

**energy
saving
trust**



Energy Efficiency and Low Carbon Market Research

Executive summary



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Amec Foster Wheeler Environment
& Infrastructure UK Limited



Executive summary

Purpose of this report

This report presents research commissioned by the Energy Saving Trust (EST) with funding from Scottish Enterprise (SE) and the Scottish Government with the support of Zero Waste Scotland and undertaken by Amec Foster Wheeler.

The project was primarily undertaken to inform the Sustainable Energy Supply Chain programme, administered by the EST on behalf of the Scottish Government. The key aim of this programme is to develop and support those Scottish businesses (particularly SMEs) committed to delivering a high quality and professional service of assessments and energy efficiency / renewable installations.

The aim of this research was to create a 'snapshot' report covering key insights into the energy efficiency and low carbon market in Scotland from both a demand and supply perspective. It is hoped that this will contribute towards developing and strengthening the supply chain in Scotland to ensure that there is an adequate supply base in Scotland able to satisfy the needs of buyers. At a more fundamental level it will also contribute towards the development of Scotland's Energy Efficiency Programme (SEEP).

The research had five key objectives:

- 1. To identify what the likely future demand is from key buyers in Scotland.**
- 2. To identify what the current supply chain characteristics are in Scotland.**
- 3. To provide insights to assess the supply chain's likely ability to respond to the tenders to be issued as part of Scotland's Energy Efficiency Programme (SEEP).**
- 4. To identify any significant barriers and gaps in the supply chain's ability to meet the needs of buyers that may limit the uptake of Scottish products and services.**
- 5. To provide recommendations for the EST, SE and the Scottish Government including specific recommendations for improving procurement processes and documents for suppliers.**

Key findings

Objective 1 - Likely future demand from key buyers in Scotland

Ninety-five buyer organisations participated in this research representing housing associations (HAs), local authorities (LAs), industrial/commercial, higher/further education (HFE) and the NHS. These organisations were asked about decision makers and strategy, what the key drivers were for services/works, sources of funding and advice and thoughts on the supply chain and future markets. Key insights are summarised here.

Housing Associations (21 respondents)

Meeting Energy Efficiency Standards for Social Housing (EESH) targets means a continued future demand for insulation works and low carbon heating services. There is more limited need for energy assessor services (around half of respondents have in-house assessors) and little activity in renewable electricity beyond a small amount of solar PV. Staff with asset/investment responsibilities will typically authorise expenditure on these works, based on proposals supplied by technical staff. The predominant source of funding is internal capital/revenue funds. Based on median figures within the expenditure bands used in the survey the average expenditure per respondent is of the order of £864k over the next 3 years.

EESH targets continue to drive demand from Housing Associations for insulation works and low carbon heating services (an estimated 17% of stock held by survey respondents doesn't presently meet EESH standards). Average expenditure per respondent is projected at £864k over the next 3 years.



Local Authorities (6 respondents) and HEEPS:ABS Officers (14 respondents)

The predominant role of those responsible for programmes of works are energy managers (50% of respondents). Low carbon works are typically funded using internal capital / revenue. Annual budget setting means a cautious view regarding future expenditure; figures from respondents suggest average expenditure per authority of approx. £850k in the next 3 years. This will focus on insulation works and low carbon heating.

As for HEEPS: ABS works, given Scottish Government funding commitments, there is likely to be significant volumes of work in the future (including solid wall insulation, cavity wall insulation and boiler upgrades). There will also be sustained demand for energy assessor services in monitoring the impacts of these measures on the overall energy performance of dwellings (75% of respondents use third party assessors).

Local authority buyers expect to purchase insulation works and low carbon heating services in the next three years. Within their own estates this could value up to £850k in the next 3 years.

