



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 17 May 2022

Session 6



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NET ZERO, ENERGY AND TRANSPORT COMMITTEE
17th Meeting 2022, Session 6

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*Natalie Don (Renfrewshire North and West) (SNP)

*Jackie Dunbar (Aberdeen Donside) (SNP)

*Liam Kerr (North East Scotland) (Con)

*Monica Lennon (Central Scotland) (Lab)

*Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Teresa Bray (Existing Homes Alliance Scotland)

Roger Curtis (Historic Environment Scotland)

Michael Matheson (The Cabinet Secretary for Net Zero, Energy and Transport)

Elaine Waterson (Energy Saving Trust)

Professor Janette Webb (UK Energy Research Centre)

Elena Whitham (Carrick, Cumnock and Doon Valley) (SNP)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

Committee Room 2

Scottish Parliament
Net Zero, Energy and Transport
Committee

Tuesday 17 May 2022

[The Convener opened the meeting at 09:33]

Decision on Taking Business in
Private

The Convener (Dean Lockhart): Good morning, everyone. Welcome to the 17th meeting in 2022 of the Net Zero, Energy and Transport Committee. We will conduct the meeting in hybrid format.

Agenda item 1 is consideration of whether to take in private items 6 and 7, which relate to consideration of the evidence that we will take in public from two panels this morning. The first panel will discuss heat in buildings and the second will discuss energy price increases. Are members agreed to take those items in private?

Members *indicated agreement.*

Role of Local Government in
Delivering Net Zero

09:33

The Convener: Item 2 is an evidence session in relation to our inquiry into the role of local government and its cross-sectoral partners in financing and delivering a net zero Scotland. We launched the inquiry in December in order to look into progress at the local level in reaching national net zero targets.

Today's session will explore how local government can work with private sector and public sector partners to meet the ambitious aims that are set out in the Scottish Government's heat in buildings strategy.

We have four panellists. Joining us in the committee room are Teresa Bray, who is chief executive of Changeworks and is here on behalf of the Existing Homes Alliance; Roger Curtis, who is technical research manager at Historic Environment Scotland; and Professor Janette Webb, from the UK Energy Research Centre. Joining us remotely is Elaine Waterson, who is policy manager for Scotland at the Energy Saving Trust.

Good morning, everyone, and thank you for joining the committee this morning. We very much appreciate that you have given up your time to appear before us. We have approximately 75 minutes for this panel session and will move straight to questions.

My first question relates to the Scottish Government's heat in buildings strategy. As the witnesses know, there is a target to retrofit and decarbonise 1 million domestic dwellings and up to 50,000 non-domestic buildings by 2030. Given your experience in your respective areas, what main challenges will local authorities and delivery partners face in meeting those 2030 targets, and how realistic are the targets?

I will begin with Professor Janette Webb and then move to Roger Curtis and Teresa Bray.

Professor Janette Webb (UK Energy Research Centre): Thank you for the opportunity to speak this morning. Most of what I will say derives from a combination of research, evaluation of the energy efficient Scotland pilots and some related work on the development of district heating networks.

On the question whether the targets are feasible, although they are very ambitious, we need to be extremely ambitious given all the climate science and the dire warnings that we are

getting about the state of our life support system, which certainly worry me.

It has to be done effectively. In Scotland, we have one important piece of the puzzle just about in place, although it needs to be moved forward at a very systematic and rapid rate. I refer to the proposition to introduce a requirement on all our local authorities to produce comprehensive local heat and energy efficiency strategies that cover every building, so that we know that we are all in it together. Every property owner—public, private or commercial—has to be involved in that programme. If that is done properly, it will provide the means and structure that we need.

We saw in the pilot some of the difficulties of doing that effectively in relation to local heat and energy efficiency strategies in smaller area developments. My colleague Teresa Bray will be able to speak about that in more detail than I can, but I can give an example. We saw in particular a lack of technical expertise in local authorities at the moment and the necessity of having enough expertise—very easily, directly and responsively accessible expertise—so that the local authority can be the intelligent agent and intermediary. Most of the local authority representatives we interviewed really wanted at least some more technical proficiency in house so that they could feel confident that they understood the significance and robustness—or otherwise—of the data.

A second issue is related to just that point: how do we get that data and make it accessible on a shared basis, and get good and agreed central data-sharing protocols that all the local authorities can tap into? There is a lack of good data—particularly on commercial sector buildings and small and medium-sized enterprise building stock—which needs resolving. The local authority officers who are in charge were also concerned about not being able to get the issue on to the agenda of senior management in their authority or on to that of council leaders centrally. They all told us that that needs to be a statutory requirement.

I will stop there and let someone else have a go.

The Convener: Thank you. You raised a number of very important points, which I am sure that we will pick up on.

I put the same question to Roger Curtis.

Roger Curtis (Historic Environment Scotland): HES has been involved in researching thermal upgrade options for traditional and historic properties since 2008. There is a briefing note that gives a bit more background to that. We are fairly comfortable with a suite of technical measures to bring most pre-1919 or hard-to-treat properties up to—certainly—energy performance certificate band C.

Holyrood park lodge, which is just across the road, is now an EPC band C without renewables, and we hope that phase 2 will achieve renewable intervention and an improvement in that EPC certificate. The committee is very welcome to look at that building after the meeting, if members have time. I can discuss that with the clerk.

On materials and interventions, there is a significant opportunity for Scotland to use organic and green materials that conform to what we now call the circular economy. To an extent, those principles have guided our materials selection.

The barriers to implementation are probably around skills and the supply chain. We know that there are significant shortages of labour and contractors for the existing workload of baseline construction, that 50 per cent of construction activity is in repair and maintenance, and that there is a significant backlog of repair shortcomings, as catalogued in the Scottish house condition survey.

We also know that energy efficiency cannot be addressed in buildings that are not properly maintained and coping poorly with the effects of climate change. In most parts of Scotland, climate change means more rain and more damage, frankly. Substandard buildings that are not well maintained are not able to be improved thermally. The supply chain, labour, skills and professional knowledge and understanding to specify repairs correctly are also important factors, but those are probably number 2 on the list.

I will stop there; perhaps we can revisit some of those issues, as the committee wishes.

The Convener: Absolutely. I ask the same question of Teresa Bray and will then bring in Elaine Waterson, who joins us online.

Teresa Bray (Existing Homes Alliance Scotland): The targets are very ambitious, but one of the big advantages we have is the strategy, which combines regulation—which is going to be a key point in delivering the targets—and levels of support. Meeting the targets is technically feasible because we do not have to find any new technology, but organisationally it will be very challenging.

One of the key things that we have to recognise is that we are looking at an eight-year programme to meet the 2030 targets, and part of the challenge with that is that we operate on a year-by-year structure, which undermines the delivery of the eight-year programme. For example, the Scottish Government provides funding to local authorities for energy efficient Scotland area-based schemes to help the fuel poor, but although the Government has outlined how much it will commit over time, it does that through a year-by-year allocation. The trouble with that year-by-year allocation is that

local authorities need to wait for the allocation to come through.

Changeworks delivers for eight out of the 32 local authorities—we are the managing agent. However, it is challenging to get the programmes off the ground, do procurement and build demand each year, and because councils only get an annual settlement they cannot plan ahead. We do not build roads by asking how many miles we can build from start to finish in a year. It takes much longer to plan total regeneration. More than half our housing stock needs energy efficiency measures, and we have to change heating in great numbers of buildings, so we need to move to multiyear funding.

Political support is required. A lot of local authorities have net zero plans, but they do not necessarily see them through to the point of getting involved in housing across their area.

There needs to be better co-ordination between the Scottish Government, the Convention of Scottish Local Authorities and the Society of Local Authority Chief Executives and Senior Managers, and for them to say that the targets are a high priority and that delivering on them has to be seen as vital. The changes that are taking place are probably not as obvious when compared with some of the street active travel changes, but it is vital that we strengthen the links between different areas.

There will be a need for support for local authorities from national energy agencies. There is a skills shortage right across the country and across a range of skills, and it will not get any better, particularly with fewer people coming from Europe. The skills are not there, so a lot of people will have to transition and we need to consider how that can be made easier for them. That could be done through draft job descriptions for everybody or training and retraining the workforce. A lot of the workforce is there already, but they need to be reskilled, so we need to consider how that can be made easier and how we can engage with Business Gateway to make it happen. Organisationally, it is very challenging, and it is more about how we deal with that than it is about technological changes.

The Convener: I will bring in Elaine Waterson on the same question.

Elaine Waterson (Energy Saving Trust): I echo what others have said. We think that Scotland has the right level of ambition, that the challenge is right if we are going to address the climate emergency and that Scotland is addressing climate change in a much more proportionate way than the other countries in the United Kingdom.

The key point is that business-as-usual activity will not cut it. The pace and scale of activity need to be accelerated very significantly.

09:45

To echo what Jan Webb said, I think that there is a lack of expertise in many local authorities. Where expertise has been provided to local authorities, it is already making a big difference. For example, the Danish mentoring scheme has provided really helpful support to local authorities such as West Dunbartonshire Council and Shetland Islands Council. It enabled the Queens Quay project in West Dunbartonshire to be designed and built to a really good standard and it helped Shetland to upgrade its existing heat network by advising on pipework specifications.

When expert support is provided, it really makes a difference. We will need a lot more of that.

I also flag up that the responsibilities that we are talking about are all additional ones for local authorities, which will need to be resourced effectively if they are to be able to deliver on those responsibilities and make their appropriate contribution to climate change mitigation.

The Convener: Thank you for those answers. A number of issues have been highlighted. Who will finance the transition towards the decarbonisation of heat? We have heard from local authorities that they simply do not have the financial resources for that. It is a huge question, but I ask you to touch on whether you have seen good examples in pilot schemes or any feasible mechanisms for financing the transition and the heat in buildings strategy.

Professor Webb: As Teresa Bray said, multiyear funding for local authorities is necessary to keep the plan moving, because it must be a delivery plan and not just a strategy that gets filed somewhere, which can happen in many policy areas, as we know.

One way forward for the financing, which would also bring costs down, is to work area by area. I will use the example of the programme that is coming to my street. If we were told that there was a set price, with built-in advice and support and an end-to-end hand-holding process, far more people on the street would be willing to contribute. They would see that there are savings to be made based on bulk procurement from that process.

We spoke briefly about the potential for a series of housing archetypes, which would also help with planning area by area. At the same time, that approach serves the function of public engagement. When I talk to colleagues and friends about the heat in buildings programme and energy efficient Scotland, which have been around for the best part of 10 years, I find that many

people are still not aware that they need to get going. It all becomes part of the engagement strategy and awareness raising. Of course, property owners could opt out, but the regulation would come in behind that to ensure that they act.

I will suggest an interesting possible route to financing for people in homes who are in the considered self-funding category. An element of grant is always helpful because it makes people feel that they are being directly supported and incentivised, although it must always be backed by regulation. Another way forward, to which some consideration was given a couple of years ago in Scotland, is to use local savings and loan associations—in our case, that means the credit union network—to provide affordable, low-interest finance with the Scottish Government as guarantor in case any of the loans are not repaid. The evidence from European comparators suggests that that approach has worked pretty well and there has been pretty low default in other parts of Europe.

In the commercial sector, reputation matters. I have seen that in some of the research on private sector domestic and non-domestic landlords. In the Australian scheme, the National Australian Built Environment Rating System industry standards are used to pull standards up because commercial property owners are required to advertise and make it clear that, because the energy performance of their buildings is at a very high standard, there are advantages to taking a lease with them rather than with another property company.

Many commercial landlords will act on the basis of regulation or because regulation is coming in. We have seen with the minimum energy efficiency standards in the private rental sector for domestic tenants that landlords will act on the basis that they know that it is coming in and that they will have to comply. Typically, they can arrange finance for that.

Of course, some landlords will try to avoid it but, by and large, compliance will be in place, certainly on the part of the bigger landlords. There will inevitably be a need for a mop-up behind that with public funding, but in general we have seen in other countries that the use of relatively small amounts of public funding can bring in larger amounts of private funding behind it.

The Convener: Thank you for those insights. You make a number of good points.

I will bring in other panel members. To follow up on those points, if there is eventually more understanding in the marketplace that home owners will have to meet this expense largely from their own sources, will that have an impact on house or building prices over time? Roger, maybe

you can touch on that first, given your experience in the sector.

Roger Curtis: The financial landscape is not really my area, but I have picked up several sniffs. I support Professor Webb's comment about area-based schemes where the typologies are limited so the technical variation is less and there are scales of procurement and so on.

The retail finance sector is looking at the refurbishment space. We have been approached by a start-up in relation to financing for this sort of work. The financial sector is looking at the area, and a bit more work or investigation could be done by people who are better versed than I am on how much it could cover. As was mentioned, it will be a broad mix, with a selection depending on the circumstances of the home dwellers in the area. I will stop there, because that is not my lead area.

It is interesting that what is assumed to be the standard retrofit cost per housing unit varies quite a bit depending on who you talk to, but private finance certainly puts it in the region of £20,000. It is that sort of figure, which is a little higher per housing unit than several planning assumptions that I have seen.

Teresa Bray: One of the key factors will be to make sure that we get the information out there, whether that is through a public information campaign or something else. It will be very important to let people know what is happening.

