets it will be necessary to install low carbon heating systems in all of Scotland's homes – this is not debatable. However, clearly it is not acceptable for any Scottish Government requirements around heating systems to result in bill increases for the fuel poor. We therefore think there is a need for further analysis in this area and consideration needs to be given to the support (including financial support) that could be provided to help avoid situations where householders are significantly financially disadvantaged as a result of installing a low carbon heating system. It will also be important that comprehensive and ongoing support is provided to those who have low carbon heating systems installed to ensure that these are being used as efficiently and effectively as possible.

⁹ See: <http://existinghomesalliancescotland.co.uk/news/call-to-double-funding-for-warm-homes-in-scottish-budget-2020-21/>

Please provide here any other information, evidence, or research you consider relevant to the work of the Commission.

We think that the Commission may be interested in an academic research project that we are a partner in. This project – FAIR (Fuel and Transport Poverty in the UK's Energy Transition) is exploring the causes and links between fuel poverty and transport poverty in England, Scotland, Wales and Northern Ireland and will develop policy recommendations designed to limit their impacts in the transition to a more sustainable future. The project is being led by the University of Sussex. Further information can be found here <https://www.creds.ac.uk/fair/> . Energy Saving Trust, together with FAIR academics would be happy to meet with you to discuss this project in more detail if you would find this useful.