

Energy Saving Trust's response to the Scottish Government's consultation on Scotland's National Energy Agency

Submitted on 8 February 2022

Strategic Purpose, Remit and Objectives

- 1) What is needed to achieve the transformational change that is necessary for heat decarbonisation in Scotland?

Energy Saving Trust's response to this consultation draws heavily on our 25 years of experience of delivering an extensive range of sustainable energy programmes on behalf of the Scottish Government.

Our response also draws on our extensive expertise and experience through our international work, specifically our membership of the European Energy Network (EnR) a voluntary network of 24 national energy agencies from EU members states and neighbour countries. Energy Saving Trust has been a member of the EnR since 2003 and represents the UK within this agency network. One of the primary objectives of the network is to facilitate international comparison, information sharing and knowledge transfer. As well as being shaped by our experience Energy Saving Trust's views on a potential National Energy Agency have also been shaped by relevant research including the Scottish Government commissioned 2019 *"Strategic Outline Case for Proposed Development of a National Delivery Mechanism"*¹, and a scoping study commissioned by the Existing Homes Alliance (EHA) (of which we are a founding member) with support from the European Climate Foundation in 2018 which provided an initial assessment of options for the oversight of the Scottish Government's National Infrastructure Priority on Energy Efficiency². This scoping study in turn draws heavily on the International Energy Agency's 2010 Energy Efficiency Governance report³ which is a useful reference document in its own right. The report is based on a survey of over 500 experts in 110 countries, follow up

¹ See: <https://www.gov.scot/publications/energy-efficient-scotland-strategic-outline-case-proposed-development-national-delivery-mechanism/pages/3/>

² See: <http://existinghomesalliancescotland.co.uk/information/energy-efficient-scotland-options-for-national-oversight-body/>

³ See: [Energy Efficiency Governance – Analysis - IEA](#)

interviews with over 120 experts in 27 countries and extensive desk research and literature reviews. It is the only comprehensive study, that we are aware of, of the legal frameworks, funding mechanisms, institutional, and co-ordination arrangements needed to scale-up energy efficiency – collectively referred to as Energy Efficiency Governance. The Energy Saving Trust was a key contributor and is referenced within the report.

In terms of what is needed to achieve the transformational change that is necessary of heat decarbonisation in Scotland, as we have noted in previous consultation responses, we believe there is a need to scale up existing programmes, increase public engagement, introduce regulation, increase action to support the growth of supply chains etc, etc. In addition, because decarbonising the heat in all of Scotland's buildings is a key infrastructure project that will require investment in excess of £33 billion, will continue over the lifetime of at least six Scottish Governments, will touch every household and business in Scotland and involve significant regulation, we think it is essential that this programme of work is overseen by a formal, accountable co-ordinating body in order to ensure leadership, drive and concentrated expertise over the decades-long programme timeframe. **We therefore support the Scottish Government's planned establishment of a new dedicated Public Energy Agency to lead the transformational change required** and welcome the opportunity to respond to this consultation.

2) How can the new dedicated Agency best support this change programme?

Our view on how the new dedicated Agency can best support this change programme is broadly consistent with that outlined by the EHA in their briefing of December 2021 and entitled "*A new National Energy Agency for Scotland: key to the successful net-zero transition for buildings*"⁴. Given the need to drastically grow delivery capacity and the fact that as the consultation notes the targets that the Scottish Government have set (entirely rightly) do not allow "*time to delay the ramping up of delivery*" we think **it is important that the Agency is tasked with oversight and leadership as opposed to direct delivery**. Scotland already has a very successful delivery infrastructure in place including (but not limited to), the Home Energy Scotland advice service, local authority-led Area Based Schemes, financial support schemes, and programmes designed to improve the delivery of home energy improvements by the supply chain, social landlords and local authorities.