Regulation will also be vital, because people will start factoring in the cost when they come to sell their property. There are already indications that the market is factoring it in. If someone's property has low energy efficiency or—this is probably a better example—they have already installed air source heat pumps, particularly in areas that are off the gas grid, that has an impact on price. Prices may come down where there is low energy efficiency, but that would probably be beneficial because, to a large extent, those works need to be done.

The trouble with the property market is that it has become so unaffordable for the vast majority of the population and particularly for young people, so an impact on property prices would be a good thing if it results in better homes in the long term. Our homes are here for the long term—people often live in homes that are 100 years old—so a temporary blip in the property market would probably be useful.

There is a huge amount of private finance looking for a home in low-carbon areas, but investors want to aggregate the demand. That is a real issue. They are not interested in lending £10,000 or £20,000; they are dealing with hundreds of millions of pounds. Whether that involves pension funds or long-term investors,

they want to shift away from energy-intensive industry to something that gives a good return, and energy efficiency gives a good return if we can make the financial models work. Aggregation will therefore be vital. Edinburgh is already considering how it could aggregate the demand to take an area-based approach, with hundreds of millions of pounds or £1 billion being spent to make that happen.

Resource funding is required to lever in that private finance and get those creative minds together to think about how we can create a model that will achieve a return on that. Our tenemental stock has already been retrofitted with electricity and gas. We are going to have to similarly retrofit it with heat, but what model is going to supply that? Will it be done by the current utility companies or is there an opportunity for new business models—probably a public-private partnership—that could lever in large amounts of money to change the heating source? While we are putting in the heating, we can also address the energy efficiency, bundling that into a single package. In that way, as people pay for heat, they will also pay for their energy efficiency measures.

Resource funding is needed, and economic minds are needed to see how we can create such models for the future of our country. It has been done in Denmark and other countries that have district heating throughout. Many of those projects are owned by local municipalities. If we are to do something like that, we will need to decide on some structures so that it can be replicated across the country. There is not an issue with the overall capital; it is about how people get access to that. There will be a role for some grant funding for the fuel poor and to encourage the early adopters, but the state cannot pay for everything.

The Convener: Thank you for those insights.

Elaine Waterson: As Teresa Bray said, the public purse cannot foot the full bill, but it is important that we ensure that the costs are fairly distributed and financed in a way that means that people who are less able to pay or are vulnerable can access public financing while self-funders have suitable attractive financial propositions that can support the required level of investment.

There might be merit in looking at the approach of on-bill financing, which is already being used in some parts of Europe. For example, in the energy sector in the Netherlands, the Energiesprong model works by replacing the bills that residents would have paid to energy companies with an energy plan that costs the householder no more than the bill that they would have paid to the utility company. The energy plan is paid to the housing provider. There could be real merit in looking at that sort of model for Scotland.

It is also worth noting that, in Scotland, private funds are already levered in to some extent through the use of Scottish Government loans for energy efficiency and low-carbon heating technologies. However, they are paid back by householders themselves.

The Convener: I thank the panel for their answers. I wanted to bring everyone in to address those wider questions in order to set the scene. We might not have time to bring all our witnesses in to answer each question from members. I will bring in Fiona Hyslop now.

Fiona Hyslop (Linlithgow) (SNP): Thank you for joining us. I want to look further at the place-based approach. It is clear that there is evidence that that approach could help, as we have already heard with regard to area-based schemes. Our inquiry is about local authorities, but I do not think that anybody in the last evidence session mentioned local authorities in relation to the place-based approach, although we were primarily looking at owner-occupiers in that discussion. What changes would be needed for local authorities to be involved in a place-based approach in the public and private sectors? For owner-occupiers, might that best be left to a new vehicle, which you mentioned in those last answers to the convener? I ask Janette Webb and then Teresa Bray to answer that.

Professor Webb: When I mentioned area-based schemes, I was assuming that local authorities would be instrumental in identifying the areas and doing the costing and prioritisation through the local heat and energy efficiency strategies for their areas, and that they would certainly be part of a co-ordination body. Of course, we would probably need to have different customised plans in place in different areas.

10:00

In the evidence from our own and other, similar research, we have found that local authorities tend to be trusted as intermediaries by different parties. For example, SMEs that were involved in earlier trials—although those trials were not as area based as they should have been—in the green homes grant local authority delivery scheme in England appreciated the involvement of local authorities. They said, “We get a good contract that runs well, and we get paid—we like that. We have worked well with the local authorities.”

The evaluation of that scheme was very positive. No real negatives came back from the tradespeople who were involved and, similarly, householders said that they found it helpful that the information came from the local authority and that the scheme was backed by it. That got householders involved, and it made them think

that it was a valid and legitimate scheme, so they went ahead and did it and were pleased with the results. Unlike the green homes grant voucher element of that programme, the local authority delivery aspect worked well. Some of the householders were self-funding.

Teresa Bray: Local authorities have a vital role. They have an understanding of their communities and of the physical stock and the restrictions. As Janette Webb mentioned, it is key that local authorities have full ownership of the local heat and energy efficiency strategies. Sometimes, there is a danger that those are seen as technical documents, but they have to be owned by local authorities, because they have a key role in building partnerships and co-ordination.

Local authorities have ownership of the area-based schemes that we manage on their behalf. Changeworks will come in to manage the contractors and liaise with householders. The reporting still goes to the local authority and they require oversight to see how it fits in with their priorities; they prioritise how they tie in their stock with the owner-occupier. The local authorities may not need the technical skills to have a clerk of works on site, but they need to have ownership at a policy and strategic delivery level.

Fiona Hyslop: Do any improvements need to be made?

Teresa Bray: There is a lack of skills and a lack of resource funding, which is key. I know that resource funding is being looked at. There needs to be recognition that a project does not just fall to a single local authority officer. There needs to be more senior management ownership and the political will for that. Delivery is another area that is pulled into other departments such as procurement and planning. Those services need to be adequately resourced, because you could easily hold up a project if you did not have sufficient procurement officers—for example, if you had only half a dozen on a project.

Local authorities also need support for some of the areas that I mentioned, such as district heating. They are likely to have a key role in partial ownership, and how that can be structured needs to be considered. There needs to be some support—perhaps Scotland-wide consultancy support—for different models for local authorities. That is all part of the planning that needs to take place with those projects. Local authorities do not have the skills and they do not have the ability to access technical skills, so we should consider what frameworks need to be put in place for local authorities to have a key role in strategic delivery.

Fiona Hyslop: Thank you. I will move on to a question for Elaine Waterson. Owner-occupiers and those who are not in fuel poverty are expected

to be proactive in seeking information, advice and support about decarbonisation. What would or could be the role of local authorities in an area-based, zoned, street-by-street or place-based approach? How do we unlock and stimulate that collective action?

Elaine Waterson: The local heat and energy efficiency strategies will play a key role, because that information will allow people to know the most appropriate heating source for their property. Do they live in an area that is likely to be served by a district heating network? Are they in one of the small areas that might be served by hydrogen? Is the solution electrification and, if so, does that mean a heat pump or direct electric heating? The local heat and energy efficiency strategies will, from that perspective, be key to ensuring that people make the right decisions about how to heat their homes.

Fiona Hyslop: Roger, will you give us your perspective on area-based approaches, particularly with regard to pre-1919 properties, many of which might be owner occupied? What role could Historic Environment Scotland play in supporting such approaches? You might be aware of the myth of Historic Environment Scotland being somehow an inhibitor rather than an enabler of change, particularly with windows. Will you also reflect on what the draft national planning framework 4 will mean for conservation and how it might be used by Historic Environment Scotland to celebrate our heritage in some dynamic way? I realise that that is quite a big area to cover, but I am interested in hearing your views on it.

Roger Curtis: We are already doing area-based schemes, and we are leaning in on specific typologies in certain areas. We absolutely support the role played by local authorities; indeed, we are working with Glasgow City Council on a couple of pilot projects in the south side of the city. We can offer an element of technical reassurance on some things, and we can support the typology model. Local authorities have a very good granular understanding of their local areas, the services, the routes, the access and the strategic plan that Elaine Waterson mentioned.

On options for improving the fabric of buildings, we have identified that every building can be substantially improved, and we have generated significant savings even in what you might call highly protected structures. Nearly all of the 3 per cent or so of properties in Scotland that are listed can be improved very close to the standard, although we should, of course, take into consideration embodied carbon and so on.

HES recently issued a green recovery statement, which is about the role of the existing and historic environment as a catalyst for wider improvements in society, whether they be

community based or based on aesthetics, wellbeing or sense of place, all of which are core to our identity. As has been noted, the density of older buildings is much higher in some of our town centres, and there is a very big focus on tenements in particular. Certain technologies are better suited to such environments; indeed, we have already talked about district heating schemes being very suitable for the tenement typology in many age bands. Different things suit different property types.

We certainly see ourselves as supporting that work, whether through direct advice to local authorities or by smoothing the path for consents and some other statutory applications. We know that improving the existing housing stock will be a massive part of dealing with the problem, and we stand by to provide support and offer suggestions. We have also published quite extensively on the matter, and many reports that are coming out are focusing on the shorter term, given that we need to make carbon savings now. The fact is that we really need to aim for domestic-level improvements over the next 10 to 15 years, even though we are planning for some of the interventions to have a 60 or 70-year lifespan.

Did that catch all your questions?

Fiona Hyslop: What is Historic Environment Scotland's view on double or triple-glazing historic buildings?

Roger Curtis: We are pretty comfortable with various advanced glass options. When we look at the circular economy, embodied carbon and the widest carbon story of construction materials and how they are used, there is a discussion about what those materials could be but, when it comes to windows performance, there are better-performing products, particularly glass, that we can fit. We can make that happen. It is horses for courses and there are different options, but we are fairly comfortable with the approach. The issue is not a barrier at all.

Fiona Hyslop: I think that the convener will want to move on, so it might be helpful if Historic Environment Scotland wrote to the committee with its views on NPF4 from a conservation perspective, because the committee has a wider interest in that regard.

Roger Curtis: Sure. Thank you.

The Convener: I will bring in Monica Lennon, who is joining us online.

Monica Lennon (Central Scotland) (Lab): Good morning, everyone. We have heard about the key barriers that local authorities face when they are trying to maximise their involvement and success in making homes warm, healthy and aligned with net zero aims. Professor Webb, you

talked about a lack of technical expertise. What expertise do local authorities have to buy in? What skills and expertise need to be advanced in Scotland?

Professor Webb: Are you asking about the skills and expertise that are needed in or by local authorities?

Monica Lennon: Yes.

Professor Webb: It might help if I gave an example. We looked at the use of European Union technical assistance funds—in particular, the European local energy assistance fund, or ELENA—by a number of local authorities and the Welsh Government. Local authorities and the Welsh Government received funding—in this case through the European Investment Bank—to develop an in-house team that would understand how to plan, cost and implement local energy developments. For the first time, a significant group of people was brought together as an in-house team.

Quite strong strings were attached to the funding. I think that the ratio was 1:20—that is, for every euro that was given in grant, the recipient had to guarantee that they would get €20 back in commercial or other matched investment. In the ELENA schemes in British local authorities—I do not think that there were any in Scotland; they were in England, and there was one in Wales—we found that, for every euro of technical assistance funding that came into those local authority teams, €37 came back in investment into local energy initiatives. That was a really effective use of public funding to bring in a much bigger volume of commercial funding for district energy developments.

In Scotland, there is now the £300 million commitment to green heat network developments. I think that that could be used in a similar way, to create technical assistance teams that could develop district heating networks in the areas that people have mentioned. The University of Edinburgh has heat network developments in central Edinburgh, and it is trying to plan for a future without gas combined heat and power in heat network technologies.

We need technical assistance to be in place at scale in urban centres, where heat networks look to be an effective solution to decarbonising heat. There is also, of course, a need to capture waste heat and unused heat from industry and secondary sources, as well as a need for big-scale heat pumps and, potentially in some areas of Scotland, hydrogen as a heat network source.

I do not know whether I have gone far enough on your question.

10:15

Monica Lennon: Thank you, Professor Webb. According to my notes, you said that there is a lack of technical expertise in local authorities and that there needs to be more in-house technical proficiency. The committee hopes to make recommendations to the Scottish Government and to local government. What action do you recommend to address the technical expertise challenge that you have mentioned?

Professor Webb: When we interviewed local authority officers who are involved in the year-on-year area-based schemes and energy efficient Scotland pilots, they said that, in order to do the work more systematically and on a planned and strategic basis, most local authorities are looking for at least one full-time-equivalent member of staff, if not two. Of course, in some of the smaller authorities, there might be a shared resource.

That is where the proposals for a public energy agency in Scotland come in. The planning needs to be co-ordinated between the national agency and the local authorities, so that we can see what will work most effectively, whether some of the technical resources can be shared, and how that would work. Would we put authorities together in an area where that made sense? I know that, in the greater Glasgow and Clyde area, with which I am reasonably familiar, officers who have worked for a fairly long period on the potential for district heating network developments have said that it does not make sense to have the strict geographical boundaries of council areas and that we should instead plan across areas to optimise the economies of scale and to connect up as many properties as possible.

Obviously, there has to be a degree of flexibility, but investment in our local authorities is certainly needed.

Monica Lennon: Does Roger Curtis want to add anything on technical expertise in local authorities?

Roger Curtis: No, thank you. I support Professor Webb's point about the scale of support at an organisational level.

I think that, quite quickly, the issue will default to the ability of contractors and trades to deliver the work on the ground. That ability is under pressure already with the existing schemes at the present levels, including at the basic repair and maintenance level.

