



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 14 June 2022

Session 6



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NET ZERO, ENERGY AND TRANSPORT COMMITTEE
20th Meeting 2022, Session 6

CONVENER

*Dean Lockhart (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

Fiona Hyslop (Linlithgow) (SNP)

COMMITTEE MEMBERS

*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:

Fionna Kell (Homes for Scotland)

Tom Norris (Places for People Scotland)

Niall Robertson (Jones Lang LaSalle)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 14 June 2022

[The Convener opened the meeting at 09:31]

Decision on Taking Business in Private

The Convener (Dean Lockhart): Good morning, and welcome to the 20th meeting in 2022 of the Net Zero, Energy and Transport Committee, which we are conducting in a hybrid format. We have received apologies from Fiona Hyslop MSP.

Under agenda item 1, we will consider whether to take in private items 3 and 4. Item 3 is consideration of the evidence that we will hear today, and item 4 is further consideration of our approach to our future inquiry into ferry services. Do we agree to take those items in private?

Members *indicated agreement.*

Role of Local Government in Delivering Net Zero

09:32

The Convener: Our next item is an evidence session as part of our on-going inquiry into the role of local government and its cross-sectoral partners in financing and delivering a net zero Scotland. I refer members to the papers by the clerk and by the Scottish Parliament information centre.

Today, we will hear from an expert panel on how house building can contribute to net zero goals. I welcome the three witnesses, who join us in the committee room: Fionna Kell, director of policy at Homes for Scotland; Tom Norris, managing director at Places for People Scotland; and Niall Robertson, director in building consultancy at Jones Lang LaSalle. Thank you for joining the committee this morning. It is a pleasure to have you here.

We have allocated up to about 75 minutes for this session. My first question relates to the heat in buildings targets that are set out in the Scottish Government's policy. Fionna Kell, in the written submission that was provided by Homes for Scotland, you say:

"there is a very real chance that the ... legislation around much of the net zero targets"

has

"been set well before the skills ... are developed",

and that that could lead to

"a period of economic stagnation".

Those concerns have been raised in many of the committee's other sessions on this matter. We have heard about local authorities' lack of resources, the challenges that are faced by planning departments and the limited availability of teams to retrofit and decarbonise heat in buildings.

Therefore, I ask each of you what you see as the major resource and skills constraints in delivering the targets for heat in buildings, and, given those challenges, whether the 2030 targets are realistic and achievable.

Fionna Kell (Homes for Scotland): Good morning, and thanks for inviting us to attend.

It is worth saying that the home building industry as a whole understands, respects and supports that aim, and we are committed to achieving what is practicable at the earliest opportunity. It is important that we emphasise that. It is not a standing start; the industry has already made great strides. However, you are right in saying that we have significant concerns.

I would describe the situation by saying that building the house at the end is almost the last and easiest part of the jigsaw. We need to ensure that the rest of the components of the system are in place to allow the physical house to be built at the end. From our point of view, there are significant issues relating to grid capacity, the supply chain and, as has been touched on, skills and labour. In addition, there are points about the wider societal impacts, customer affordability and readiness to address all those issues. Technical skills and upskilling are required in order to move from gas boiler installation to heat pump installation, for example.

It is important that we emphasise the skills in local authorities. We are really concerned in relation to the requirements for enhanced understanding of those issues in both planning and building control departments, which we know are already under significant pressure. We have a concern that, if we do not have those skills, there might be a significant blockage in the system.

In general, that is our starting point. We are committed to the targets, and we understand why we need to try everything to meet them, but we recognise that this is part of a very complex and interconnected system.

The Convener: Thank you for that very helpful overview. You have touched on a number of issues that we will come back to.

I address the same question to Tom Norris.

Tom Norris (Places for People Scotland): Thank you very much for the invite to come and talk to the committee today. Places for People Scotland is an affordable social rent housing association. We are part of a much larger United Kingdom group, but, in Scotland, we are very much focused on social rent.

I will draw out what Fionna Kell said about people and customers. As we go forward with all the changes in relation to moving to net zero and all the other things that the legislation requires us to do, the absolute key for us is that we must not forget the end customer. I have about 10,000 customers in Scotland. It is hard out there; we all know that, but my teams see that at the coalface every day. As we move forward, we have to be careful that we do not inadvertently put customers' bills up even more and push people into fuel poverty.