It will be vital to scale up and develop these existing programmes which are performing well and have developed really significant trust, brand awareness and expertise as a result of sustained support and investment by the Scottish Government: these are

⁴ See: <http://existinghomesalliancescotland.co.uk/information/briefings/a-new-national-energy-agency-for-scotland-briefing-december-2021/>

attributes which take years to develop and so can and should be built on. The alternative of shifting the direct delivery of programmes over to a new Energy Agency is likely to result in significant disruption and a setback to, or loss of, these key intangible assets which, in the short to medium term at least, could cause delays to delivery which the urgent net zero pathway simply cannot absorb. The potential for disruption that would be associated with moving delivery functions from one organisation to another is highlighted in the report commissioned by the EHA and referenced above, which noted the following in relation to the option of an agency tasked with the direct delivery of services as well as oversight arrangements: *"...would be likely to involve the assimilation of the functions currently carried out by the extensive range of effective delivery agencies and stakeholders already operating in this field in Scotland, with the administrative and cultural shifts and costs this might entail. Such disruption would also be likely to negatively impact on delivery timescales in the short to medium term making it harder to meet carbon and fuel poverty targets. Any potential benefits of this option should be weighed carefully in this context."*

Key to the success of the Agency supporting this change programme will be developing positive working relationships with the wide variety of stakeholders working in this sector (i.e. the heat decarbonisation sector). In this context we very much support the recognition given to this in the consultation.

We think that the new dedicated Agency could also support this change programme by identifying any gaps in delivery and by commissioning work to fill these. Existing gaps include the provision of adequate support for local authority strategy development and delivery and the availability of expertise – particularly for local authorities who will all require, to a greater or lesser extent, additional skills, resource and support if they are to play their full part in decarbonising Scotland's buildings. The Agency should also 'own' the Heat in Buildings Strategy's governance including targets and just transition principles.

Finally, the Agency will only be able to adequately support this change programme if it has sufficient resources (i.e. staff, expertise and funding).

3) What are the opportunities and challenges for delivery presented by this agenda, and how might these best be overcome through the Agency?

The key challenge for delivery presented by this agenda is the scale and pace of work that will be required. There are around 2.3 million homes in Scotland so heating more than 1 million of those homes with a zero carbon heating system by 2030, as envisaged in the Scottish Government's Heat in Buildings Strategy, will mean that on average at least 100,000 new heating systems will need to be installed each year, or 2,000 new systems each week. Currently, 2-3,000 renewable heating systems are installed in homes in

Scotland every year. In other words, the level of activity currently taking place each year will need to take place each week if Scotland's ambitions are to be realised. The opportunity presented by this challenge is to ensure that the buildings sector plays its full role in contributing to Scotland's climate change targets and in doing so delivers a wide range of other benefits including a reduction in fuel poverty rates, job creation, and improvements in people's health and well-being. As we note in our response to question 1 above, this challenge might best be overcome through the Agency as it would be able to provide a level of leadership, drive and co-ordination for the decarbonisation of buildings that has not been seen in Scotland to date.

- 4) Based on the proposed purpose, remit and objectives of the dedicated Agency, do you have any evidence, or insights based on experience, that demonstrate the need and potential added value of a new public body of this nature in the heat decarbonisation delivery landscape?**

The research commissioned by the EHA and referenced above⁵ concluded that *"A central and consistent finding in the literature is that the establishment of responsibility with a single agency tasked with oversight for energy efficiency is central to coherent governance."* The findings of the Strategic Outline Case commissioned by the Scottish Government are also relevant here in that they highlighted that there was a definite case for a body to take on a range of roles – including many listed in the consultation (coordination and coherence, engagement, etc). It is also worthwhile noting the Strategic Outline Case emphasised that *"the expected 'net' incremental costs to be incurred from developing any new delivery architecture, in advance of the counterfactual, are potentially inconsequential. Over the course of the entire 20-year programme of EES, the additional set up costs of any bodies could be dwarfed by the scale of the benefits and operational costs the programme has the potential to deliver"*.