With that trade requirement goes the qualifications that installers will need. At the moment, we are under capacity in that regard. Not many installation training schemes are running in Scotland at the moment. We have a package that we hope that further education colleges will take

up—it is a course in retrofit for pre-1919 and traditional buildings. Much though we would like to, we cannot train Scotland, although we would be happy to do so with the appropriate resourcing. However, the approach needs to be national. Every FE college needs to train a cohort of installers so that local authorities have levers that they can move.

The feedback from Glasgow as of last week is that, when we put something out to tender, we are not sure what will come back and, if something comes back, whether that will be in September, October, November or whenever. Whichever flavour of retrofit we are talking about—whether it is the older stuff or the more recent post-war stuff—there is a real capacity gap in the industry and an education and training gap. Those are pretty fundamental for delivery at the area level.

Monica Lennon: That is interesting. What did you mean when you talked about resources? Are there not enough resources to meet the demand for training places?

Roger Curtis: At the moment, there are not enough contractors doing the work. If you talk to anyone, whether they are involved in new build, refurbishment or thermal and energy upgrade, you will find that they are waiting for the construction sector. People in that sector are rushed off their feet. That is the capacity question that I am talking about. Yes, there is a shortfall in local authority organisational capacity and capacity to understand the question, but the scale of that is probably more modest. The issue is the delivery at scale by contractors and, indeed, the professionals—the architects, surveyors, designers and specifiers—although the numbers are a wee bit smaller there. The issue is about the actual folk on the ground doing the installation work and the qualifications that need to go with that.

Monica Lennon: In the interests of time, I will move on to my next question, which relates to the issue of multiyear funding. Teresa Bray, earlier, you talked about the fact that the current approach, which uses annual settlements, makes it hard to plan ahead. Would you recommend that there should be multiyear funding models for local government?

Teresa Bray: It is vital for the allocation of funds for the area-based schemes that there is multiyear funding for local authorities. At the moment, indications are given, but there has to be a contractual agreement so that the local authority is able to enter into contracts and plan the work ahead. Single-year funding just does not work. The Existing Homes Alliance Scotland has been asking for multiyear funding for many years, and it has to be put in place.

It may be that you are not able to guarantee that a local authority would get, say, £3 million for each year, but if you could guarantee £3 million for the current year, £1.5 million for the following year and £0.5 million for the year after that, and review that every year, that would create a degree of certainty that would make a huge difference to what it was able to deliver.

To pick up on your earlier point, authorities need to have some skilled project managers—technical project managers as well as organisational project managers, because, often, those people are pulled in all directions. If we want the projects to be managed properly and in a creative way, there must be some people who can see them through and who can manage them through the structures in the local authority with regard to the necessary resources, procurement, building standards and the like.

Multiyear funding is key for all of that, because those projects will not be completed in one year. In relation to a self-funded area-based scheme, you would expect to be in that area for five to 10 years, so that people are in the right position to take action in their homes. We are talking about long-term projects—you cannot do six months in one area and six months in another. There must be a long-term approach in those areas.

Monica Lennon: That is helpful. You also talked about the importance of political will and buy-in from senior management in local authorities. What would help to achieve that? Are you aware of any local authorities in Scotland in which there is good visibility of these issues, perhaps due to the existence of a committee on net zero? Should there be more net zero committees, such as the one that we have in the Scottish Parliament? What would help with regard to the way in which administrations organise themselves? Some of them will vote this week on who is in charge of what committee, so it would be helpful to know what would help to ensure that there is a joined-up and strategic approach in each local authority.

Teresa Bray: Often, local authorities will have a net zero committee or task force. However, particularly if they still own their own housing stock, there can be a divergence from the responsibility for housing, which is the key area with regard to how a local authority can influence things, as a quarter of carbon emissions are from heating, if we exclude industry. There must be a consideration of how local authorities can co-ordinate their housing committee and their zero carbon committee. Housing is often seen as the poor relation, so people need to think about how they can bring that in.

Scottish Borders Council is an example of a local authority that does not own its own housing.

Therefore, it has had to be more creative, because it does not have the in-house skills and understanding of the housing stock that would enable it to move forward in that regard. As a result of the force of circumstances, it has had to think widely about how it can tie in the local college around the issue of skills development. Its levers have had to be more on the partnership side than on the delivery side, because it does not hold its own housing stock.

Thought must be given to how the team that is responsible for housing talks to other people all the way up the chain to, say, corporate strategy. I sit on the Edinburgh Climate Commission, and we work with Changeworks to deliver work around housing. People need to think about how we can get those areas to tie into what needs to be done. Middle and senior management, who are often overstretched, have to understand that they have a role to play in the delivery of net zero.

We need to give examples of the opportunities that exist. Sample guides for responsibilities could help, as could a discussion of how procurement can stop things happening. That is often one of the issues for local authorities because, by their nature, they are often forced to be quite risk averse, so we need to get procurement colleagues across Scotland to be more creative in their delivery.

Similarly, planners have their own responsibilities. How could planners be much more creative in thinking about what could be done? It is about the sharing of good practice and engagement. A small team that works in a local authority often gets quite isolated, and how we get that co-ordination in order to bring new ideas into those functions needs to be driven at a senior management level.

Monica Lennon: Thank you. That is really helpful.

I have not heard from Elaine Waterson so, before I pass back to the convener, I will ask her if she has anything to add.

Elaine Waterson: I do not have anything to add, thank you.

The Convener: Thank you, Monica. Next up is Liam Kerr, to be followed by Mark Ruskell.

Liam Kerr (North East Scotland) (Con): Good morning. To get into a couple of specific issues, I will go back to a question that the convener asked. Roger Curtis said that the rough cost of retrofitting a property is £20,000. Teresa Bray followed that by conceding the convener's point that, if retrofitting is not done, there could be a drop in house price. She suggested that a blip in the property market would be beneficial. I counter that by saying that a blip would not be beneficial for

people who have bought their house but who do not have £20,000 or the time to retrofit. They could end up in negative equity. How can people who are in that situation be persuaded to retrofit?

Teresa Bray: At the point of sale, there might not be an opportunity to pass on the obligation to the person who is buying the house. Therefore, there has to be an opportunity to do so through regulations that require that obligation to be passed on. There will be a need for long-term planning so that people can plan ahead.

For people who are struggling—the fuel poor—there will be a need for grant funding. Significant amounts of public funding are being put in, which can make a huge difference, particularly in relation to external wall insulation projects. All householders make some contribution to that, and loan funding is provided, often at a relatively low level of up to £1,000 that is repayable over 10 years. Those projects are often seen as achievable, and they can really improve the amount of money that households save on their fuel.

It will be more difficult for people who find themselves in negative equity and do not have the money to invest in their homes, which is where grant funding will come in. However, when people start to plan ahead, they will have to prioritise dealing with the heating and energy efficiency over putting in new bathrooms and kitchens, which is often a debate that is had. We are not talking about the poorest people, who are possibly the people whom you are thinking about; however, householders will be required to make their buildings suitable for the future, and to accept that different forms of heating will be required. If we do that, difficult conversations will need to be had with people, and political leadership will be required.

Liam Kerr: It certainly will be a difficult conversation.

My next question is for Elaine Waterson. Teresa Bray talked about loan funding, and the Energy Saving Trust delivers the Home Energy Scotland programme for the Scottish Government. Your most recent annual report highlights that interest-free loan funding of £38,500 is available to owners and landlords to help with energy efficiency and installations. In 2021, the number of loans that were given out to properties was just under 1,300. There are around 1.9 million private properties in Scotland, which begs a few questions. Is the Home Energy Scotland funding sufficient, why is take-up so low, and how can it be increased?

Elaine Waterson: You are absolutely right that there is a massive gap between the existing take-up and the take-up that will be needed if Scottish Government targets are to be met. That goes back

to my earlier point about the need for a massive increase in the pace and scale of activity.

10:30

You asked whether there is enough Scottish Government funding in that regard. We need more private investment, because the public purse cannot pay for everything. The green heat finance task force will play a big role in identifying how lots of the activity can be financed.

As others have said, we need regulation to create the necessary levels of demand. People need to know exactly what needs to happen to their homes, and by what date, so that they can plan for the changes.

Liam Kerr: My final question is for Teresa Bray. A recent report by the Existing Homes Alliance suggests that—I am paraphrasing, so correct me if I am reflecting it wrongly—people are concerned that, if they install a heat pump, they will then see a district heating system coming down the track and think, “I’ve invested £20,000 when I could have waited.” As a result, they are reticent to make such an investment. If what I have said is a correct reflection of your report, how can those uncertainties be addressed? Do you see a role for local authorities in that regard?

Teresa Bray: Yes. Local authorities have a vital role through their local heat and energy efficiency strategies. Those strategies need to get into the details by saying that the authority is going to zone certain areas for district heating but expects alternative approaches to decarbonising heat to be used in properties in other areas. People can take a guess at the moment. Those who live in tenements can guess that district heating will probably be required, but it is much more difficult in other areas. We need clarity as soon as possible, because the lack of it is making people delay decisions.

Some broader indications could be given. We could make it clear to people who live in relatively small villages that there is unlikely to be district heating, although there is the question about the role of new builds. Local authorities could provide clarity in that regard. In some ways, it is more important for the information to be provided than it is for the information to always be optimal, because there is always a danger of waiting for more information before making a decision. The difficulty is that, if decisions are delayed, it will cost people more to heat their homes. It is better to make a decision rather than to wait another five or 10 years to see what comes down the road. It will cost householders more if decisions are not made.

Liam Kerr: Thank you.

Mark Ruskell (Mid Scotland and Fife) (Green): I want to go back to Janette Webb's comments about street-by-street or area-by-area schemes. It feels as though we have been talking about such schemes for a long time. There was the example from 15 years ago of Kirklees Council being successful in that regard. What is getting in the way of delivery? I have seen some area-by-area schemes being rolled out as a result of the energy company obligation, but those have not been extended to occupiers in communities. What is the barrier to moving at pace and at scale on a street-by-street basis? How will the local heat and energy efficiency strategies deal with that?

Professor Webb: It is partly about the wait-and-see attitude, which we have discussed. LHEES and other strategy and delivery plans are not yet perceived to be in place, although I know that many local authorities would say that they know pretty much what is what and how to proceed. However, there is still the sense that we are not quite there yet, so people are not sure what to do.

There is also a lack of certainty in other areas, including year-on-year financing, which Teresa Bray talked about. Local authority officials are often on year-to-year contracts, so they are not clear about whether they will be in charge of how the work is done in the future, and they might not have the political leadership behind them.

In councils where such an approach has worked better, the finance team, the chief executive's office, the spatial planning team and the net zero or climate change team have typically been well aligned and in agreement with each other and have that political leadership at the front, saying, "Right—we're going with this."

Sometimes there are divisions within council structures, and council officers have to rely on the good will of colleagues, which I have to say is in reasonably short supply at present, because of the pressures on everyone in public sector roles or in the commercial sector to do lots of work in a compacted time. We also need the financial piece to be there if we are to encourage that area-by-area approach.

I live in Edinburgh and own a house there, but I am not aware of the City of Edinburgh Council being in a position to make an area-by-area offer to those of us in our own properties who can afford to pay the associated costs or who would look to borrow to cover some of them. There needs to be a systematic process but, as colleagues have mentioned, it is also difficult to find tradespeople. We recognise the importance of an area-by-area scheme, but the fact is that we do not yet have a critical mass of contractors who are ready to pick up that work. That said, the evidence from other areas is that such an approach works well, because SMEs, in particular, can get a body of

work all at once, allowing them to plan and do this sort of thing in the most effective way.

Mark Ruskell: Teresa, do you want to come in on that?

Teresa Bray: There are a number of issues to highlight. First, the demand has to be there. Local authorities should be saying, "We need to have these services in place," because nothing will happen without that being clearly articulated. In Edinburgh, for example, there is the Edinburgh Partnership; there are the seeds of looking at what development is taking place and what support can be provided, particularly with regard to multi-occupancy properties—say, four-in-a-block flats—where the right to buy has been exercised. However, those properties do not make up the majority of the stock.

There are huge swathes of self-funded people, and we need sufficient support for them. Home Energy Scotland has a role in providing advice but, for things to happen practically on the ground, we need to articulate what they are. For example, people might need support to find tradespeople; there is also joint purchasing, which can happen through an area-based scheme; there is a need for specification and quality control; and, most important of all, there must be post-installation support. After all, shoddy work needs to be rectified, and if new types of heating systems are being put in, people need to know how to use them.

Perhaps we need something like a retrofit agency. In Manchester, for example, the Carbon Co-op has been developed, but those kinds of individual third-sector organisations are probably not sufficient to drive the sort of schemes that require support to be given throughout the country. In a city such as Edinburgh with a tight geographical hub, you could well have a central agency with people sent out to support the activity but in, say, the Highlands area, which has a very different geographical nature, you will not be able to provide such support out of Inverness alone. Instead, there will need to be much more locally dispersed schemes.

How will all this be paid for? Is it all about information and making it clear to people that they will be paying for these technical skills? They will be happy to pay contractors, but who is going to be paid to manage them? Is there a need for initial grant funding or what might be called seedcorn moneys? We also have to look at the structure of grant funding that is provided through, for example, Home Energy Scotland, because no element of that is allowed to be used for professional fees.