Other Public Sector (4 respondents)

Views from NHSScotland and other supporting bodies to the public sector were also part of the present survey. Climate change targets for greenhouse gas (GHG) emission reduction mean continuing market demand for all four categories of services included in the present survey. Uncertainty around annual budgets restricts the scale of works among public bodies, though Salix funding is available to match-fund future works (NHSScotland and Colleges are ineligible). Across the sector, the scale of future strategic programmes of works is highly dependent on the procurement skills within individual organisations. If staff resources don't enable the development of business and financial cases to support projects then they simply won't be taken forward.

Across the public sector in Scotland, gaps in buyer procurement skills and short-term funding models restrict the scale of low carbon works undertaken.

Higher/Further Education (16 respondents)

Energy efficiency cost savings and climate change targets remain key drivers for future low carbon works. The predominant role involved in specifying works is estates managers. Projected future (3 year) spend among respondents is around £13 million, an average of approx. £550k per institution. Demand for services is projected to be highest for insulation works and low carbon heating; lowest in the case of energy assessor services.

The HFE sector anticipates expenditure of approx. £550k in the next 3 years per institution. This will be targeted predominantly at insulation works and low carbon heating services.

Industrial/Commercial (44 respondents)

Almost half of respondents (spanning a range of sectors such as agriculture, manufacturing, food/retail and creative arts - both rural and urban) plan to carry out future works – focussed mainly in the areas of lighting, voltage optimisation and heat recovery / ventilation. However, there is also some demand for insulation works and boiler upgrades. The mean average expenditure projected by survey respondents in the next 3 years is approx. £52k per organisation. Modal expenditure is less than £10k per organisation.

Industrial/commercial buyers continue to seek energy efficiency cost savings via low carbon works. However, their projected modal expenditure is modest (less than £10k per organisation).

Objective 2 - Current supply chain characteristics in Scotland

Eighty suppliers participated in this research representing installers, energy assessors or a combination of the two. These organisations were asked about their capacities, certifications, market engagement, skills and overall view of the future market. Key insights summarised below.

Supplier capacity

Data from certification bodies¹ (as at issue of this report) provides an estimate of the scale of the present supply chain in Scotland (Table 1). Office for National Statistics (ONS) data suggests up to 20,000 businesses operating in the low carbon and renewable energy market in Scotland². Of these, around 3,500 suppliers operate within the service areas relevant to the present study. Overall, this data suggests a broad mix of installer and assessors operating in the current low carbon market in Scotland. This mix of installers and assessors is reflected in the respondents to this survey, with 41% solely offering installation services, 31% offering assessor services and 28% offering a mix of both.

Table 1 Low carbon market supply chain statistics

Certification	Number of organisations
Green Deal Approved Installers	just over 150
Microgeneration Certification Scheme (MCS) Installers	approx. 150
Scottish Energy Performance Certificate (EPC) Register (domestic and non-domestic assessors)	Around 3,500 assessors – though this is likely to be an over estimate since assessors can be registered with multiple Assessor Organisations
Green Deal Advisors	1,860 (these are by definition all also registered as EPC assessors)

Of respondents to this survey, suppliers typically have 10 employees or less and an annual turnover below £500k. Forty-four per cent of respondents offer services across all areas of Scotland. While most suppliers deliver services in-house there is also significant use of sub-contracting to meet specific project needs.

Accreditation and staff training

Of those surveyed 90% of suppliers were accredited to install products or deliver services. Of those not accredited the main barriers relate to uncertainty in market value and the volume of associated work required to justify the ongoing costs. The majority of respondents offer continuing professional development (CPD) opportunities to staff and will review training opportunities as market needs emerge.

The majority of suppliers see accreditation and ongoing training of staff as important means of maintaining high standards of service for buyers.

Size of market and areas of opportunity

Forty per cent of respondents consider the low carbon market in Scotland to have declined in size in the past 12 months. This is consistent with wider market data, such as a decline in the number of organisations applying for certification. Suppliers have secured work with private households and industrial/commercial buyers, while being less reliant on HAs or LAs.

Suppliers remain cautious in terms of the scale of market opportunities available to them in the next 3 years.