- 5) Are you aware of any case studies – UK or international – or research that can help inform design of a new public sector delivery body to ensure it is able to deliver effective outcomes, and to be consumer focused across its operations? What do you think are some of the key factors that need to be built into the strategic framework – and corporate design – of the new body to best enable this?**

⁵ <http://existinghomesalliancescotland.co.uk/information/energy-efficient-scotland-options-for-national-oversight-body/>

The research commissioned by the EHA⁶ (and referenced above) identified a range of functions that would require oversight. Importantly the identified roles were largely consistent with those identified in the Scottish Government commissioned Strategic Outline Case and included:

Strategic outline case	EHA
Provide capacity, support and expert advice to local authorities.	Oversight of measures to support local authorities to deliver programmes: procurement and best practice guidance, facilitation of networking and partnership working
Enforce national level regulation and support local level enforcement	Oversee enforcement of regulation and development of standards going forward
Provide clear quality assurance guidelines and effective consistent customer protection processes	Oversight of accreditation, quality assurance Oversight of programmes to maintain and enhance trust, consumer rights and redress e.g. complaints procedures
Monitor and report progress against EES targets at a national level and support local level monitoring and reporting	Oversee and monitor progress against national targets Evaluating programmes
Provide a central EES focal point and coordination service	Oversee implementation of EES Route Map Commissioning programmes Policy and programme development Review and revise strategies as required. Liaison with stakeholders Lead and facilitate co-ordination: EU, UK, Scotland, local authority, devolved nations Coordination of relevant regulatory regimes

⁶ <http://existinghomesalliancescotland.co.uk/information/energy-efficient-scotland-options-for-national-oversight-body/>

	Coordination of monitoring and reporting to Ministers and Parliament
Provide a national-scale marketing campaign	Oversight of programmes to raise awareness and engage building owners, occupiers and managers. Maintaining a single national point of consumer engagement, advice and support that can refer into local schemes and support – as delivered by Home Energy Scotland
Maintain an overview of funding availability and allocations	Oversight of implementing agencies; budget requirements and spend
Facilitate access to project funding and finance	
Support supply chain development	Oversight of measures to improve skills
Data infrastructure	Provision of data
	Support research and development (e.g. technology, behaviour change, engagement)

The EHA report also includes a couple of case studies which might be of interest here – the Danish Energy Agency and the Sustainable Energy Authority of Ireland.

As we note in our response to question 1 above we are a long standing member of the European Energy Network (EnR) a voluntary network of 24 national energy agencies from EU members states and neighbour countries. We have strong relationships with these agencies and as such, if it would be useful, we would be happy to send out a request for specific information to EnR members and/or arrange short calls for Scottish Government officials with relevant EnR members to see if they have any relevant insight that could help inform the design of the new Agency.

Delivery Functions

6) What tools and support will the dedicated Agency need in order to effectively establish leadership and coordination of heat decarbonisation in Scotland?

A range of tools and support will be required by the dedicated Agency in order to effectively establish leadership and coordination of heat decarbonisation in Scotland. This should include sufficient long-term funding – both for the running of the agency itself and for the delivery of the programmes it oversees. As EHA note this should be “*secure and predictable and delivered a way which allows for independence in decision making*”.

The Agency will also require strong leadership and sufficient levels of knowledge and expertise.

For it to operate effectively the Agency should also have appropriate access to relevant senior Scottish Government officials, Ministers and local authorities.

The EHA report⁷ also emphasises the importance of any agency having independence and flexibility in decision making. It also (as discussed in more detail in our response to question 10 below) emphasises the benefits associated with establishing an Agency on a statutory footing, noting in particular that *“the establishment of a single agency responsible for oversight is key to achieving maximum impact”* and that *“Any agency set up to provide oversight is more likely to be effective if it, and its functions are established by statute”*.

In addition, it highlights a number of core competencies that should be present within any Agency – including the ability to work collaboratively with both public and private sector stakeholders, the ability to lever public sector participation and the existence of a credible scheme for monitoring and evaluation.

- 7) Do you have any evidence, or further insights regarding the potential added value that the functions set out can deliver within the heat decarbonisation landscape? This may include both examples of where these types of functions have, or have not been conferred on a national body as part of leading a programme of delivery and change, and the resulting implications (positive or negative).**

No response.

- 8) Do you have any evidence, or case studies that demonstrate the effectiveness or not of new regulatory standards being enforced at a national versus local level? This may include international comparisons.**

As set out in a number of our responses above we have strong relationships with energy agencies across Europe. If it would be useful to the Scottish Government, we would be happy to send out a request for specific information to EnR members and/or arrange short calls for Scottish Government officials with relevant EnR members to see if they have any relevant evidence or case studies that demonstrate the effectiveness or not of new regulatory standards being enforced at a national versus local level.