However, as has been said, every local authority should be expected to do this and to look

at how these approaches can be created. There will probably be different models, depending on the geography of the area in question, for example, or whether there is greater corporate responsibility, but we need to articulate the support that is required and to recognise that this is about providing not just advice but support throughout the whole customer journey.

Mark Ruskell: You have all spoken about LHEES a fair bit, and I have a couple of follow-up questions on those. We are now passing regulations requiring councils to produce their strategies and delivery plans by the end of 2023. Is everything in place to enable that to happen? Do you have concerns?

I would also like to ask about the scope of LHEES and the inclusion of public and commercial buildings in the mix. Earlier, you said that every building should be included, but does that include historic buildings and public and commercial buildings? Can we get all the heat sources linked into those strategies? With commercial heat sources, could people say, “No thanks—we’re not interested in this”? Could people resist connection to district heating or whatever?

I ask for your final reflections on LHEES and where we might be going in that respect.

Elaine Waterson: I will just add one thing. You asked about barriers, and one of the key barriers—although it also provides a kind of opportunity—is people, in that most people do not know that their next heating system will not be the same as their existing one. We need major public engagement and awareness raising to push things forward and create a demand from the bottom up.

Professor Webb: Are we ready to see LHEES come to life and turn into significant delivery plans? One of the missing areas, apart from lining up all the technical expertise, which we have talked about quite a lot, concerns how councils will use the multicriteria and socioeconomic assessments to develop their costing and prioritisation plans.

The Carbon Trust commissioned and came up with a pilot model, which it ran with a few local authorities, and they were broadly positive, but the feedback that we got when interviewing across the board among the trial LHEES local authorities was that they did not quite know how to use the multicriteria assessment. Roughly speaking, it put one third weighting on carbon costs—for whole-life-cycle carbon—and one third on fuel poverty. The remaining third was split between the costs of finance, economics, the local economy and so on—the other stuff. Not surprisingly, that was found to require quite a lot of judgment, and people felt uncertain about exercising that.

Our sense is that we need the sort of support, direction, training and guidance, back-and-forth and co-ordination that we would get from a public energy agency to ensure that we use the multicriteria assessment to best effect and get the results that we need.

Teresa Bray: Local authorities are going to struggle, because they do not have specific LHEES officers. Those should be a dedicated resource. There needs to be an understanding at a senior level of how important the strategy is for the future of the people living in local areas and for local authority delivery.

You asked whether all commercial properties and the like will be included. You will not get all the ducks lined up, so it would be better to have some certainty for the majority of people. If some individual properties are not included, so be it, but if you can hit 80 per cent, that will be great. You should not be worried by not being perfect. The level of the climate emergency is such that we must progress the strategy. If you keep holding out in order to get everybody tied in, it will not work, and there must be some flexibility for things to change with time. A good process can help. In Shetland, everybody now wants to be on the heat network, as it is seen as being a good thing there.

People must be prepared to take some risks. That is difficult politically, because some things will go wrong, and I recognise that it is difficult for you as politicians. However, we should be putting in a heat network and putting in the pipes, as Leeds City Council is doing—it is installing pipes down its roads. There is a chance that the pipes might not be needed for heat but, whenever workers are digging up a road, they can put in pipes. The cost of that is relatively small if a council is already carrying out works, should that be a planning requirement.

You need to start making some decisions, as do local authorities, and we have to build a political consensus on the decisions that are made. A political consensus has been built for the strategies, but it must be built for the delivery as well. That will not be straightforward. People have to be prepared to pay for it, and our country has to pay for it, which is a challenge.

10:45

Mark Ruskell: Roger, do you have anything to add?

Roger Curtis: No—nothing significant.

Jackie Dunbar (Aberdeen Donside) (SNP): I thank the witnesses for their answers so far; they have covered a fair bit of what I was going to ask about. However, we have not yet touched on the fact that tenements and other older buildings leak

heat, and that there will be huge technical challenges and legal barriers in respect of insulation and decarbonising heat for those types of properties.

What are the barriers to maximising fabric efficiency in older properties? I will come to Roger Curtis on historical properties, but first I ask Teresa Bray to talk about older properties in general. Are we restricted in moving forward by a need to retain the aesthetic appearance of such buildings? Should we be allowed to change that? I would be interested to hear your views on that.

Teresa Bray: There are solutions that do not require such changes. I have been arguing that decisions have to be made, but there are technical challenges—for example, in the way in which things are assessed. The energy performance certificate does not always reflect the situation in a tenement. As a tenement owner, you know that your windows are an issue, because you can see all the heat leaking out. As Roger Curtis has often said, the solution is to get your shutters working. If we had a uniform process to redesign shutters so that they all worked, that would make a big difference.

There are also options for internal wall insulation that involve new technologies. For example, certain fibres can be used to carry out internal wall insulation without losing a building's cornice and the like. A building need not lose its key aesthetic elements; the windows might look a bit different, and there might be slight issues with reflectivity, but does that really matter? Historic Environment Scotland has moved forward on that, as Roger Curtis can tell you. The windows might look a bit different, but the sandstone need not be changed significantly.

You might want to change what your stairs look like—if you have lovely tiling, that might be an issue, but a lot of stairs could be improved by having insulation inside them.

We should not get too hung up about those issues, and things are changing to reflect what is required. However, the process has to be made easier. Could we have deemed consent rather than people having to go through listed building consent, planning and the like? The administrative processes could be made simpler.

Jackie Dunbar: I saw that Roger Curtis gave a certain look there—I would be interested in hearing his views. Should any changes be made regarding the options for tenements, listed buildings and conservation areas so that the processes are all the same rather than being different in each local area?

Roger Curtis: I support Teresa Bray's comments. As a typology, tenements are actually quite efficient. The principal elevation is mostly

glazed, as she mentioned, and most of that glazing has been through two or three changes already. In many cases, the type of glazing that she and I are after is probably better than what is there already, so there is almost a conservation gain. There are a lot of opportunities for external wall insulation on gable ends and rear elevations. We should remember that a lot of that work should be folded into the maintenance cycle—that has not really been happening, so there is a double deficit. There are a lot of technical options for tenements, so we are comfortable on technically appropriate solutions.

Again, I highlight that we are about to start a pilot project with Glasgow City Council specifically on Eglinton Street. It is not necessary to choose between aesthetics and energy efficiency; we need a fusion of both. We should remember that a lot of properties have been refurbished quite aggressively already, so the internal restrictions are often very modest. There is a great opportunity to fuse local development, economic regeneration, local materials and the supply chain with aesthetic regeneration in order to really move us forward. The HES green recovery statement tries to capture that in a better way than I can put it.

I do not think that changes to the planning arrangements are needed, because, in my book, a hell of a lot can be done within the LBC environment—I have provided links to our retrofit guide. The number of listed buildings is modest compared with the total number, and there is a lot of improved glazing in Edinburgh and very good glazing in Glasgow and everywhere else, so I do not see that issue as a barrier. It is just about understanding the work and doing it properly.

Jackie Dunbar: In Aberdeen—although not in my constituency—I know that there is a listed building that cannot get anything done bar single glazing. Roger Curtis probably knows which building I mean. How do we manage that?

Roger Curtis: There is always the odd exception. I do not know the case, but comments have been made about inconsistency in application across local authority planning areas in Scotland. I understand that, and I hear about it quite a lot from manufacturers and sometimes from contractors. There is work to do to harmonise that application.

I emphasise that we have glazing solutions pretty much up to the wire. There might be the odd example involving a particular window, but we can address that with other measures, such as secondary glazing. Most things can be captured.

I hope that that helps.

Jackie Dunbar: Thank you.

The Convener: The final questions are from Natalie Don, who joins us online.

Natalie Don (Renfrewshire North and West) (SNP): My question follows on from the previous responses. My colleague Fiona Hyslop touched on the written evidence from Historic Environment Scotland, which raises concerns about how NPF4's new focus on sustainable development and the climate and nature emergencies

"relates to subsequent policies and whether any relative weighting applies".

Should policies to address the climate and nature emergencies take precedence over other planning policies? I believe that Roger Curtis stated earlier that there has been some success with listed buildings. How could we best strike a balance between preserving historic urban environments and future proofing them for climate change? I will go to Roger Curtis, naturally, for that.

Roger Curtis: We have seen over the long term that established urban settlements are, by their nature, very durable, because they were built with adversity in mind, particularly with respect to flooding. We see climate change issues, mainly in relation to water being in the wrong place, and we are reaping a bit of a bitter harvest as a result of the absence of maintenance.

I do not think that it is an either/or matter. The innate sustainability of existing communities, both social and physical, should be a cause for celebration and investment rather than a perceived millstone in relation to compliance with reduced carbon targets.

We need to strike a proportionate balance, in which we use embodied carbon considerations and avoid the outcomes that the traditional environment faces. We should remember that we are trying to speak for the traditionally built environment—not just the much smaller historic quotient—which absolutely has its part to play in relation to durable, natural and sustainable materials, low toxicity and good indoor air quality.

We are just trying to be a bit cautious about carbon absolutism. Operational energy alone is important, but we are seeking to bring many other factors into the discussion to have a more nuanced and—dare I say it?—longer-term approach to the traditional and historic environment, which, as we know, in the urban centres of Scotland, is a defining characteristic on which a lot of economic wellbeing depends. It is about how we consider those issues and present them to the world and our citizens.

Natalie Don: Thank you.

My other questions have already been answered, so, unless any other witnesses would like to comment, I will pass back to the convener.

The Convener: I believe that Liam Kerr has a brief supplementary question.

Liam Kerr: I want to briefly follow up on the answers that two of you gave to Jackie Dunbar in relation to tenements. Replacing a window might be the best thing to do, but that is not cheap. Even replacing just one window is not cheap. Again, the question seems to be: who pays for that? People who have bought, say, a two-bedroom flat will not necessarily be fuel poor, but, equally, they will not be able to spend £20,000 to put in a new window or to put stuff in the walls to insulate the property. Who should pay for that?

Roger Curtis: I think that £20,000 was an overall average figure. As I indicated, a tenement is a very economically effective dwelling. The figures will come through as our pilot progresses, but I suggest that upgrade and improvement of a central property within a tenement would cost less than that.

The financial model of borrowing, access to capital and lending is not really my area, but let us not make the perfect the enemy of the good when it comes to retrofit. We have articulated that view in our refurbishment approach. We should get to an EPC band C for properties, which will reduce the operational cost for those residents. Repair and upgrade might be a better carbon solution, and a more affordable solution, than wholesale replacement.

Teresa Bray: A combination of things will be needed. Not everybody will be able to pay at once. It is possible to take a smaller-scale approach—for example, someone could replace the windows in their sitting room but not bother with the bedrooms. That would provide quite a saving, because that is the room that people normally live in. There is a role for grant funding for some groups, but, in the long term, there will need to be models of finance whereby people can afford to pay.

We are talking about making savings over a 20-year period. Energy efficiency measures are cost-efficient investments that provide a net benefit, so we need to think about how we fit in financial models to allow such replacement. It might well be that that will not happen until the property is sold and the people move on from their two-bedroom flat. They might get a slightly lower value for their home. The process will take time.

The fact that we are building new homes that will have to be retrofitted is appalling. No one who moves into a new-build home should have to retrofit their home. That should be built into the price.

It is a difficult conversation to have. Not everyone will be able to afford such measures at the moment. The public purse should support the

most fuel poor. Some people will be able to afford to have such work done. However, there is a difficulty when it comes to the people in the middle who do not see themselves as being able to self-fund, but who do not fall into the category of fuel poor. Will it take longer to retrofit those houses? That will probably be one option.

However, because energy efficiency measures provide a positive return on carbon investment, there is a role for private finance. The cheapest way of buying carbon is by doing energy efficiency. People are after carbon, and if we can do that through energy efficiency and monetarise that, people will want to invest in it. From a carbon point of view, energy efficiency is much cheaper to do than planting woods and offsetting. The issue is how we create the necessary business model. Economists will need to work that out.

People are crying out for it. The price of land is going up in Scotland because people want to plant forests. How do we make offsetting work for energy efficiency measures?

The Convener: That brings us to the end of our allocated time. I thank the witnesses for their comprehensive answers and their insights. It has been very useful for the committee to hear from each of you. Thank you for taking part. Enjoy the rest of your day.

I suspend the meeting briefly while we set up for our next agenda item.

10:59

Meeting suspended.

11:05

On resuming—

Energy Price Rises

The Convener: Welcome back. The next agenda item is our last evidence session of our inquiry into energy price increases. The inquiry is looking at the steep rise in energy prices—what is driving it, what impact it is having and what can be done to alleviate it.

We will hear from Michael Matheson MSP, the Cabinet Secretary for Net Zero, Energy and Transport. He is joined by Neil Ritchie, the head of energy services and consumer policy at the Scottish Government. Elena Whitham MSP also joins us for the evidence session. Good morning and welcome to you all.

We have around 70 minutes for the evidence session. Cabinet secretary, I believe that you would like to make a brief opening statement, so I will hand over to you.

The Cabinet Secretary for Net Zero, Energy and Transport (Michael Matheson): Thank you, convener. Good morning. Households across the country are struggling to cope with the cumulative pressures of the cost of living crisis, and energy costs lie at the heart of that crisis. Record-high inflation, which is in large part being driven by energy price increases, has forced thousands of people to choose between heating and eating and to experience the worst decline in living standards in the past few decades. The tragic events in Ukraine have exacerbated the already elevated fuel prices, which have risen to unprecedented levels, and the impacts are felt by domestic and business consumers in Scotland. We have also seen the standing charges in fuel bills double, which means that reducing consumption does not save as much as would have been the case previously.