Market engagement

The most common route to seeking work was via word of mouth and referrals from existing clients, rather than use of promotional websites (other than suppliers' own sites). Around 40% of respondents were not registered with online procurement portals. Of the majority of survey respondents that are registered with procurement portals the most common site was Public Contracts Scotland [PCS] (60%).

¹ Details supplied by Energy Saving Trust (August 2017)

² [Office of National Statistics, UK Environmental Accounts: Low Carbon and Renewable Energy Economy Survey, first estimates of direct activity: 2015](#); [Office of National Statistics, Low Carbon and Renewable Energy Economy Final Estimates Dataset \(April 2017\)](#) and <https://news.gov.scot/news/green-jobs-increase>



Around one third of the supply chain is not engaged with public sector buyers.

Future market opportunity

Suppliers in each service area were asked to state their estimate of the market value opportunity available to them in the next 3 years. Opinion was divided among suppliers of insulation works: 55% of respondents expected revenue in excess of £100k. By contrast 35% expected revenue below £20k. Seventy five per cent of respondents expect a low carbon heating market value of more than £100k in the next 3 years. Sixty-eight percent of respondents expect revenue from renewable electricity to be in excess of £100k. Eighty percent of energy assessors expect revenue of less than £100k. However, some reservations exist in terms of working with public sector buyers, both in terms of the volume of work likely to be available and the ability to win this work (particularly among smaller SMEs).

Suppliers of low carbon heating and renewable electricity services are most confident in projecting future three year revenue opportunities.

Objective 3 - Ability to respond to SEEP and procurement insights

As the Scottish Government has committed to investing £500 million on delivery of SEEP over the next four years³ - and given the likelihood that much of this funding will come via public sector procurement - it is therefore important to gain insights into the way in which buyers procure works and the supply chain's ability to respond to public sector tenders.

Procurement routes

Public buyers typically use PCS to advertise opportunities. Frameworks of preferred suppliers are also commonly used; access to these frameworks is typically advertised on PCS. By contrast, of respondents that are registered on at least one procurement portal only 60% are registered on PCS. Other portal sites listed by suppliers included Constructiononline, Non-Domestic EPC Register and Scotland Excel. Overall, fifty five per cent of respondents did not reply to any opportunities advertised via procurement portals in the past 12 months.

Buyers are inconsistent in their means of procurement (single /multi-lot frameworks; overlapping funding leading to multiple tenders for similar works; revised tender specifications etc.), particularly where opportunities are spread across multi-lot frameworks as it is much easier for larger suppliers to bid across lots. However, the capacity for SMEs to do so is more limited and the impact of success more marked.

Buyers need to consider how to engage more fully and effectively with the supply chain, particularly SMEs, through more consistent procurement routes.

Understanding buyer requirements

Limiting the interaction between buyers and suppliers through an online portal with regards to questions and answers offers sanitised/limited answers published to all interested parties. The informal conversations that assist in understanding the nature of works required, and broader context of future needs, can be lost. Equally the chance to challenge buyer assumptions around preferred solutions, and seek innovative or bespoke opportunities, is limited.

More willingness from buyers to talk directly to suppliers will improve understanding of service needs and help shape packages of works to suit individual buyer needs more closely.

Skills and attributes

When questioned about the attributes most valued by buyers in the present market suppliers' answers generally align with buyer expectations which is the need to have the appropriate skills and capacity to

³ [Scottish Government consultation, Energy Strategy – Scotland's Energy Efficiency Programme \(SEEP\), 2017](#)



deliver on time while offering value for money. A number of suppliers commented on the value for money aspect in terms of buyers seeking lowest price, rather than measuring value for money more holistically.

Supplier perceptions on price can be challenged through appropriate specification development and scoring criteria.

Mandatory requirements

The majority of suppliers do not feel that tender requirements are difficult to achieve. According to the responses from buyers, these requirements include suitable levels of professional insurances and a demonstration of financial probity.

It is important that buyers and suppliers engage in dialogue to ensure mandatory requirements are mutually understood.