⁷ <http://existinghomesalliancescotland.co.uk/information/energy-efficient-scotland-options-for-national-oversight-body/>

- 9) Are you aware of any existing, or previous, public bodies that exercise both an advisory and regulatory role within the same organisation – and how this dual remit has been translated at an operational level to avoid any risks relating to conflicts of interest, governance and lines of accountability? This may include examples from the international landscape, and/or UK context.

As far as we are aware the Hungarian Energy and Public Utility Regulatory Authority exercises both an advisory and regulatory role within the same organisation. We are not familiar with how this dual remit has been translated at an operational level to avoid any risks relating to conflicts of interest, governance and lines of accountability. However, we would be very happy to put the Scottish Government in touch with relevant members of staff at the Hungarian Energy and Public Utility Regulatory Authority if they are interested in finding out more.

Institutional Form and Governance

- 10) Are you aware of any case studies, or recent research that considers the opportunities and challenges of establishing a public sector body that is tasked with programme delivery functions on a statutory footing?

Energy Saving Trust believes that establishing the dedicated Agency on a statutory footing would be a sensible approach to take. As noted in our response to question 1 above we think it is important that the Agency is tasked with oversight and leadership as opposed to direct delivery. In looking at the advantages and limitations of different organisational types the EHA's 2018 report (referenced above) noted that *"Any agency set up to provide oversight is more likely to be effective if it, and its functions are established by statute"*. The report noted a number of advantages of organisations established by statute. Establishing an organisation by statute allows for the organisation's remit and functions to be debated and agreed in parliament and for stakeholder input which, in the words of the report *"allow for long term consensus"* and provide *"more stability"* than organisations established by framework agreements alone. Organisations established by statute also have greater political and budgetary autonomy than some other organisational types, and have greater flexibility in their operations. In addition, because they are established by statute they are more difficult to close down meaning that they are more likely to be stable over greater periods of time than other organisational types.

As well as advantages the report outlined a number of limitations of establishing an organisation on a statutory footing. These included the fact that *"its capacity to adapt to changing circumstances may be limited by having its functions defined too rigidly in statute"*. However, the report emphasised that this potential limitation can be overcome by *"building flexibility into its legislatively defined functions"*. The establishment of the

Sustainable Energy Authority in Ireland was used as an example in the report to illustrate this point. We think that such flexibility should be built into the legislatively defined functions of any such agency in Scotland as the net zero pathway is long and complicated and there will inevitably be a need for flexibility to continue to follow it over as yet unforeseen changes in technologies and circumstances.

- 11) **In terms of potentially establishing the dedicated Agency on a statutory footing as part of future proofing it to be able to take on any new functions or responsibilities as heat decarbonisation delivery progresses over the coming decades, are there any other considerations related to this that you think we need to be aware of and why? This may include, for example: upcoming evidence and research, other strategic policy developments and targets, wider industry and sector led developments in the heat and energy efficiency landscape or related delivery areas.**

Other issues that we think the Scottish Government should be aware of/give consideration to include:

- The widespread disrepair in Scotland's housing stock. This is because, in some cases, appropriate repairs need to need to be undertaken before homes can accommodate even minor energy efficiency improvements (e.g, fixing a leaking roof before loft insulation can be installed). Given how widespread disrepair in the Scottish housing stock is - disrepair to critical elements, central to weather-tightness, structural stability and preventing deterioration of the property, stood at 52% in 2019⁸ - this is an issue that needs to be considered when establishing the dedicated agency. Should, for example, the agency be responsible for/able to commission programmes to tackle disrepair?
- The synergies between mitigation and adaptation actions. The Climate Change Committee has recommended that *'the Scottish Government must also take actions to improve Scotland's resilience to climate change by integrating adaptation into all Government policy'*. In this context we think that the Scottish Government should also be aware of the potential links between climate change mitigation and climate change adaptation activities in the buildings sector. Some of the actions that people can take to help Scotland adapt to the impacts of

⁸See: <https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2020/12/scottish-house-condition-survey-2019-key-findings/documents/scottish-house-condition-survey-2019-key-findings/scottish-house-condition-survey-2019-key-findings/govscot%3Adocument/scottish-house-condition-survey-2019-key-findings.pdf?forceDownload=true>

climate change (e.g. water efficiency) can also contribute to climate change mitigation (e.g. using less hot water as a result of the installation of water efficiency measures such as tap aerators, efficient shower heads and adopting behaviours such as taking short showers instead of long showers or baths). Should, for example, the agency be responsible for/able to commission adaptation programmes in the buildings sector?