Scotland is a forerunner in renewable energy generation and has the potential to expand our renewable capacity and reduce energy bills. However, investment is being held back due to unfair network charges, which is a missed opportunity in the current energy crisis. A significant number of Scottish households are off the mains gas grid and, due to the interconnected nature of the energy market, natural gas price increases have had a knock-on effect on electricity, heating oil and liquefied petroleum gas prices.

This year, the Scottish Government is set to invest almost £770 million in helping to tackle the cost of living pressures, which includes a £150 cost of living award to support households with higher energy costs, and there is a further

investment of £10 million to continue our fuel insecurity fund. Crucially, we are also committed to investing at least £1.8 billion over the next five years in heating and insulating Scotland's homes and buildings.

We have repeatedly called for urgent and targeted support from the UK Government in the immediate and longer term, such as: a one-off windfall tax on companies that are benefiting from significantly higher profits during the pandemic and energy crisis; direct financial support for low-income households; improvements to the warm homes discount scheme; and a temporary removal of VAT on energy bills.

Sadly, in the March budget, in the energy security strategy and, last week, in the Queen's speech, the UK Government repeatedly failed to deliver anything to match the scale and urgency of what is required. However, we continue to engage with the UK Government on those matters. We are also engaging with stakeholders and the sector to explore what more we can do and how we can work on a four-nations basis to help to address what is a growing crisis for many households.

Convener, I am happy to respond to the committee's questions.

The Convener: Thank you for your opening remarks, cabinet secretary. My first question relates to evidence that the committee received from Citizens Advice Scotland when it appeared before us a couple of weeks ago. It expressed concern about the co-ordination of information to tackle fuel poverty. Its concern was that the people most in need are not getting the information when and where they need it. It also expressed a general concern about the confused level of information that is available to people most in need.

Will you address those concerns? What more can the Scottish Government do to ensure that those most in need get immediate access to relevant information?

Michael Matheson: The principal source of advice for energy efficiency and energy issues in Scotland that the Scottish Government supports is Home Energy Scotland. It provides advice and guidance, as well as loans for certain programmes around energy efficiency and renewable energy schemes for people's properties. It is the principal source of advice and information for assistance in Scotland. Alongside that, we have the warmer homes Scotland programme, which is taken forward in partnership with our colleagues in local government.

At present, there is an increasing demand for information on energy efficiency programmes and advice around heating bills. That is why we have increased the scope of the Home Energy Scotland

programme by 20 per cent. There is also a bespoke programme for the most vulnerable people, which has been doubled in size to help support the provision of advice and information.

There is a clear existing arrangement for people to get impartial advice and information. However, I am always willing to look at whether there are ways to improve that arrangement or whether we should further expand it. If there are specific examples of people being left confused or unclear about where they should go to, we can look at how we ensure that we are communicating much more effectively. As I said, there is a bespoke service to which people can turn for advice and information.

The Convener: My second question relates to the resources that are available to third sector organisations to provide the support and advice that you mentioned. When Citizens Advice Scotland appeared before the committee, it expressed concern about a mismatch between the resources that are available to it and other third sector organisations and the need for their services. As you said, there has been an exponential increase in the demand for services in recent months, but third sector organisations are working with budgets, staffing and resources that are static or sometimes being cut. Do you recognise those concerns as expressed by the third sector? What more can the Scottish Government do to support those organisations?

Michael Matheson: I recognise that they are under greater pressure because of the cost of living crisis. We have taken specific measures. As I mentioned, we have expanded the Home Energy Scotland programme by 20 per cent and doubled the bit that is specifically for those who are most vulnerable. We have also put another £10 million into the fuel insecurity fund, which is administered by third sector organisations on our behalf, to provide financial resource.

Some third sector organisations have faced challenges because of concerns about future funding. I suspect that most of that is linked to UK Government delays in taking forward the warm home discount scheme, which has created points of vulnerability for third sector organisations in relation to whether they will have funding going into the new financial year. I believe that the UK Government has now sought to address that in the regulations that it set out in February to roll forward the programme.

We are trying to provide resource to third sector organisations to support them where we can. I am also very conscious that this is about more than energy—some third sector organisations that provide advice and information are dealing with other aspects of the cost of living crisis. We are considering whether we can do further work to support third sector organisations, given the

increasing demand that they are facing over and above the additional support that we have already provided. I fully recognise and acknowledge that they are under considerable pressure and demands, given the cost of living crisis that many households are facing.

The Convener: Thank you for that response. I will bring in other members of the committee.

Fiona Hyslop: With the governor of the Bank of England stating that “apocalyptic” food price increases, along with global food supply shortages, will increase inflation further, the current cost of living crisis will get worse and energy prices are expected to increase again in October. Do you acknowledge the view of some energy and poverty advice bodies that neither the UK Government nor the Scottish Government is treating the situation as a real crisis?

11:15

Michael Matheson: I do not accept that on the part of the Scottish Government, because we recognise that it is a crisis, and a considerable amount of cross-departmental work is already taking place across Government to address some of those issues. Our internal processes and mechanisms for dealing with the situation reflect that it is a crisis.

I accept that the level of intervention that has taken place so far has not reflected that it is a crisis. There is absolutely no doubt in my mind that a key priority must be either to reduce household bills or to get money into people’s pockets.

Given that the UK Government has cut benefits—it has removed the £20 a week universal credit uplift, for example—and it has increased national insurance, it feels as though it is not recognising the situation as a crisis. Its failure to take action in the recently published UK energy security strategy, in the March budget and in the Queen’s speech last week does not reflect what I believe is the necessary action that is required at UK level to tackle the spiralling crisis that households face as a result of the increase in energy costs.

We are doing what we can to marshal our fixed resources in a way that provides assistance where we can, and we are looking internally to see where there is more that we could do. The UK Government needs to take a much more concerted crisis-type approach by intervening in the market or by providing financial support that would help to address the increasing costs that households face.

Fiona Hyslop: The measures that both Governments are taking are welcome, but as we heard last week from Greg Hands MP, the UK

Minister for Energy, Clean Growth and Climate Change, the UK Government is adopting a wait-and-see approach. It has not brought forward an emergency budget, and it is clear that it sees the challenge of energy price increases as a welfare issue. What is your view? Do you see it as a welfare issue, an energy issue or both? With your insight given your energy responsibilities, what measures on energy could be delivered? Keith Anderson from Scottish Power has proposed a social tariff of £1,000 so that there is a cut in bills. What is your view on that?

Michael Matheson: There is a lot in that, and I will unpick some of it. I disagree with the wait-and-see approach. Customers on direct debits saw an £693 increase in their default tariff and pre-payment customers saw a £708 increase in their default tariff. We do not have to wait to see what to do, because people are already experiencing significant financial challenge. That is why I do not agree with the UK Government’s wait-and-see approach. The measures that have been taken do not go far enough—we need to go much further.

Should we deal with it as a welfare issue or as an energy issue? It should be a combination of both, not one or the other. We need to make sure that we take action through the welfare provisions that are available, and reinstating the £20 uplift in universal credit would be a step in the right direction in addressing the crisis. That was introduced because of the pandemic but has been removed at the very peak—or potentially at the very peak—of a cost of living crisis, so that was the wrong thing to do.

We have sought to use the welfare powers that we have to help to manage the cost of living crisis that households face. For example, we have doubled the child payment and increased it by a further £5, and we have increased the eight benefits that we are responsible for by 6 per cent. We are trying to uplift them in line with the rise in the cost of living.

We are seeking to use the welfare powers that we have to help to meet some of those costs, but I recognise that that is not sufficient in itself. Action needs to be taken in the energy markets. Some of that will be short term and some of it will be medium term.

In the short term, Keith Anderson’s proposal on the deficit fund is one option that could be considered. There is a range of other things that we could do as well—for example, removing VAT and examining some of the social and environmental costs that are attached to energy bills could save households another £140 to £150 on their bills. There are other measures that could be removed.

There are aspects to energy that could be addressed in the short term. In the medium term, we need to keep in mind that energy bills are going up also because of failures in the market. Many retail companies have withdrawn from the energy market, which has resulted in costs being added to household bills to address those company failures. That says to me that there has been clear, systemic regulatory failure in the sector.

The companies broadly fall into two categories: those that are hedged and those that are unhedged. The ones that are largely left to the retail market are unhedged companies. They did not have a business plan or structure to be able to absorb big spikes in energy costs. They have withdrawn from the market and, because of the supplier of last resort arrangements, the costs have been transferred to other companies and socialised across the rest of our energy costs.

That indicates that there is a systemic failure in the sector. That needs to be addressed, but I am not convinced that the Office of Gas and Electricity Markets has yet set out actions that will address that in future. Ofgem needs to do more on that. I am more than happy to expand on and explore that aspect as well.

Given that many of the costs are directly attributable to the big spike in energy costs that are driven by wholesale gas prices, we need to speed up decarbonisation. I welcome the fact that the UK Government has also acknowledged that. The priority now needs to be moving towards renewables at a faster pace. That will give us energy security. Furthermore, as renewables are lower in cost, that will also help to drive down bills in the longer term.

It is not a case of doing one thing or the other; it must be a combination of the two. Where we can take action, we are trying to do so, but there is no doubt in my mind that much more needs to be done.

Fiona Hyslop: You said that the market regulation has failed. What changes do you want to be made to improve matters?

We have heard that Ofgem is saying that, in the short term, if anybody is in trouble, they should just go to their supplier. Should there be some requirement for independent advice to be provided, rather than reference to suppliers?

You have also been outspoken about the unfair transmission charges. We have heard that those could have consequences. I am interested in your views on that. What changes does Ofgem need to make?

Do you agree with the consumer expert Martin Lewis that the potential move to changing the

energy price cap four times a year suits energy companies rather than consumers?

Give me your views on Ofgem, please.

Michael Matheson: The fact that such a large number of companies—largely unhedged companies—has exited the market during the crisis demonstrates the gamble that they have taken in the energy market. They have been gambling with a business model that is based on low wholesale gas prices and it has gone wrong for them. They simply move out of the market and the costs of that are picked up by consumers, because of the way in which the supplier of last resort system operates.

We should not tolerate companies operating in the energy markets that do not have the capital and the capacity to manage volatility in those markets. They gambled when the prices were low and it worked for them. Then, when the price went up, they decided to get out of the market because the business model no longer worked.

I think that the regulator should have addressed the issue at an earlier stage, because there was always the potential for that to happen. It is okay to say, with hindsight, that we should have moved at an earlier stage, but the regulator is there to model potential risks and to protect the customer. In this case, I think that it has failed, that the system has failed for consumers and that, as a result, we will pick up the costs for many years to come, given the billions of pounds that are involved.

There is a need for the regulator to recognise the failure on its part. The UK Government should also be looking at why the situation has been allowed to arise and at how we can make sure, through the introduction of regulatory changes by Ofgem, that it does not happen again in the future.

That brings me to the announcement that Ofgem intends to move to a system that involves a quarterly, rather than a twice yearly, price cap mechanism. I do not think that that will change anything. It will not change people's household bills, unless the cost of fuel starts to drop significantly. All that it will mean is that people might get a drop in price at an earlier stage, so that, instead of waiting six months for it, they might have to wait only three months. Although that is a positive, I do not think that the proposed change to the system will change anything in the present market, given where we expect energy prices to go over the course of the next year to 18 months, according to the intelligence that I am getting about the sector.

I also think that the proposed change risks putting people in difficulty. With the price cap increase in October last year, which resulted in a significant rise in prices over the winter, when

people's demand for energy consumption was at its peak, people at least knew that they had some respite until April, when the next price cap review would be implemented. If we had had a quarterly system, there would have been another increase in January, right at the peak of demand, when folks' energy use is at its highest level. That could have resulted in more people being put into financial difficulty. There are potential unintended consequences of moving to a system of four price cap changes a year. It has potential benefits, as I mentioned, but there are also potential downsides.

In addition, I do not think that that change amounts to the fundamental reform that is necessary to make sure that we have an energy market that protects consumers' interests. The very fact that so many companies exited the market for the reasons that I outlined demonstrates that consumers' interests were not sufficiently front and centre in the way that the system was being regulated.

As regards Ofgem's view that people should go to their energy company first if they have concerns, I think that that is, by and large, probably still good advice. Some energy companies have hardship funds and payment plans that they can use to assist people who are having difficulty. It is important that the regulator scrutinises the way in which suppliers provide that advice and information, that the information is appropriate and that they also provide advice on where customers can go for independent advice, over and above what they have been told by their energy supplier.

Transmission charges continue to act as a barrier to the roll-out of renewables in Scotland. We know that they make renewable energy, both onshore and offshore, more expensive in Scotland than in other parts of the UK, because we still have a system that is based on geography. Ofgem brought forward its proposal on locational marginal pricing without consulting the Scottish Government and without us knowing anything about it. That came completely out of the blue, despite the fact that Ofgem had apparently been working on its proposal for more than a year, and despite the fact that I meet Ofgem on an almost quarterly basis. There was no intelligence about it whatsoever.

Our early analysis of locational marginal pricing is that it could still have a negative impact on Scottish projects; indeed, it could potentially have even more of a negative impact than the current arrangements. We are doing further work on that. We have discussed the matter with National Grid to express our frustration and unhappiness at the lack of engagement with the Scottish Government on such an important issue.