Budget uncertainties

The present survey shows considerable uncertainty among buyers regarding expenditure in the next 3 years since funding is predominantly via internal capital/revenue. Annual budget setting among public sector buyers, as well as HAs, makes strategic programmes of works difficult to deliver. This means that proposed works are often partially completed due to funding constraints. Another issue is when funding is released to be spent within a given financial year, resulting in short term works being delivered, rather than a larger spend over a longer period. This runs the risk of piecemeal works, which become progressively less productive as 'easy wins' are completed and more complex, holistic and innovative solutions are required to deliver the next step in GHG emission reductions.

Funding models offering capacity for medium term planning of works will drive more ambitious programmes.

Service coverage

Just under half (44%) of suppliers surveyed stated that they offer services across all geographic areas of Scotland. From a buyer perspective there were a few concerns expressed around access to suitably skilled suppliers, notably in island regions, without incurring a cost premium. Despite the logistics of supplying services to remoter areas (and associated costs), suppliers appear prepared to offer these services, though this is not necessarily understood by some buyers.

A reaffirmation of the breadth of coverage offered by suppliers will assist in encouraging buyers.

Objective 4 - capacity of supply chain to meet buyer requirements

Having collated a snapshot of views from market buyers (Objective 1) and market suppliers (Objective 2) these were subject to a gap analysis. This reviewed and contrasted the details provided and offers an assessment of the overall capability of the supply chain to meet future buyer requirements.

Low Carbon Market Demand – key drivers for buyers

Suppliers consider operational cost savings and carbon emission reduction targets as the most important drivers for buyer decisions. This broadly agrees with what buyers said about their key drivers.

Future market requirements

The range of installation/assessor services presently offered by suppliers in the market generally aligns with the existing and forecast future needs of buyers (in the next 3 years) with no significant gaps in service offerings. Both buyers and suppliers have highlighted district heating as a potential growth area. As for energy assessments then the supply of Green Deal assessments is significantly higher than market demand. It should be noted that this is simply a comparison of service offerings in each given service area. The present survey does not offer insight into the capacity of the supply chain to meet any change in the volume of work opportunities occurring in the market as a whole.



Finding and responding to market opportunities

All of the public sector buyer groups surveyed have advertised at least half of their opportunities in the past 12 months via PCS. Only HAs have awarded works via direct commission to any large extent. In the case of industrial / commercial buyers, approx. 70% use a single or small number of preferred suppliers for all works.

In contrast, only 60% of respondent suppliers are registered on at least one procurement portal. Only 10% of respondents use frameworks as a major source of work; only 16% seek work via PCS or open invitations. Fifty five per cent of respondents did not issue a proposal via procurement portals in the past 12 months. Developing client relationships and use of word of mouth are more common routes to seeking work than responding to open tender opportunities.

For a number of suppliers there is a perception that opportunities advertised via PCS are only for a small subset of larger suppliers and to some extent are a 'closed shop'. There were also a number of comments around buyer frameworks and the futility of smaller suppliers attempting to gain access to such frameworks.

One third of the supply chain are therefore potentially excluded from opportunities issued via public sector buyers.

Service alignment (buyers and suppliers)

Buyers' future service requirements for the next 3 years look very similar to those that they have purchased in the past 12 months. There were no major concerns expressed by any buyers regarding the ability to find sufficient suppliers to tender for works.

However, there are further potential opportunities for suppliers to broaden their service offerings to buyers. For example, of those suppliers who primarily source work from Housing Associations, only half offer solid wall, internal wall or cavity wall insulation. These are all services that the buyers stated were required in the next 3 years. While this may reflect the scale of work that is sub-contracted to other providers (the survey didn't determine the ultimate customer in that instance), it is also an opportunity for the remaining suppliers to extend their services to more closely align with buyer requirements. This could be through development of partnerships or consortia with other suppliers as well as direct employment by an individual supplier.

Communication between buyers and suppliers

The majority of buyers had no difficulty in finding a number of suppliers to quote for required works. The market was not restrictive in offering only a small number of suppliers with the relevant skills to carry out required works. The majority of suppliers (65%) feel able to talk to buyers in order to understand their service needs. However, they did not feel that buyers of services use consistent procurement processes.