- Consumer protection issues and the role that the Agency could play in helping to co-ordinate consumer protection issues alongside Consumer Scotland, Citizens Advice Scotland and Trading Standards Scotland - this is particularly important because while responsibility for consumer advocacy is devolved to the Scottish Government consumer protection remains reserved.
- Just Transition and fuel poverty outcomes, and prioritising reducing fuel poverty as part of its co-ordination work.
- A whole system view of home energy decarbonisation. Consideration should be given to whether the Agency should take a whole system view home energy decarbonisation, for example, the relationship between home energy use and transport use (e.g. use of electricity from the home to charge an electric vehicle) and how water efficiency can help to reduce energy costs from hot water (as well as reducing and wider water and energy system costs).

Finally, we note that the existing Home Energy Scotland infrastructure was used to offer additional support to vulnerable customers during the COVID-19 crisis (including, for example, facilitating the delivery of food parcels to vulnerable households and facilitating the provision of vouchers for households on pre-payment meters who were struggling to pay their fuel bills) and to support other organisations that were overwhelmed with demand for support as a result of the crisis. In this context we also think that consideration of the need for flexibility in future proofing the Agency and the services it oversees will be important.

Strategic Partnerships and Wider Stakeholder Relations

12) Who will the Agency need to work closely with in order to best facilitate delivery of the transformational change required, and how do you think this should work in practice?

The Agency will need to work closely with a very wide range of stakeholders in order to facilitate delivery of the transformational change required, this should include existing delivery organisations, and as an organisation with 25 years of experience of delivering a significant number of programmes on behalf of the Scottish Government we would welcome the opportunity to share our delivery expertise in whatever way the Scottish

Government would find most useful. As well as delivery organisations the Agency will need to work closely with:

- The Scottish Government
- Local authorities
- Social housing providers
- The supply chain, including tradespeople, trade bodies and training providers
- UK Government and Ofgem
- Other devolved governments – to share and learn from experiences
- NGOs and advisory bodies (e.g. the Climate Change Committee)
- Consumers groups – Consumer Scotland, Citizens Advice Scotland
- Academic institutions (including those carrying our research that can inform approaches to decarbonisation).

13) Are you aware of any case studies that demonstrate (in)effective partnership working by a public body to coordinate a broader delivery landscape to achieve a shared goal? What lessons can be taken from these examples?

Transport Scotland's work to decarbonise transport in Scotland is a relevant example here. Transport Scotland has funded Energy Saving Trust to deliver a wide range of programmes on its behalf over many years. Work has touched on a wide variety of different areas, spanning across the transport sector. Some examples include:

- Interest free loan funding for businesses and consumers to purchase electric vehicles and grants to allow them to install appropriate charging infrastructure.
- Advice and support for businesses and local authorities to understand how best to electrify their fleets
- Free eBike trials available to organisations, which specifically targeted key workers during the covid-19 pandemic
- Grants and interest free loans for businesses, consumers, third sector organisations and public bodies to purchase eBikes, adapted cycles and eCargo Bikes.
- A pilot project offering funding specifically targeted at community transport organisations for the purchase of electric vehicles and installation of charge points.
- Specialist support for the taxi sector to encourage them to move to less polluting vehicles, along with grant support in line with the Low Emission Zones across cities in Scotland.

Energy Saving Trust is also part of an Active Travel Delivery Partnership (ATDP) which includes a range of organisations who are all involved in various ways with delivering active travel work on behalf of Transport Scotland (e.g. Cycling Scotland, Sustrans, and CoMO UK). The group meets annually with the Cabinet Secretary and works together and with Transport Scotland to ensure a coherent and joined up approach across programmes and also enables best practice and ideas to be shared.

14) What role do you see your organisation playing in relation to the Agency once established?