We are also feeding into a consultation exercise that the Department for Business, Energy and

Industrial Strategy is taking forward as part of its transmission charging arrangements. Locational marginal pricing is one option—it is not necessarily the only option. It will be interesting to see what other options BEIS chooses to bring forward.

11:30

The reality is that the transmission charging mechanism that we have has been designed on the basis of closeness to population centres. However, as the vast majority of renewable energy that we will have in future will come from locations away from population centres, we need a transmission charging scheme that recognises that, that is fair to consumers and developers, and which does not become a barrier to the type of investment that is absolutely critical to driving down energy costs—in other words, investment that ramps up renewable energy capacity.

The Convener: Liam Kerr has a supplementary in this area.

Liam Kerr: Earlier, you called for targeted support from the UK Government, but, of course, the VAT cut or the windfall tax that you mentioned would not be targeted. The committee has heard that fuel poverty and domestic policy in this area are devolved, and your solution is to get money into people's pockets. In 2021, you had a fiscal transfer of £12 billion, which is about £2,210 extra per person in Scotland. Given that you disagree with a wait-and-see approach, what is your Government doing with that extra money to get money into people's pockets?

Michael Matheson: You are right to say that tackling fuel poverty is a devolved matter, but many of the factors that influence it are reserved—

Liam Kerr: But what are you doing?

Michael Matheson: Let me finish my point, Mr Kerr.

We must look at the facts of the matter. Fuel poverty is greater in Scotland, because the household cost of using fuel in Scotland is greater than it is in other parts of the UK, as a result of our weather and our rural environment. A household in Scotland will spend more of its budget on fuel costs—in Scotland, the percentage is about 4.8 per cent, compared with about 3.9 per cent for England.

Not only do we spend more of our budgets on heating our homes in Scotland, but a greater percentage of our households are off grid and use off-mains systems that are more costly to operate. I think that the figure is about 17 per cent, compared with about 12 per cent in England—those are rough figures, not specific ones. Such factors influence the cost of energy and impact on energy bills.

What is the Scottish Government doing? We have our warmer homes Scotland programme, which is about energy efficiency and insulating properties. As I have mentioned, over the course of the parliamentary session, record investment of £1.8 billion will go into our heat in buildings programme. We have been expanding our area-based scheme, the households involved and the amount that they can get to support them with energy efficiency measures, and we have also expanded and, indeed, intend to increase the investment in the benefits that we control.

A practical example is the winter fuel payment, which we will become responsible for and which families or households will receive automatically, instead of having to wait to see whether the weather gets cold enough. I think that that will amount to the provision to households of about £20 million a year, from which in the region of 400,000 additional homes will benefit. Last winter, the UK Government's cold weather payment system was triggered on only six occasions, with four of the weather stations in Scotland being triggered. The overall amount paid out by the Department for Work and Pensions in support of low-income households was under £400,000. We should compare that figure with the £20 million that will automatically be invested by the Scottish Government in its winter fuel payment scheme.

With our energy efficiency programmes and the benefits that we control, we are seeking to make a difference. However, the UK Government controls aspects of the market that have a direct impact on energy costs, including the regulation of off-grid provision and the operation of the warm home discount scheme. All those things have an impact on fuel poverty here in Scotland, and we believe that they need to be addressed to ensure that we are moving in the right direction.

My final point is that, although we are taking action through the benefits and the welfare provisions that we have to reduce poverty, whether fuel poverty or child poverty, those efforts are not being aided by the UK Government cutting people's benefits at the same time. If we increase our benefits by £20 per household but the UK Government cuts its benefits by £20, there will be no net gain for that investment in reducing poverty.

The reality is that many of the levers that have a direct impact on driving fuel poverty in Scotland are held by the UK Government, and that has a negative impact on too many households across the country. That is why action needs to be taken by the UK Government, alongside the bold action that the Scottish Government is taking, to address some of the issues that have affected too many households for too long.

Liam Kerr: I will come back on those points later.

The Convener: Cabinet secretary, a number of members have questions in this important area. I fully understand that you want to provide comprehensive answers, but given the timetable that we are up against, it would be very welcome if you could make your answers slightly more concise.

Monica Lennon is next.

Monica Lennon: Good morning, cabinet secretary. As well as supporting a windfall tax on oil and gas producer profits, do you agree that the UK Government needs to introduce an emergency budget? Also, is the Scottish Government considering an emergency budget of its own to ensure that the cost of living crisis and energy costs are being treated with the right level of priority in Scotland?

Michael Matheson: I do not believe that there should be a windfall tax only on energy companies; our view is that there should be a windfall tax on companies that have made a significant profit during the pandemic, including the oil and gas sector—in other words, the energy sector itself. That would expand the range of any windfall tax and, potentially, increase the pot available to the UK Government to create measures to address the cost of living crisis. I sense that the chancellor's position on that changed during the weekend in a way that suggests that he is starting to think about the possibility of introducing a windfall tax on the energy sector.

Presently, we are not looking at an emergency budget. That is because we have a fixed budget, which means that we would not be able to draw in extra resource. We are looking at the present allocation of funding across different portfolios to see whether we can target more of it at people who are experiencing particular difficulty during the cost of living crisis. That work is being done now. However, given that we have a fixed budget, there are no plans for an emergency budget at the present time.

Monica Lennon: That was helpful.

A few weeks ago, we took evidence from some of the fuel energy charities and had a discussion about your Government's fuel insecurity fund. I believe that the fund is in its third round, and that roughly £10 million has been allocated in each of the rounds. There is some concern—from Citizens Advice Scotland, in particular—that that money might not last the full three months this time around. Have you had any advice on how long it will last, and do you have any plans to increase the pot?

Michael Matheson: We are due to receive data from the third sector organisations that distribute that fund for us so that we can look at where we at

with distribution and whether we need to add resources to it. Those measures are part of what we are considering in the Government's wider response in trying to support people.

The fund is specific and targeted at those who are experiencing particular distress and who are at risk of self-disconnecting because of energy costs. We expect to get data from third sector organisations in the coming weeks on how the overall amount of the fund is being utilised at the moment, and we will then be able to assess whether we need to do more to help support and sustain the fund in future. We are very open to considering whether we can provide further support through that fund, if necessary.

Monica Lennon: It would be helpful if you could keep the committee updated on that, because we have heard concerns about an increase in the number of people self-disconnecting. It is a real concern.

Earlier, we talked about the need for both the UK Government and the Scottish Government to do more as part of a four-nations approach, and you said that you were in regular discussion with Ofgem, the energy regulator. When did you last have a discussion with the UK minister, Greg Hands, from whom the committee heard last week? How often are ministers in Scotland in dialogue with the UK Government about these really important matters, which are affecting everyone in the country?

Michael Matheson: In January, my colleague Shona Robison and I wrote a letter to the UK Government in which we proposed a four-nations approach to tackling the increasing cost of living crisis. I, along with Kate Forbes, wrote again in March, again looking for a four-nations approach to these matters. To date, the UK Government has not taken up that offer.

Monica Lennon: Does that mean that you have not had a response, or has the UK Government declined the offer?

Michael Matheson: The response that I got from Kwasi Kwarteng largely said that these matters could be discussed at the four nations net zero joint ministerial group—if I recall correctly. I might be wrong, but I think that that is what was said. We also asked the UK Government to work with us on creating a joint ministerial group back in January this year. It has not taken up that offer, and it has not engaged with us specifically on tackling the cost of living crisis.

Monica Lennon: That is worrying. In evidence that it took from experts from various charities that have advisers on the front line speaking to people across Scotland, the committee heard that unless both the UK Government and the Scottish Government do more, there will be

“a catastrophic loss of life”—[*Official Report, Net Zero, Energy and Transport Committee*, 26 April 2022; c 23.]

this winter. Do you recognise those concerns? Are you willing to do more to work with the UK Government and others to try to save lives this year?

Michael Matheson: You ask me whether I recognise the situation. We actually recognised it back in January, which is why we suggested a four-nations approach to tackling the issue as well as a four nations joint ministerial group in much the same way that we worked on a four-nations basis on issues around the pandemic. However, the UK Government has not taken up that offer.

Will we work with the UK Government? Of course we will. We will work with it where we can and highlight the actions that we think should be taken. However, we can work with parties only if they are prepared to work with us. We have not yet had a positive response to the suggestion of all four nations working on a joint ministerial basis, which I think, given the nature of the crisis, would be the right thing to do.

Monica Lennon: Again, it would be helpful for the committee to see any relevant correspondence, because we want to make our own recommendations.

I have one last question—in fact, two quick last questions. You talked about taking “bold action”. Is a publicly owned energy company something that you are keeping under review? I know that that was previously a commitment from the Scottish National Party and—I think—from the Scottish Greens. Is that being looked at as part of the Bute house agreement?

Michael Matheson: As I have said previously at committee, our priority is to move towards a public energy agency company in Scotland, which is a piece of work that we are taking forward at present. That has not changed. Nonetheless, it remains our view—and my view—that, in order to operate an effective public energy agency company, we would require to be able to enter not only the retail market but the energy generation market, and to control aspects of the grid network. As it stands, we do not have that power.

My view is that the best way in which we can deliver a public energy agency company in Scotland that can do all those things is through Scotland being a normal independent country. That would involve our taking responsibility for these matters and being able to borrow the capital needed to invest in those types of projects, in the exact same way that many other countries in the Scandinavian region of Europe have been able to do in recent years. Some of those countries are now investing in Scottish renewable energy

projects, because they have been able to secure the capital necessary to enable them to do so.

The proposal still has merit, but to do it effectively and properly, we would require all the powers that we need with regard to energy. We also need the borrowing powers that are necessary to deliver the type of investment required to create renewable energy projects. Beyond that, our priority is the agency, as I have set out previously.

11:45

Monica Lennon: I have no doubt that we will come back to the role of the agency and what more can be done on public ownership.

My last question is on a very topical issue. I think that a decision on this is expected soon, but should the UK Government regulator give consent to the proposed Jackdaw oil field? The Scottish Government is opposed to the Cambo oil field. Does it also oppose consent for Jackdaw?

Michael Matheson: The Jackdaw oil field is at a different stage. I saw the motion that you lodged in Parliament on the matter; our position on Jackdaw is the same as our position on Cambo, and that position has been reinforced by the Scottish and UK Governments' independent adviser on climate change, the Climate Change Committee, which said that there should be a compatibility checkpoint not just for new projects but for consented developments that are not yet in production. Our view on Jackdaw is exactly the same as our view on Cambo with regard to the compatibility checkpoints, and it has now been reinforced by the review and recommendation of the Climate Change Committee.

The Convener: I call Mark Ruskell, to be followed by Liam Kerr.

Mark Ruskell: On the possibility of a windfall tax, it now looks as though it is a matter of when rather than if. What would your priorities be for spending that money? Would they include, say, a deficit fund or funding for front-line energy efficiency advice? How should any reinvestment in this area be deployed in order to benefit people who are struggling?

Michael Matheson: Our approach will involve a combination of factors. First of all, we are trying to find mechanisms to reduce energy bills for those who are most vulnerable, so my first priority would be a targeted programme to support the most vulnerable households with their energy costs, whether it be through the welfare mechanisms or some other mechanism.

My second priority relates to energy efficiency. The cheapest form of energy that you can use is the energy that you do not use, if you like—I know

that that sounds a bit contradictory, but what it means is that we need to help ramp up energy efficiency programmes, which is what we are seeking to do with the £1.8 billion investment over this parliamentary session that I have already mentioned. That is a record level of investment, but we would, of course, always look to do more within that.

The third priority is advice to and information for householders about what they can do and what their options are. We want to support individuals who are looking for information and advice.

Those are the three areas that I would prioritise with any investment that will be made available over the next couple of months to help households through this particularly challenging period.

Mark Ruskell: You mentioned the 20 per cent uplift in funding for Home Energy Scotland, but is that model of individual advice—telephone advice, detailed renewables reports, on-going engagement and so on—really cutting it? Is it getting through to the maximum number of people or do we need to think differently about how that advice is delivered? Could that be done through other agencies? Could it be done through, say, the national health service or other areas that engage with people who are struggling with the cost of living crisis?

Michael Matheson: Potentially, yes. We can look at other ways of doing that, including the use of what I think are referred to as touch points, where people can engage with a range of public agencies. Is there a way, through those agencies, that we can make information available to the public about what they can do to meet some of the cost of living challenges? I think that such an approach could play a part.

The Home Energy Scotland programme was never designed to deal with a crisis of this scale, but it is a valuable part of the advice landscape in Scotland, because it gives independent, impartial advice on energy efficiency measures and provides some financial support for those who want to implement some of them. It has an important part to play, but it is not the only answer and we should not view it as being the only approach. We can look at bringing in a broader programme, part of which might involve providing people with advice and information on measures that can be taken.

The International Energy Agency has set out a range of actions that households and Governments can take to help reduce energy consumption, and some of that can be distilled to a local level in the form of advice to households on measures that they, too, can take to reduce consumption. There are other ways in which such advice and information can be put across, and we

in Government are looking at that just now as part of a future programme of work.

Mark Ruskell: As you will be aware, Greg Hands came before the committee last week, and he gave quite wide-ranging evidence on all sorts of things, including our nuclear energy. He described the Scottish Government's opposition to nuclear as "ideological". How do you respond to that? Is there a role for nuclear in reducing energy bills?