Attributes of suppliers

Buyers were asked to prioritise the attributes that they seek from suppliers when buying services. The top three were skills, ability to deliver in a timely manner and value for money. Suppliers were also asked to list these attributes in terms of what they believe buyers are looking for. The stated key attributes as noted by buyers are also those proposed by suppliers suggesting good understanding within the supply chain as to how to meet buyer needs. It is interesting to note that both financial probity and geographic location were not strong factors in the overall buyer market.

Future market sector opportunities

Smaller suppliers (typically ten employees or fewer) are more heavily reliant on private households in seeking future value. Only suppliers with large turnover, based on the current survey, are carrying out significant scale of works with LAs and HAs.

In general, suppliers appear cautious in their view of the scale of market opportunity, with no significant reliance on public sector buyers. This feels at odds with the broader picture of the market offered by buyers, where extensive expenditure is anticipated via public bodies.



Mandatory requirements and certification

Mandatory requirements set out by buyers in their scope of works typically include suitable levels of professional insurance and financial probity. Two thirds of suppliers feel capable of meeting quality standards and professional insurance levels requested by buyers.

Suppliers see value to their organisation in holding certifications (90% of suppliers surveyed hold at least one certification). The most frequent from those surveyed was MCS; almost 25% of suppliers hold both PAS2030 and MCS certification. All energy assessor services are certified as a requirement of the service offering.

Support scheme awareness

Analysis shows that awareness of relevant schemes (Energy Company Obligation [ECO], Home Energy Efficiency Programme for Scotland: Area Based Schemes [HEEPS: ABS], Warmer Homes Scotland, HEEPS: Loans and cashback, HEEPS: equity loans, Feed-in tariffs [FiT] / Renewable heat incentive [RHI], Home Energy Scotland [HES] Renewable loans, District heating loans, Resource Efficient Scotland [RES] SME Loans, Carbon Trust Green Business Fund) among the supply chain is generally very good.

There are a significant number of suppliers working with commercial businesses that are unaware of the Carbon Trust Green Business Fund. However, this was only launched in April 2016 and is targeted at SMEs.

Of respondent suppliers that work with private householders, 20% are unaware of HEEPS equity or HES renewables loans. Half of these suppliers offer installation services (insulation, low carbon heating, renewable electricity) that are eligible measures for a HES renewable loan. This is a gap in awareness that can usefully be addressed. In the case of HEEPS equity loans, unawareness among suppliers may simply mean that they have not worked with eligible households (and so did not need to consider this scheme).

Objective 5 - Recommendations

There are a number of recommendations arising from this study that should assist the energy efficiency and low carbon supply chain in Scotland remain functional and capable of meeting buyer requirements.

Supply Chain Engagement

#1 Future market delivery (suppliers)

Encourage consortia working amongst the supply chain

The step change in service delivery envisaged by SEEP is difficult for the supply chain to prepare for given risks associated with delivery timescales and cashflow. The majority of suppliers see the low carbon market in Scotland stagnating or declining in size and are more cautious in their view of future market value than buyers. This does not suggest that suppliers will significantly expand their capacity in the next 3 years.

Suppliers are familiar with sub-contracting (around 25% of work among survey respondents is procured this way) and extending formal working arrangements as 'informal' consortia, or formal legal consortia, offer a number of advantages:

- ▶ Greater capacity to scale up service offering with lower business risk
- ▶ By extension, lower risk business expansion route for SMEs
- ▶ Potential for aggregation of services therefore more 'holistic' service offering
- ▶ Assists in transformational change rather than piecemeal action
- ▶ Offers buyers easier access to multi-service delivery

#2 Procurement (suppliers)

Provide procurement guidance for suppliers to engage with public sector buyers



A number of initiatives have already been run to assist suppliers in engaging with public sector buyers. However, more than half of suppliers surveyed (55%) did not respond to any opportunities advertised via procurement portals in the past 12 months. Only a small number of larger suppliers stated that public bodies made up the majority of their typical sources of work. Several comments around public procurement stated that it was a waste of time for SMEs to take part since contracts were only awarded to larger supply chain organisations.