As a not-for-profit entity, we need to find a balance by ensuring that we move forward gently when appropriate, that we are innovative when appropriate and that we do not end up using any of our customers as guinea pigs to test things out. We have to ensure that we do two things: that we allow people to affordably heat their homes and that we decarbonise at the same time. It sounds

easy when I say it like that, but, as we all know, that is not the case.

I will park that point about all our customers, which is at our heart. At the moment, the skills challenges are everywhere across the sector; they are not only in this area. Employing people—particularly in trades—is challenging, and that flows through into newer technologies. It is a bit of a chicken-and-egg situation. As more technology comes online, we will see more heat pumps, and we will then have more people who are qualified and able to repair them. However, it is a challenge—particularly when we are retrofitting—to ensure that we have people with the skills in our organisation or the contractors available who can support everything that we need to do to make sure that we not only retrofit homes but have a sustainable and affordable system that will work in the long term for our customers.

I will come on to new builds in a moment, but, on retrofitting, we need to recognise that the disruption to people's lives is pretty significant, particularly when older properties are retrofitted. If we were to draw a circle with a 1-mile radius around where we are right now, that area would include 2,000 properties. Committee members will all know the area, so they will know that it includes some really old stock, which is really challenging to deal with, and some newer stock, which is somewhat easier to deal with. Either way, when we start retrofitting, there is disruption, which, dependent on the stock type, can be relatively significant for our customers. We have to keep that in mind.

Ever the optimist, I think that, with the right cross-sector and joined-up approach, it is achievable for us to decarbonise in the way that the Government is looking for. However, there needs to be more joining up. We find that different bits of legislation often push against each other, which makes it hard for us to do what we all agree is, in effect, the right thing. We are currently finding a rub with energy efficiency standard for social housing 2 and decarbonisation. The way to deliver the targets is to work together with a joined-up approach and more industry collaboration. There is, without question, more work to be done.

The Convener: You mentioned joint working. I want to come back to you on the question of how this will all be financed. We have heard about non-financial challenges, which there are certainly a number of, but one of the major challenges will be how delivering net zero will be financed.

I will bring in Niall Robertson first.

Niall Robertson (Jones Lang LaSalle): I am sorry, but I should say that I pronounce Niall with an "ee". It is a good Scottish pronunciation.

The Convener: Sorry.

Niall Robertson: Thanks very much for inviting me to the meeting. It is very much appreciated.

I am a chartered building surveyor, and I work in commercial property. The domestic sector is not really my area of expertise per se, but I think that the points that have been raised apply across the board.

When the pandemic almost came to an end, we were starting to get back to normal. There has been a huge demand for the professional services of, for example, Royal Institution of Chartered Surveyors members and engineers—all those specialities. There is currently a real demand for retrofit in commercial properties. We are seeing huge demand for more sustainable buildings from our clients, as they embrace environmental, social and governance criteria. I think that there are more than 200,000 non-domestic buildings in Scotland, so we can see the scale of the challenge involved.

I agree with everything that has been said about the skills shortage. An engineer or a plumber will work in both domestic and non-domestic properties, so the challenges exist across the sector. I understand that RICS is working closely with the Scottish Government and Skills Development Scotland to try to address some of the skills shortages.

The Convener: It is great to have a different perspective from each panellist. I would like to bring in Niall Robertson a bit later, on the commercial side. If a building is not retrofitted, will that have an impact on its value over time? Is the market catching up? I just wanted to give you a heads-up on a question that might come up.

I will first go back to the general question on financing. We know that the private sector will ultimately have to finance the vast majority of what will happen. I think that the Scottish Government has estimated that the overall cost will be £33 billion to £36 billion, and I think that the vast majority of that will come in some form from the private sector. Have you seen any examples of good joint working between the public sector and the private sector? Is there still a bit of work to be done there? What role could the Scottish National Investment Bank play in that area as a catalyst or a bridge between public sector and private sector financing?

That is a wide topic. I would welcome Fionna Kell's thoughts on any particular aspect of it.

Fionna Kell: I will deal with the cost issue to start with, before I move on to the financing.