Michael Matheson: Nuclear will not be reducing energy bills any time soon. For a start, such projects take a long time to be developed. You just have to look at Hinkley Point C, which is behind schedule and about £5 billion over budget. Given the subsidy costs that nuclear requires, it is likely to force up bills—I think that the estimate is an extra £40 on folks' bills.

Nuclear energy is one of the most expensive forms of energy that can be produced. Just last week, Kwasi Kwarteng, the energy secretary in the UK Government, acknowledged that there is a risk of nuclear pushing up bills, even in the short term. Therefore, I think that it is the wrong approach. In fact, we can see other countries in Europe moving out of nuclear. For example, Germany will be closing its last reactor this year, and it is very clear that its strategy is to focus on renewables.

Our approach to nuclear energy is not ideological. Greg Hands has said that to me before, and it has been pointed out to him that that is wrong. In our energy strategy back in 2017, we set out the principles of why we do not support nuclear energy. In Scotland, we think that the best approach is to focus on renewables and that pump storage, hydro and battery storage capacity are the ways in which we can tackle our future energy needs.

We know that onshore and offshore wind are significantly cheaper and produce significantly lower-cost energy, and we also know that, by and large, hydro produces more lower-cost energy. In Scotland, we have a number of schemes that could be taken forward; however, there are frustrations in that respect. I would highlight as an example the 600MW facility Cruachan 2, which is being planned by Drax and which I visited last year. The problem is that Drax cannot take it to the market, because the UK Government has not provided the market mechanism to get it into the grid. It is an investment of more than £1.5 billion, potentially involving about 900 jobs, and it would also have the on-going benefit of being a renewable energy source, but it does not have a route to market.

The same applies to SSE and some of its plans around hydro. Just a fortnight ago, I visited the scheme at Sloy, which SSE is looking to expand

and develop. Again, there are limitations due to the lack of a market mechanism from the UK Government, and the situation is quite frustrating.

If you look at the countries with the lowest energy costs in the world—Norway and Canada—their biggest energy source is hydro and pump storage. More than 90 per cent of Norway's energy comes from that source, while, in Canada, the figure is 60 per cent. Our view is that the best approach for delivering energy security and lower-cost energy supplies in Scotland in the future is through renewable energy projects, whether they be onshore, offshore, solar, hydro, pump storage or battery storage. We should focus on them for our future energy needs. The UK Government has got it seriously wrong in its energy security strategy, because it focuses too much on nuclear, which could actually maintain energy prices at higher levels than they should be at or could potentially increase them.

Mark Ruskell: My final question is about domestic consumers, particularly in rural areas, where the price of oil and liquefied petroleum gas is very volatile. Indeed, the price has been spiking recently, which is causing great concern. Do you support better regulation of the oil and LPG markets, including the introduction of a price cap on those supplies?

Michael Matheson: Again, because of the interconnected nature of the energy sector, wholesale gas prices are forcing up the price of LPG and oil gas heating. Our view is that there is a need for regulation in this sector, and we have raised that with the UK Government on a number of occasions. However, it is very clear that it has no plans to do so.

The sector is engaging with BEIS on what it can do to meet some of the spiralling costs that off-grid properties are now facing. Given the fact that 17 per cent of our population in Scotland is off-grid, it is an area that should have some regulation in order to manage some of the potential cost impacts that big price spikes can have on households. At about 12 per cent, the off-grid sector in England might not be as big, but it is still a sizeable percentage. There is a need for some market intervention, and there is a variety of different models that we could look at, but at the very least there should be some sort of engagement on different options for regulating the sector, given its impact on so many fuel-poor households in rural parts of Scotland.

The Convener: Cabinet secretary, on the point that you made to Mark Ruskell about supporting more renewables projects, I assume that you recognise the importance of the UK Government's contract for difference mechanism as a means for leveraging in private investment, including into offshore renewables.

Michael Matheson: Yes, I do, and it was a positive move to start doing it every two years rather than every year. CFD is not specific to the UK. The Netherlands, Germany and some other countries all use CFD processes. It is not, therefore, unique to the UK. It is a mechanism that helps to get things to the market.

The point that I was making about hydro, however, was that there is no mechanism for hydro. If you wanted to build Cruachan 2 today, you would not have a route to market because BEIS has to create such a mechanism. There are projects that could be developed and go forward with billions of pounds of investment to produce several gigawatts of capacity and create thousands of jobs, but they are waiting for a mechanism to be created that will allow them to start moving.

That is frustrating, if we are clear—and I believe that the UK Government is clear—that we will have to deal with the energy crisis in the long term by decarbonising our energy system and putting a greater focus on renewables. The UK energy secretary said that and I completely agree with him. However, when your renewables projects are quite literally fossilising because they cannot get a route to market, there is something wrong. That is why we have been raising the issue with the UK Government. Those projects could create energy capacity, renewable capacity, jobs and economic benefit, and we should be getting on with them now. That is the kind of action that needs to be accelerated.

The Convener: I appreciate that. Liam Kerr raised a point about financing and where the money will come from. Perhaps there will be a couple of questions on budget later in the meeting. I will bring Liam Kerr in at this point for a couple of additional questions.

Liam Kerr: Cabinet secretary, you said that nuclear generation takes a long time to produce and needs a subsidy. The convener has pointed out the contract for difference regime and its importance. When do you expect the ScotWind programme to be providing 25GW of electricity?

Michael Matheson: If the grid capacity is there, it could be by 2030.

Liam Kerr: You are talking about 25GW by 2030.

Michael Matheson: Potentially, yes.

Liam Kerr: Thank you.

Michael Matheson: However, the biggest constraint on that will be grid capacity. If you want to build an offshore wind farm, you require a date to be set by National Grid for when you will be able to connect to the grid to supply it with electricity. The biggest risk for ScotWind is

National Grid not having put in place the right plans—although I welcome the fact that it is doing its holistic network review at the moment—which could stop a project that could be delivered by 2030 from being delivered until 2035 because it cannot get the grid connection until, say, 2034.

For the delivery of such projects, grid capacity needs to be in place. National Grid is taking forward that bit of work. Our view is that that should be delivered by 2030, and National Grid is planning how to deliver that.

12:00

Liam Kerr: I will ask a precise question. I understand the point that you make, but when do you expect the ScotWind projects to generate 25GW of electricity?

Michael Matheson: If National Grid provides the capacity, including the planning capacity, for all the projects to be delivered by 2030, that is when the generation will happen by. If National Grid does not provide the capacity by then, the projects will not be able to be connected by that point. You do not build a wind farm without a connection.

Liam Kerr: Indeed.

Michael Matheson: Why would a developer build a wind farm pre-2030 if National Grid said that it could not be connected until 2035?

Liam Kerr: You have thrown the question back to me; I throw back to you the point that you have rejected nuclear generation without knowing whether you can deliver 25GW of wind power.

To move on, you said in response to Mark Ruskell that demand reduction through energy efficiency measures will offer the greatest opportunity to alleviate the effect of increased energy bills. Will the Scottish Government programmes that you are running deliver improvements at the necessary scale and pace to have an impact on consumers by this winter?

Michael Matheson: Energy efficiency has an important role to play in the short, medium and long term, but it would be unrealistic to expect energy efficiency programmes to be rolled out on the scale that would be needed to deal with the potential crisis that we face in 2022 and into 2023 as a result of how the energy markets are. I will give an example of why there are challenges.

The sector has challenges in accessing labour to do energy efficiency work. I met a company that is involved in our area-based programme for local authorities, which targets properties where people could be fuel poor by providing greater energy efficiency and in some cases district heating systems. The company's managing director told

me that, even if we doubled the money that we offer for such projects, his company could not deliver them because it does not have access to labour. He said that his company used to have a lot of eastern European labour but no longer has access to that because we are no longer part of the European Union. I did not throw that up just for a Brexit-related reason, but that company was pointed about the fact that it does not have the same access to labour as it had pre-Brexit, which has constrained its capacity and ability to ramp up programmes that we would like it to deliver.

That issue does not apply to every company, but it happened to be the case for the company that I met. One constraint is access to labour and skills to deliver programmes, so programmes need to be taken forward in a way that ensures that the sector can deliver and which will expand the skills that are necessary to develop such programmes in future years. There are constraints and limitations.

Energy efficiency will play an important part in the short, medium and long term, and it is clearly an important part of meeting our climate change target of reducing energy consumption. However, it is wrong to think that the sector could easily double the number of homes that we insulate under the energy efficiency programme tomorrow, because the sector faces constraints.

Liam Kerr: To reflect that back, I think that that means that the current programmes will not deliver consumer savings to the ambition that is required by this winter. You can come back on that point if you want, cabinet secretary.

Michael Matheson: I have a question so that I am clear about what you mean. Our investment in energy efficiency measures such as area-based programmes is largely modelled on what can be delivered in the sector, what we can take forward and what can be expanded where there are reasonable grounds to do that. You said that that means that we will not be able to meet what we intend by the end of this year—what exactly are you referring to?

Liam Kerr: My question was whether there will be the required impact on consumers by this winter, which is when we need the impact.

Michael Matheson: If someone is having insulation installed in their property now, then yes, it will. People who are already getting insulation or are planning to put in insulation or other energy efficiency measures later this year will, of course, get the benefit of that.

You suggested that we will not meet a target for the end of this year. What target are you referring to? I am not clear about what target you mean.

Liam Kerr: I actually talked about “the Scottish Government programmes”. However, I think that

you have answered the question, and I am aware that we are tight for time, so I will move on to ask about a similar programme.

The UK Government, which you have mentioned several times, is looking to expand and extend its warm home discount scheme, which would help 280,000 Scottish households with their energy bills. The UK Government is going to put an extra £13 million into that. Is the Scottish Government doing something similar to help Scottish people with their energy bills?

Michael Matheson: The warm home discount scheme is a UK-based scheme. We proposed that it should be devolved, and it was agreed that it would be devolved. We proposed combining the energy company obligation and warm home discount schemes to create a more flexible and better scheme that would also increase the pot of money available to support low-income households. Despite spending probably about a year plus in trying to get the UK Government to agree to that, in February this year it finally said that it was not going to agree. We wanted to expand and invest more money in the warm home discount scheme if it was devolved to us. Our plan was to do that, but we were denied the opportunity by the UK Government.

As I mentioned, during this session of Parliament, we are putting record investment of £1.8 billion into energy efficiency and heat programmes. We have also increased the eligibility for and scope of our area-based programmes to support local authorities and low-income households. We are putting in a significant level of investment, but we remain frustrated that the UK Government did not take up the offer and opportunity to do something even better with the warm home discount scheme here in Scotland that would have benefited more households to a better level.

The Convener: We should bash on, as we are up against the clock. I will bring in Jackie Dunbar.

Jackie Dunbar: Good afternoon, cabinet secretary. In a previous evidence session, we heard from Keith Anderson, the chief executive officer of Scottish Power, who gave compelling evidence. He said:

“The more that we invest as a country in the future of wind ... and in solar power, the more we will bring down the cost of energy and the better and stronger we will make the energy source and security.”—[*Official Report, Net Zero, Energy and Transport Committee*, 26 April 2022; c 37.]

What plans does the Scottish Government have to increase offshore wind, and what role does it have to play in our transition to net zero? How does that issue relate to the current energy price crisis?

Michael Matheson: I agree with Keith Anderson on that. Offshore wind energy is one of the cheapest forms of electricity production, and it could be tied closely to renewable or green hydrogen production, which could play an important part in decarbonising our natural gas networks. Again, we need clarity on the potential timescale for that.

On offshore wind, we have just completed round 1 of ScotWind, which has come in at potentially 25GW of offshore wind capacity between now and 2030. That will involve about £1 billion of investment in the supply chain for each gigawatt that is delivered. To put that in context, if we were to deliver 25GW tomorrow, which clearly Mr Kerr would like us to do, that would double Europe's offshore wind capacity. Therefore, it is massive. I think that 11 of the 17 projects are floating offshore wind projects, which gives us the first-mover advantage in that area of technology.

It is a massive level of ambition. Just to give you more context, I point out that the USA is taking forward a programme of 30GW, for the entire USA. The fact that Scotland, with 5 million people, has a programme involving 25GW—in round 1—demonstrates the level of our ambition.

Secondly, our onshore wind policy statement sets out that we want up to an extra 12GW of onshore wind capacity to be delivered. That will help to drive down energy costs because it is a cheaper form of energy. Those projects can also be taken forward more quickly, because of the technical nature of onshore compared with offshore wind. If we can get more of our renewables online, that can help to reduce energy costs, which would directly benefit people's energy bills. Our view is a bit like Keith Anderson's—and in fairness, it is also the UK Government's view—that renewables are critical to delivering energy security in future, meeting our climate change targets and helping to reduce energy costs.

Jackie Dunbar: Are you saying that wind power is already the cheapest form of power?

Michael Matheson: Yes, onshore wind is the cheapest form of electricity production. The solar and hydro industries might argue with that, but I think that it is broadly in that sphere. The reality is that renewables are the cheapest form of energy production. Even folk that are for nuclear recognise that nuclear electricity is more expensive to produce. Renewable electricity is much cheaper to produce. That is why it is our view that that is where the focus should be, because it will help to reduce energy bills in the future.

Jackie Dunbar: My final question is about carbon capture. Could you provide an update on any discussions that you have had with the UK

Government regarding the Scottish cluster of the carbon capture and storage project?