Given the buyer view of the market that suggests considerable expenditure from public sector buyers, there is a risk that a large section of the supply chain is excluded from delivering these requirements.

Suggested actions for Scottish Government (and supporting agencies) include:

- ▶ Encourage wider sign up for PCS and show how suppliers can set up base profiles on PCS avoiding duplication of effort in responding to opportunities
- ▶ Continue support packages around how to respond to tenders

#3 Advertising opportunities (buyers and suppliers)

Explore supplier attitudes to multi-channel advertising of opportunities

Those suppliers that are signed up with procurement portals such as PCS will typically receive daily email updates with opportunities pre-filtered for the areas of interest that they have input into the site. As noted above, less than half of suppliers surveyed responded to publicly advertised opportunities in the past 12 months. Initial awareness of opportunities offered by public sector buyers is therefore an area where a large proportion of the supply chain can potentially be excluded. This reduces the volume of opportunities open to suppliers and restricts the range of skills and experience available to buyers.

One potential means of expanding interest in such opportunities is to use wider social media channels to disseminate opportunities. This would simply offer alternative advertising channels by which potential suppliers could be drawn to the procurement portal (PCS etc.)

#4 Supplier services (supplier profiles)

Offer consolidated service offering profiles of suppliers to buyers

There have been a number of previous initiatives looking at creating a consolidated single database of low carbon market suppliers. This is difficult to achieve for a number of reasons, notably in maintaining accuracy of information.

However, the use of 'directories of directories' offers a recognised search route for low carbon market suppliers. This could be as simple as a dedicated SEEP web page, or similar, that offers a list of links to sites with further supplier details.

The main rationale for this is to offer buyers a simple means of thinking about more holistic options or new service offerings (over and above their known current suppliers). At the same time this offers suppliers a more direct route to demonstrate their skills and experience.

Periodic supplier networking events are another potential action to encourage buyers to engage and understand the full capacity of the supply chain in Scotland available to them. It also offers potential deeper understanding of buyer requirements on behalf of suppliers (see recommendation #7).

Buyer Behaviour

#5 Procurement (buyers)

Provide procurement guidance and training programme for all local authority buyers

Confusion and mistrust of public procurement among SME suppliers begins with the plethora of procurement routes that they may face. Even in established working relationships with local authorities there may be variations in the routes to market that are used by buyers (open tender, restricted supplier list, multi-lot

competition). This is shown by the fact that respondents noted that buyers were not consistent in how they procured services (and is also highlighted in a separate review of HEEPS:ABS procurement⁴).

Consistent and transparent procurement documentation will assist clarity of scope for suppliers. A consistent approach will also enable a wider range of suppliers to engage (since they will know where and how opportunities will be offered to the market).

#6 Communication between buyers and suppliers (soft market testing)

Encourage buyers to publish forward plans and/or prior information notices

The present supply chain contains significant numbers of small SMEs. In order to grow their businesses these SMEs need clear short term signals as to the level of market demand. This is particularly true given increasingly stringent limits to credit available to them via merchants and wholesale suppliers.

Regular dialogue from buyers around strategic intentions and proposed works will encourage wider supplier engagement. It may also simplify procurement processes, given a better understanding among suppliers both of the drivers for market requirements and expectations on behalf of buyers.

This could be an extension to the Forward Plan currently published on the PCS site⁵. While the present Forward Plan is useful, it is populated by only a few buyers and is not widely publicised to the supply chain.

#7 Communication between buyers and suppliers (engagement events)

Encourage more buyer and supplier engagement events

A number of forums for buyer and supplier meetings exist. However, these are limited in number and rarely open format events discussing wider service offerings and approaches to refurbishment and innovation.