The costs are substantial. We need to recognise that the costs that we are talking about sit on top of the already significant inflationary costs in relation to supply chains and so on that members

will have picked up on over recent weeks. The Scottish Government's recent consultation on section 6 energy standards suggested that there would be a 3 to 6 per cent uplift in costs as a result of moving to the proposed changes. We have estimated that that figure will be closer to 15 per cent. That is on top of things such as the price of insulation, which is up by about 63 per cent this year so far. Those are costs that are provided directly from our members who are currently building. The cost of windows is up by about 30 per cent. Those are two of the key factors that would be looked at to improve a building's efficiency.

On the costs of moving to a non-gas heat solution, for example, in work that the Scottish Federation of Housing Associations carried out recently, it was estimated that the cost is around £2,000 to £5,000 more than that of a default gas boiler and solar photovoltaic panel per home that is being built. The costs are therefore significant.

09:45

As for financing, convener, you are right that, ultimately, somebody has to pay for that. The role of the customer is interesting. Tom Norris mentioned that his customers are tenants who are paying rent. I will let him talk about that side in more detail. From the perspective of customers who are home buyers, I do not think that individuals fully look at the operational efficiencies that they might achieve over the lifetime of owning a home when they are considering making an increased capital cost decision at the time of purchasing a property. For example, if we were to say that the capital cost is an extra £10,000 per home, would a home buyer value that extra cost? I think that the answer is that, at the moment, they would not. A huge raft of work needs to be done on customer and public awareness and readiness for that.

You mentioned the role of Government, which is also interesting. Research that was done by the Chartered Institute of Housing for last year's housing day estimated that about 40 per cent of the people who had been surveyed would have liked to move into energy-efficient homes. Interestingly, 82 per cent of them thought that the Scottish Government should support landlords or home owners to meet those standards, and 34 per cent thought that the Scottish Government should cover the entire cost of doing so. There is therefore a huge public awareness issue that we need to deal with when it comes to the financing and cost of the transition.

As for other solutions, we could look at land and buildings transaction tax to see whether the purchase of more energy-efficient homes could be incentivised. LBTT could be one way of doing that.

We know that there has been a significant shift in the take-up of hybrid and electric cars. In large part, that was driven by changes to company car taxation that set a lower rate for electric vehicles. We can see that changing consumer behaviour in such a way has led to a bigger shift, so we need to start looking at such approaches. Rather than offering financial grants or contributions towards the cost, we should ask how we could incentivise consumers to make these financial choices.

The Convener: Absolutely. Thank you, Fionna—you made a number of good points there. We need to get the message out to home owners that the best way for them to add value to their houses is to retrofit and decarbonise rather than, for example, get a new kitchen or conservatory.

I have a brief supplementary question. You mentioned some extraordinary numbers: a 63 per cent increase in insulation costs and the cost of windows going up by about 30 per cent. I know that the cost of timber has gone up, too.

Fionna Kell: Yes.

The Convener: Realistically, does that mean that house prices will automatically have to go up because the price of raw materials will have to be passed on?

Fionna Kell: Yes—that is a simple matter of fact at the minute. The costs that I have mentioned do not relate to the transition to net zero; they are the costs of building our homes as they are built today. We estimate that, on top of those, there will be a further rise of approximately 10 to 15 per cent to deal with the transition aspect. We are therefore talking about a very significant cost impact. If we had had a 10 to 15 per cent increase without the rapid cost inflation that we have seen over the past 12 months or so, that might have been slightly easier to integrate, but this is a further addition on top. I do not think that customers are ready for that.

The Convener: Those numbers are quite remarkable. I want to bring in Tom Norris on the question of finance.

Tom Norris: We have seen a number of key initiatives being adopted. Every single thing that we have done has been in partnership with others. We were an early investor in Sunamp, the battery and thermal storage maker. We are partnering with it in a number of areas, to help with PV and a battery that heats water for our customers. We have found that we have to take a partnership approach. Also, a lot of the schemes that we are trying out are grant funded.

However, because a lot of this stuff is new and at an early stage, we are finding that even people whom we are pulling in and partnering with are sometimes getting into trouble as a result of

unseen costs and all the rest of it. A partner in one of our schemes went bust relatively recently. We are at a stage in the market where there is going to be risk, and more risk than there otherwise would be.

One example is our heat share project in Midlothian, in which we partnered with Sunamp and the green economy fund from SP Energy Networks on a development for over-55s. We put in a mini district heat system, although it was not fully decarbonised because, at that point in that development in that area, we could not find a way to do it that would not put up costs for the customer. We put in thermal storage and photovoltaics; at the same time, there was a gas fallback. In effect, that is an interim position—we will move to a sustainable solution when we can.