Michael Matheson: We still do not have clarity about the track 2 process for carbon capture, utilisation and storage. We have had extensive discussions with the UK Government about that, and it is rare that I do not raise the issue when I meet UK energy ministers. Their view is that the Scottish cluster has to be considered in track 2, but we do not have clarity on when that process will take place. However, the UK Government has recently said that it expects that it will require four CCUS projects to be in operation by 2030. The problem is that we do not know what the track 2 process will be for the other two projects that will be taken forward, and I would think that the Scottish cluster would be one of them. We need clarity on that timeline and a clear understanding of the timescale for decision making on track 2 to make sure that those projects can be delivered later this decade.

The Convener: I will bring in Natalie Don, who is joining us remotely.

Natalie Don: I will focus on international examples, some of which have already been touched on. Cabinet secretary, you referred earlier to Canada and Norway, which are dominated by hydroelectric plants and have the lowest electricity prices in the Organisation for Economic Co-operation and Development. Other countries, such as Switzerland, Austria and Sweden, also rely on hydro, and consumers pay less in those countries. We have seen Governments across Europe roll out more generous packages of support for households.

We can see limitations through privatisation in network costs and the ability to cap prices. You have also touched on the public energy agency company. As you have already laid out, many of the levers are still reserved to the UK Government, but what lessons do you feel can be learnt from looking at other countries' energy policies and how they compare with the UK's response so far?

Michael Matheson: There is quite a lot in there and you have covered a wide range of issues. At an international, and particularly a European, level, there is much greater focus on decarbonisation of the energy sectors and there is a clear determination to move towards renewable energy at a much faster pace than anticipated.

We need only look at the comments that the European Commission has made and the approach that it has taken—Commissioner Timmermans has highlighted the importance of renewables, and Europe's largest economy, Germany, has set out its stall very clearly when it comes to the focus on renewables and hydrogen as its future approach—to see that there is a real

step up in pace and in the desire, at European level, to decarbonise energy markets, reduce dependency on imports, particularly from Russia, to meet climate change targets, and to deliver security of supply.

12:15

In recent months, it has been interesting to see how countries in other parts of Europe are recognising that they will not be able to meet all their renewable energy challenges themselves, so they are looking at the potential of other countries to provide markets and support. I have had engagements with ministers and representatives from different parts of Europe who are looking at Scotland as a potential exporter of renewable energy, particularly in the context of green hydrogen. Scotland is seen as a potential main source of green hydrogen to support the European economy.

Let me put that in context. Germany has said that it wants a big focus on hydrogen to decarbonise industrial processes. Germany will require to import about 70 per cent—the vast majority—of its hydrogen, so it is looking for import markets in the countries that are in a position to support that activity, including Scotland.

We are talking about faster decarbonisation, a greater focus on renewable energy, and countries that are looking for import markets and export opportunities because of the focus on greater energy security at European level.

On actions that can be taken, countries that have introduced windfall taxes include Germany, Italy and Spain. I hear people making the argument that, if we introduce a windfall tax, we will not see investment in renewables, but Shell was looking to invest in offshore renewables in Scotland, in a partnership with Scottish Power, before it was making record profits. That interest is not going to change. Renewables investment is increasing in Italy, Germany and Spain despite the introduction of windfall taxes. The argument is a red herring: the reality is that investors are still moving into those markets because they want to be there, and they can see that that is how security of supply will be delivered.

The UK Government needs to act quickly. It needs to look at introducing a windfall tax and using the proceeds to support people during the cost of living crisis that millions of households are facing across the UK, and which is only going to get worse.

Natalie Don: Thank you for your helpful response.

We touched on the fact that prepayment customers pay more, which is unfair, and so run

the risk of losing their energy supply completely for periods of time. No one should have to experience that. Potentially, there will be elderly people, pregnant women and young children in homes that have no heating at all. More action is needed to protect such people. There have been calls for a social tariff, but the UK Government seems to have dismissed the idea. Do you have thoughts on what more can be done to protect people?

Michael Matheson: One of the purposes of the energy insecurity fund is to support some of the most vulnerable households, particularly those that are on prepayment meters. We provide some of that funding to the Fuel Bank Foundation, which supports vulnerable people on prepayment meters, I think, to reduce the risk, including by making available same-day money to stop people from self-disconnecting. There is no doubt in my mind that, across the UK, thousands if not millions of households on prepayment meters will find themselves thinking about self-disconnecting because they just cannot load up their meters. For that reason, we need to do more throughout the UK to meet the needs of people who are experiencing fuel insecurity.

Our £10 million fund is designed specifically to help to meet the needs of those households, but there is no doubt that households across the whole of the UK face the same problems. Much more needs to be done to meet the challenges that those households face.

Natalie Don: Absolutely. I will pass back to the convener.

The Convener: I invite Elena Whitham to ask some questions.

Elena Whitham (Carrick, Cumnock and Doon Valley) (SNP): Thank you for allowing me to appear at the committee with my Social Justice and Social Security Committee hat on.

We have already heard about the Canadian model of hydroelectricity. As someone who grew up in Canada, I could not fail to understand that. The Galloway hydroelectric scheme in my constituency is fed in part by Loch Doon. It was built back in 1930 and has been happily supplying environmentally friendly electricity—

Michael Matheson: Did you say 1930?

Elena Whitham: Yes—that scheme has been operational for 90 years.

I want to contrast that with the very complex system that we have in the UK, which relies heavily on gas. Today, Sky News has reported that we are in the perverse situation of having a glut of gas in the UK, because we cannot get it to market. The pipes to supply liquid gas to Europe are at full capacity and we have no storage in the

system. We have infrastructure and pipeline issues.

Given that the wholesale price has bottomed out, it seems perverse that people are going to be paying huge amounts for their electricity and their gas during the coming months. It seems as though the system is not responding in real time to what we are seeing on the ground. How would you respond to that?

Michael Matheson: I want to be clear—are you referring to the fact that there is additional capacity in the UK to produce gas, but the domestic price has not dropped to reflect that?

Elena Whitham: Yes. We have the ports and the pipelines to get the liquid gas to where it needs to be, but the system is operating at full capacity and we have no storage capacity.

Michael Matheson: We used to have gas storage capacity, but when the sector was privatised, it was all got rid of. Interestingly, some European countries are putting in gas storage capacity. Germany is doing that, and the Netherlands might be doing the same, with a view to future proofing in relation to hydrogen.

As things stand, as I understand it, gas production in the UK basins is already at capacity. There is no residual or spare capacity to produce more, and it would probably take several years to bring additional capacity in from other fields. That would not help us in the here and now.

Even though there is additional gas in the UK sector at the moment, gas is traded on the international markets and it is those markets that determine the price. At times, we bring in gas from Norway and we also export some to mainland Europe. It is all traded—it is a commodity that is traded internationally. The price of gas is set by the international wholesale price.

Even if we could bring on 50 per cent extra capacity in the UK sector, that would not have much of an effect on the international markets, because the UK sector is too small a part of the international sector. At the same time, the price will be determined by the international markets that trade in it.

We are not seeing the benefit of the additional gas that we have in the UK at the moment because gas is a commodity that is traded internationally, and the price is set by the international wholesale price.

Elena Whitham: The fact that the glut of gas that we have at the moment is not reflected in the prices being paid by people who cannot afford to top up their meters must be very hard for them to swallow.

My final question, which is one that I have asked previous witnesses in the past few weeks, is about disaggregated gender data. I recognise that you might not be able to provide an answer. The likes of Engender and Close the Gap have said in evidence to the Social Justice and Social Security Committee that fuel poverty is very much a gendered issue.

Women who are predominantly lone parents, carers or in precarious employment are facing the worst consequences of the cost of fuel crisis. What data does the Scottish Government hold on gender, and how is it being used to create the policy in response to fuel poverty? I understand that you might not be able to answer that question today, but the committee would certainly be keen to hear your response.

Michael Matheson: I do not think that we have disaggregated the data on fuel poverty, and I do not know whether we have disaggregated the broader poverty data, either. I suspect that we have, and I would broadly expect the fuel poverty data to mirror the broader poverty data in its disaggregation. If the disaggregated poverty data were to show that women are experiencing greater levels of poverty, which I believe it does, I would expect that to be mirrored in the fuel poverty element, too. However, I do not think that we have disaggregated data on a gender basis with regard to fuel poverty.

Elena Whitham: It might be very helpful for the committee.

Michael Matheson: I am happy to take the matter away and look at whether there is a way of capturing that information. We have the rurality aspect, so we know that those in rural communities are at greater risk, but as I have said, I am happy to take the issue away and see whether we can do something.

Elena Whitham: Thank you, cabinet secretary.

The Convener: We have covered a number of topics, cabinet secretary, but I want to come back to fuel poverty. You have said a few times that, because it has a fixed budget, the Scottish Government cannot increase spending on fuel poverty, but I see from the Scottish budget that it has not yet spent £500 million of Covid funding from the UK Government. As you will know, that money is not ring fenced and is free to be spent on Scottish Government priorities, so why has the Government not used that money to help those in fuel poverty?

Michael Matheson: I am not aware of the £500 million that you are referring to, but if you can provide more information, I am more than happy to take the matter away and get clarification on it. As I have not been sighted on that, I would prefer to

get some details on it and then clarify things with the finance secretary.

The Convener: Right. The figures are very much in the public domain, but I am happy to share the information with you.

Michael Matheson: If you can do so, I will ensure that we take the matter up with the finance secretary.

The Convener: The question, then, is: if fuel poverty is a priority, which I am sure it is, why has that underspend not been spent on helping those in fuel poverty?

Michael Matheson: I can assure you that we are not experiencing underspends in my portfolio budget, and there is certainly no underspend as far as the Scottish Government itself is concerned. We ensure that we utilise every aspect of our resource to our maximum ability.

Of course, we have a fixed budget, and we do not have borrowing powers or the ability to implement, say, a windfall tax to bring in additional resource to meet the crisis that households are facing. If we take money from one area and put it into another, we have to stop doing things. With a fixed budget, we have to shift money around in the same way that most households have to.

The UK Government benefits from having many more levers to bring in the level of money and funding that is necessary to deal with this crisis, including the ability to introduce a windfall tax to tackle issues such as fuel poverty and to provide the Scottish Government with funding that would allow us to make even faster progress in tackling these matters. If we had greater financial flexibility, we would have much more effective means of tackling those issues than we have.

On your first question, however, I am more than happy to come back to you with a more detailed explanation if you give me the details.

The Convener: That would be very useful, cabinet secretary. As you will know, last year's funding from the UK Government to the Scottish Government was the highest in the history of devolution. I am sure that there will be interesting discussions with the finance secretary on how that money should be spent.

I believe that Liam Kerr has a final supplementary.

Liam Kerr: Cabinet secretary, you said right at the start of this evidence session that cross-departmental work is being done to recognise the crisis. I have recently seen reports of a number of civil servants in the Scottish Government being assigned to specific projects. Can you tell the committee how many civil servants have been specifically assigned to fuel poverty alleviation?

Michael Matheson: Are you talking about fuel poverty in the Scottish Government?

Liam Kerr: Yes. How many civil servants in the Scottish Government have been specifically assigned to fuel poverty alleviation?

Michael Matheson: I cannot give you a figure off the top of my head for the number of civil servants who are involved in tackling fuel poverty, but I am more than happy to provide you with that information. Of course, many of them will be involved not just in fuel poverty but in wider social policy areas such as child poverty and household poverty. In other words, they will work not just on one specific bit of poverty but across a range of areas, because they are all interlinked. The households that are experiencing child poverty are often the same households that are experiencing fuel poverty, and those who are experiencing poverty in general often experience fuel poverty, too.

The danger in a governmental sense lies in taking a silo-thinking approach to this rather than a cross-departmental approach. However, I am more than happy to come back to you with the number of civil servants who are employed in tackling poverty, including fuel poverty.

The Convener: That brings us to the end of our allocated time. We have run slightly over schedule, but I appreciate your taking the time to have what I think was a wide-ranging discussion with the committee. I thank you and your officials for joining us.

I will briefly suspend the meeting for about five minutes before we move on to our next item of business, which is consideration of a statutory instrument.

12:31

Meeting suspended.

12:35

On resuming—

European Union (Withdrawal) Act 2018

Environment and Trade in Animals and Related Products (EU Exit) (Scotland) (Miscellaneous Amendment) Regulations 2022 (SSI 2022/138)

The Convener: Our next item of business is consideration of the Environment and Trade in Animals and Related Products (EU Exit) (Scotland) (Miscellaneous Amendment) Regulations 2022. The instrument has been made using powers under the European Union (Withdrawal) Act 2018.

The process for consideration of Scottish statutory instruments that are laid under the 2018 act involves two stages. First, the committee must decide whether it is content that the Scottish Government has designated the appropriate parliamentary procedure to the instrument. I refer members to paper 5 in that regard. Given that the instrument relates to EU exit, we received in private a short legal and policy briefing on it. The Scottish Government has designated the negative procedure for the SSI, and the Delegated Powers and Law Reform Committee is content with that. Are members content that that is the appropriate designation?

Members indicated agreement.

The Convener: We will now consider the policy behind the instrument. From this point onwards, we will treat the instrument in the same way that we treat a normal negative instrument. No motion to annul has been laid. As no members have any questions or observations about the instrument and the underlying policy, do members agree to make no recommendations in relation to the instrument?

Members indicated agreement.

The Convener: That concludes the public part of the meeting.

Meeting closed at 12:37.

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