Regular events, be they face-to-face or via other channels (webinars etc.) offer the benefit of market intelligence for both buyers and suppliers. It also builds confidence among the supply chain that buyers intend to purchase works/services.

#8 Supplier evaluation (buyers)

Provide guidance for buyers on assessment of value for money

A number of suppliers stated that in their opinion 'value for money' translated into 'lowest price' in competitive tenders. While this may not be an opinion shared by buyers, it is important that both buyers and suppliers are clear as to what constitutes value for money in the present market.

The use of an appropriate price - quality ratio is an important aspect of any tender evaluation. Put simply, too heavy a weighting on price will result in limited innovation, given reliance on well-established and trusted services and technologies in order to deliver low price submissions.

If there is to be a shift in services procured by buyers then there needs to be a focus on the use of appropriate key performance indicators (KPIs) to enable the innovation in delivery.

#9 Routes to market (consistent buyer approach)

Encourage consistent procurement routes among buyers including a dedicated SEEP category in PCS.

The creation of a dedicated SEEP category within PCS offers a simple means of ensuring that all relevant opportunities issued by buyers are advertised in the same place. This will ensure that the largest potential supplier base can be engaged.

⁴ Separate research being carried out by EST (August 2017)

⁵ <https://www.publiccontractsscotland.gov.uk/info/InfoCentre.aspx?ID=1361&Type=1601&Path=1601>
(Accessed September 2017)

If buyers are using restricted frameworks then these should be reviewed on a regular basis in order to evaluate supplier performance and enable market entry by competing suppliers.

In general, buyers should be encouraged to streamline advertising of opportunities and avoid multi-site fragmented promotion. The larger the number of procurement advertising routes that suppliers are required to monitor then the harder it is for smaller suppliers to fully engage with the market.

Access to Funding

#10 Market funding (buyer access to funding)

Provide buyers with clear routes to obtaining funding (particularly over the mid to long term)

Responses to this survey, and wider market experience, shows that buyers are predominantly using their own capital/revenue spend to deliver projects. Leverage of larger scale investment will only happen if buyers are clear as to how they can obtain this funding.

There is already experience to date such as NHSScotland where there is a funding access 'dead end' due to the financial status of the individual Boards and consequent ineligibility for Non-Domestic Energy Efficiency (NDEE) and Salix funding streams.

Private sector buyers are also unlikely to fully engage with SEEP without an understanding of how medium / long term funding can be secured and managed. It is important that perceptions of risk associated with any use of third party funding are dealt with.

If buyers can be shown how the proposed SEEP programme offers access to finance that is appropriate for their investment decision making processes then this offers underlying certainty around the scale of market demand. This in turn offers greater scope for more innovative projects and associated benefits to Scotland as a whole in terms of driving down overall GHG emissions.

#11 Market funding (central funding allocations)

Avoid time constrained funding allocations

There continue to be funding allocations from Scottish Government that are released for low carbon works during a given financial year. Where these are time limited to be spent within the same financial year this restricts the scale of works that can be undertaken. As a result there will be continued piecemeal action with no capacity to encourage more strategic investment. If buyers take a more holistic approach and seek supplier services in relation to whole building renovation/transformation this can unlock further opportunities. Examples such as in the HFE sector, show how energy efficiency services can be bundled into wider construction and renovation programmes given sufficient access to funding.

#12 Market funding (buyers and suppliers)

Provide suppliers with a clear overview of the scale of funding available to buyers

This survey shows that suppliers are broadly aware of market initiatives and incentives. However, they remain wary of new announcements given experience to date with schemes such as the Green Deal where promised scales of expenditure have not been realised. The key to successful delivery of SEEP is to convince the supply chain that the programme will deliver on its proposed longevity (15 – 20 years) with the associated opportunities for suppliers to benefit.

SEEP offers the opportunity to refresh engagement with the supply chain and set out clear expectations around the nature and scale of funding to be made available to the buyer community. This will give suppliers confidence to plan ahead in terms of resourcing, certification and skills/services that they offer.