There was a fair bit of disruption—for example, more radiators were required, so the upgrade was quite intrusive. However, the feedback from customers is that their bills are down and they are able to heat their homes affordably. Now that the system is all in, they say that their experience has been very good. That is an example of where we have said, “At this moment, in this area, we can’t do everything, so we’ll move to a halfway house.” Future proofing as we move forward is critical. We will do what we can when we can, and we will future proof the system to allow us to move forward.

The need for grants and funding to enable people to test things out is important. If you drive through Craigmillar, you will see that there are solar panels on a lot of the roofs; 99 per cent of them are there as a result of investment. Either we have put them in or we have used Scottish Government funding or partnered with others.

We find that solar and battery are really quite good for our customers’ cost of living. A few weeks ago, I was with one of our customers, who had just had battery and solar put in. I asked her what had happened to her bills, and she said, “Oh, I just pay the exact same amount that I’ve always paid.” In that case, we did not reduce bills for the customer, but energy prices have gone up extortionately over that time period, and we have insulated her from those price rises by using battery storage and PVs. We will then move her to a fully decarbonised system when we can.

We are finding that part of the challenge involves different types of stock. I am afraid that this will get a bit technical. When I sit down with our technical team, we see that we have a patchwork of properties. For some of those properties, the spades are only just going in the ground, whereas others are 100 years old. That means that our approach has to be different across all our stock throughout Scotland. As we do our visits to see what we can do at each scheme,

we find that we need to take a creative approach. We cannot just say that we will put in a heat pump and that will do the job. It could be a ground-source heat pump or a ground-source pump that is linked to district heating—it could be all sorts of things.

Creativity is needed to answer the question of full decarbonisation—that is one of the keys. A one-size-fits-all solution for us, and for my team, is just not feasible because of the stock that we have. I grant that the situation could be quite different for new builds.

From a business financing point of view, we are investing more in properties across all our UK stock. In Scotland, investment is up by 20 per cent. We are also seeing the numbers of, and costs for, repairs going up. Customer expectations are rising—quite rightly, because they want more from us. I am comfortable with our approach of spending more money in customers' homes to make them better.

However, the additional cost increases that we are seeing—inflationary costs, staffing challenges and everything that that pulls through—mean that we are now finding that there is a finite amount of capital available. At present, we have to deal with the Scottish housing quality standard; fulfilling the LD2 system requirements, which we have just completed; the net zero measures; and EESSH 2. The list of different requirements for our properties, and our investment needs, just goes on. Again, I agree that it is right to do those things, but the point is that we have only a finite amount of capital to invest and we need to make choices about having a new kitchen or bathroom, or a heat pump.

The funding piece from Government is probably the key to unlocking this. When we consider pulling in from the Government fund to invest in net zero heat sources, we see that the grant will cover the additional costs that we generally would have if we were to put in a gas boiler. The incentive in that case is, of course, that it is the right thing to do so we should do it.

However, as with the point about electric vehicles in company car schemes, if we really need change in the market and want to see a complete move away from other energy sources, the key is how to incentivise people and businesses to go, “It would be madness for us not to put in a heat pump or decarbonise at this point.” We are comfortable that we need to invest in our properties and decarbonise them for the future, but if we look wider, the right incentive scheme needs to be in place to get that uptake from individuals and businesses.

We will continue to innovate and test things out. Sometimes, it might not work in the way we want it

to, but that is part of the learning curve, which we want to be at the forefront of.

For new builds, the grant is very welcome and helpful but, similar to the point about retrofit, if we turn the dial on that point, we will see a big change quite quickly as the market goes, “Decarbonising and going net zero is in our interest and obviously the right financial thing to do now.”

The Convener: That is fantastic, Tom. Many of my colleagues will want to follow up on a number of points that you have made.

Niall Robertson, I guess that there is a different dynamic in the commercial sector. Am I right in thinking that the expectation is that perhaps not as much money will come from the public sector to retrofit and decarbonise commercial buildings? Do you cover small and medium-sized enterprises and small companies as well? I imagine that it would be a big issue for smaller companies. What trends in financing are you seeing in the commercial sector?