This is not a straightforward question to answer because, as the consultation notes, the extent to which the Agency will *“take on direct control and delivery responsibility for, versus what the Agency will steer strategically while working with others to implement on the ground”* is still to be determined. Assuming, as we recommend, the Agency is a leadership and oversight body then we see the Agency commissioning organisations like Energy Saving Trust to continue to deliver a wide range of programmes to decarbonise heat and improve energy efficiency in homes, communities and SMEs on its behalf. The example given of our work with Transport Scotland above shows that this can work well in practice.

15) What role do you see for your organisation during the development process of the Agency, and do you have any examples of the type of collaborative approach to design of a new public body or delivery programme that you would like to see implemented? What lessons can be taken from these?

Energy Saving Trust supports the Scottish Government’s desire outlined in the consultation document that *“...the development of the Agency is a collective and collaborative effort, shaped by the input from a range of stakeholders across the public, private and third sectors, putting people first as part of its core values”*. This will help to ensure that the Agency adds value. As the consultation notes it will be vital that the Agency has *“full understanding of the capacity and capabilities of the delivery landscape”*. As an organisation with 25 years of experience of delivering a significant number of programmes on behalf of the Scottish Government we are at the service of the Scottish Government to share our delivery expertise in whatever way they would find most useful.

We don’t not have any specific examples of collaborative approaches to the design of a new public body of delivery programme that we would like to see implemented.

16) What types of approaches to civic participation do you think could work most effectively in supporting development of the dedicated Agency, and why? How

can these be best implemented to work alongside wider stakeholder engagement? Please provide any examples, or case studies you may have to support your response.

No response.

Strategic Purpose and Functions

- 17) Other than those listed, are there any other specific functions that you think the virtual Agency should be tasked with delivery ahead of the dedicated Agency, and why? If you have any supporting evidence that demonstrates the potential added value – or make clear the current gap in delivery – of such a function pre-regulations, please provide.**

We welcome the Scottish Government's commitment to establish a virtual Agency by September 2022. Given that the actual Agency won't be in place until 2025 – leaving only 5 years until Scotland's extremely challenging 2030 target needs to be met we think that the functions outlined in the table need to further. So, for example, the text in the delivery section currently reads *"Coordination of existing delivery programmes across domestic and non-domestic landscapes in line with pipeline development set out in the Heat in Buildings Strategy"* with no explicit reference made to significant increases in pace and scale of activity. In addition, the development section of text currently includes the following text *"Future Delivery Programmes Scoping & Implementation Plan – developing a suite of programmes to meet the challenge of transformational change. The first stage of this would be to conduct a full landscape review, and map consumer journeys. The virtual Agency would be tasked with working with stakeholders to deliver this and providing advice to Ministers on next steps"* – there is no mention here about the need to start delivering these programmes – and where elements of these are not already in place this will need to happen before 2025.

Structure, Governance and the Transition Pathway

- 18) Do you have any examples, or insights based on experience, that demonstrate the potential added value of an "interim" delivery body in advance of a dedicated public body, and how this can best be achieved?**

We have no examples, or insights based on experience, that demonstrate the potential added value of an "interim" delivery body in advance of a dedicated public body, and how this can best be achieved.

- 19) Do you have any examples, or insights based on experience, of effective change management practices relating to a public sector initiative that required a shift in**

the existing national and/or local delivery landscape, managed over time? What lessons can be learnt?

No, we do not have any examples, or insights based on experience, of effective change management practices relating to a public sector initiative that required a shift in the existing national and/or local delivery landscape managed over time.

20)What do you see as the key steps, and/or considerations that will need to be reflected in the transition Route Map, and why?

Consistent funding and support from the Scottish Government over many years for a wide range of programmes to improve the energy performance of Scotland's homes means that Scotland has the most advanced home energy infrastructure in the UK. This means that many of the essential building blocks are largely in place to deliver against the Scottish Government's challenging targets. Our comments above about not disrupting existing and effective delivery infrastructure and thus losing time in a tight race to net zero thus apply. In addition, one of the key considerations that will also need to be reflected in the transition Route Map is how this existing infrastructure can be built upon and scaled up in order to deliver a significant step change in the pace and scale of activity to decarbonise Scotland's buildings. Once activity has been scaled up it will be important that pace and momentum is maintained over many years.