Niall Robertson: I am not directly involved in that area. I take on board some of the points that have been raised, particularly by Fionna Kell, on the value of property, and it always goes back to the question that you have raised previously—if you do not mind, I could answer that question.

The Convener: Yes.

Niall Robertson: There has always been a bit of an issue with investing in a sustainable property. You are the developer, but the tenant is the person who benefits through lower utility bills. That has been an issue historically.

JLL published a fantastic research paper called “Sustainability and value in the regions”, which identified for one of the first times a link between investing in sustainability and environmental, social and governance—ESG—and creating an additional value to the commercial property. What we identified was that properties that had environmental certification schemes, such as BREEAM, commanded higher rents over a period of time and suffered shorter void periods.

The other interesting piece that we found was that the less sustainable buildings are more liable to the prospect of what we call a brown discount—they will lose value quicker because they have not been future-proofed—which is a compelling argument to invest in sustainable property. We have seen the trend over the past year or 18 months of a huge move towards the sustainable sector.

The Convener: In layman's terms, are you looking at office buildings and warehouses, or manufacturing premises? This is to get a sense of what type of building we are considering.

Niall Robertson: We cover a range of sectors, but offices tend to be the main one—they are the shiny buildings that everybody can relate to. Much of the net zero carbon research has been into office buildings. The likes of the UK Green Building Council has set some of its net zero targets based on office buildings, and they are hugely challenging targets relative to where we are now. It is a case of not just saying that a building is decarbonised but considering the energy efficiency of the buildings and bringing the average energy usage intensity of a property down by about 60 per cent from where they are at now. It is not just a case of stripping out gas boilers during a retrofit and putting in heat pumps. We also need to look at aspects more widely—for example, insulation, efficiency and lighting—to reduce energy consumption.

10:00

The Convener: Thanks very much, Niall. I will bring in other members who want to follow up on that area. Mark Ruskell, who is joining us online, has a supplementary question.

Mark Ruskell (Mid Scotland and Fife) (Green): I want to query a point that Fionna Kell made. Fionna, you said that the Government had estimated that costs would go up by about 6 per cent for renewables and insulation but that, in reality, they had gone up by 15 per cent. Does that figure apply across all building materials and services? Were you picking out the renewables, the insulation and other retrofitting materials as having gone up by proportionately more than everything else, or were you talking about an uplift in building costs more generally?

Fionna Kell: There are a couple of different things in that question. The 3 to 6 per cent figure came from supplementary papers that the Scottish Government had prepared in support of the section 6 consultation. In those papers, the evidence suggested that—aside from any inflationary costs since 2020—there would be an additional 3 to 6 per cent cost for delivering the transition to net zero. Our members looked at what was going to be required under the section 6 consultation and suggested that the uplift would be not 3 to 6 per cent but 10 to 15 per cent, just for delivering the net zero requirements.

The other costs that I have talked about—such as for insulation and windows—have happened since then. Those have not been taken into account. For example, the increase for insulation has happened just since the beginning of this year; between that time and the end of June, it has been estimated at 63 per cent. None of that was taken into account when the consultation was carried out on the section 6 work, back in 2020.

Mark Ruskell: From the householder's point of view, I guess, the other thing that was not taken into account was the cost of energy, which, obviously, has gone up substantially. The savings would be substantial, would they not? If someone was buying a new house and it was of a higher standard, they would be thinking, "Phew, I'm not going to have bills of thousands of pounds. They will be substantially less, because I have PV on the roof, and a battery."

Fionna Kell: Yes, that should be the case. However, we must also recognise that we are talking about the electrification of heat. Although people may be using less energy for heating, the form of heating that we are moving to is more expensive to run.

People will begin to get some of those benefits in the short and longer term, but there is still a dilemma in making the connection between the up-front capital cost and the savings that can be made over the next 10 or 15 years. As individuals, the public have not fully made that connection. We are starting to make it, and there is no doubt that, over the past few months, we have started to make it that little bit more quickly, but I am not sure that we have made it sufficiently quickly and at the necessary scale to deliver the wholesale transformation that we are talking about in the timescales that are needed.

Liam Kerr (North East Scotland) (Con): Good morning. I will direct several questions to specific people.

Fionna Kell, on the point that you made just now and in an earlier answer to the convener, the Scottish Government, in its heat in buildings strategy, puts a cost of £33 billion on decarbonising heating. From what I have heard from you so far, that figure might already be out of date. Is that a fair conclusion?

Fionna Kell: Yes and no. It probably is, but I do not have in front of me the facts that would aggregate up to that figure. The initial estimates in the section 6 consultation are significantly less than what we think the reality is, and that is just for new builds. The timing has been unfortunate, what with wider issues associated with Ukraine and wider cost inflationary issues, and the combination of all those things make it likely, in my view, that those figures will turn out to be unrealistic.

Liam Kerr: Tom Norris, on a point that you made to the convener, is there adequate funding for social landlords to meet retrofitting costs, EESSH2 and the energy performance certificate B rating? If not, where would be a realistic place to get that funding? Will it come from central Government or local authorities, or will you need to leverage private finance?

Tom Norris: The honest answer is that it will depend on the social landlord. The stock that each will have to deal with is so different that the challenges, needs and costs will differ from organisation to organisation.

As Places for People Scotland is one of the bigger organisations, I am pretty confident that, with the current Government decarbonisation fund and approach, plus the finance that we will invest in our stock, we can manage the different challenges that we face, which, as I have said, include meeting EESSH2 and the SHQS and delivering net zero. As for my particular fear, I do not think that every social landlord across Scotland necessarily has the access to capital that the bigger organisations have, and the question for me is this: if you have some really ageing stock and the investment required runs into significant numbers, how will you balance all of that?

As an example of some of our stock in the city of Edinburgh, we have a development for over-55s on the Royal Mile—in other words, flats and apartments for social rent that would sell for £500,000 or above on the open market. As a result, our asset base is very strong. We strongly believe in mixed tenure and, indeed, in mixed communities where one's tenure is irrelevant, given what that means for social standing, stigma and so on, so we think that it is 100 per cent right to have those apartments available for social rent in the city centre of Edinburgh. However, we are sitting on assets that are worth a significant amount of money and, if we were put in the position of having to make a choice, we could quite easily end up having to sell some assets in order to invest in others.

I want to make it clear that we are not in that position—and I do not think that we will be—but other organisations might face that challenge and have to say, “It's not affordable for us to decarbonise these tenement blocks. How can we make this work financially?” The answers are Government funding, getting additional finance or finding other ways of financing such work, which might mean selling off tenement properties and acquiring properties elsewhere. I have to say, though, that the last option cannot be the answer. It is just not tenable for any social landlord to sell off properties because of their financial situation and the investment that they need. How we avoid that situation is a key issue.

Places for People Scotland has a mixture of finance options available and is able to pull in what is necessary. We are also fortunate in having a large UK group to support us when needed. It gives us capacity and options, which means that we are able to pull in many different initiatives to help with the situation.

It is a really difficult issue. For each landlord, the answer will be slightly different and slightly more nuanced.

Liam Kerr: I have a question for Niall Robertson. The Scottish Government is proposing regulations that require new homes to use zero-emission heating systems from 2024. Is that realistic not just in cost terms but in the light of the skills and supply chains that will be required to install and maintain such systems?

Niall Robertson: As I have said, I do not have specific experience in that area, but I am involved in a self-build project at the moment, so the issue is quite close to my heart.

As somebody who deals with the retrofitting of commercial property, my opinion is that it would be foolish not to decarbonise new builds. That goes back to a point made by Tom Norris. I cannot see the sense in installing gas boilers in new builds, particularly given that the date for having zero-emission heating systems in new builds is 2024. I fully appreciate that that will be challenging.

I can say, anecdotally, from speaking to plumbers, that they talk about the fact that they have certain qualifications that allow them to be a gas plumber or engineer; it is the same for oil, and there is a separate accreditation for the installation of heat pumps, which I think involves a combination of plumbing and electrical expertise. However, from my point of view, it would not make sense to not proceed on that basis.

Liam Kerr: Fionna Kell, what do you think about that? Is the deadline of 2024 for zero-emission heating systems in new builds realistic not only from a cost perspective but in terms of skills and supply chains?

Fionna Kell: To put it simply, no, I do not think that it is. The intention is correct, and I agree that we should very clearly move in that direction. However, looking at the overall supply chain readiness, I just do not think that we are there. Many of the supply chains work UK-wide. The majority of homes built in the UK are built in England, not Scotland. Therefore, a significant number of the supply chains are geared up to delivering what is needed for their volume customers, which are in England, and their timescales are slightly longer than Scotland's.

The simple commercial reality for many businesses in the supply chain is that they will probably be more focused on delivering the wholesale changes that will be required for the bulk of their customers, who are in England, a little bit later than what we are talking about in Scotland. Therefore, the supply chain in Scotland is not fully ready for the challenges to come; it will not be ready substantially ahead of when that might be required in England. I am not saying that

we need to push the date back by years, but we need a little bit more realism about when that can be delivered. As I said at the outset, the physical building of the house is the easy part. We also need the supply chain and the skills that lead up to that.

Another issue is grid capacity. We are being advised by members that, in certain parts of the country, they are already unable to get large-scale connections on to the grid because there is insufficient infrastructure to accommodate them. We are already being advised by many of the distribution network operators that there simply is not sufficient grid capacity at the moment to move to a significant electrification of heat along with the installation of electric vehicle charging points. That is not to say that the investment is not happening—it is happening, but the issue is the pace at which it is happening.

We suggest that we need a much more joined-up route map for the delivery of the 2024 targets and beyond. We have been asking the Scottish Government to engage with us and the broader industry and supply chain to get that route map, so that we have a realistically deliverable date as opposed to a date that we would like to get to but which might not be deliverable.

Liam Kerr: I am grateful to you all. I have no further questions, convener.

The Convener: That is great.

Monica Lennon (Central Scotland) (Lab): Good morning. Some interesting points have been made about future proofing, which takes me back to evidence that we heard in May from the Existing Homes Alliance Scotland. Frustration was expressed about the fact that the homes that we are building right now are not fit for purpose. Teresa Bray from the Existing Homes Alliance Scotland said:

“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.”—[*Official Report, Net Zero, Energy and Transport Committee*, 17 May 2022; c 28.]

Today, we have heard about some of the challenges in that regard, and good points have been made. How do we navigate between that view and the desire to get things right now? Tom Norris has made points about the need for more joined-up working, and Fiona Kell spoke about the need for a route map.

I have a question about the idea that the homes that we are building today are not fit for purpose. Is that to do with insulation, heating systems or both? What can we do to improve the situation? Perhaps Fiona Kell will respond first.

10:15

Fionna Kell: I challenge the view that we are not building homes that are fit for purpose. That is simply not true. The operational emissions from our homes are about 75 per cent less than they were back in, say, 1990. Huge strides have been made in recent years, and what we are talking about now is the final tipping point to get to net zero. It is not that homes are not fit for purpose or that we have not been challenging ourselves; there has been continual improvement in build standards and quality. The section 6 changes to the building regulations that will come in in October this year will take us to the next stage, and then we have to get to the final tipping point.

It is important that we keep that in context. That final tipping point for new builds relates to a tiny, tiny proportion of our overall carbon emissions from homes, the majority of which come from our existing stock. Although we need to keep addressing the issue and ensure that we do not add to the problem, the bit that is being added, as it were, is a small amount compared with the bulk of the problem, which will be addressed by retrofitting existing stock.

It is a journey. If it was as easy as saying, “Yes, we should build it all today, immediately,” we would do that. We are not quite ready for that yet, but we are almost there. The large amount of work that is going into new-build homes, on insulation and so on, is already taking us far along the journey, so any retrofitting that is required will be much more minimal than it would be for a house that was built even five or 10 years ago.

Monica Lennon: Before we hear from Tom Norris, I want to ask about building warrants, which we have had some discussion about. From the Homes for Scotland perspective, does the current process of building standards verification and issuing of building warrants adequately assess the energy efficiency and general standard of a property? We have heard about the need to address the quality of work to ensure that energy efficiency measures have been adequately fitted. Do you have a view on that?

Fionna Kell: Our view is that standards are set by Government and homes are built to those standards. As the standards improve, build techniques improve to keep up. Earlier, we touched on skills in building control and planning. Given what we now expect home builders to deliver and local authorities to verify, we need a very different skill set from the one that we currently have. The upskilling and resourcing of local authority planning and building control will be essential in the future.

For example, national planning framework 4 indicates that there will be a requirement for large

developments to have whole-life carbon assessments, which will look beyond just the operational carbon. However, building control and building standards still just look at the operational carbon, simply because we do not yet have the skills and understanding that are needed to make a whole-life carbon assessment. If we are to move to a whole-life approach at some point, will planning departments have the skills to assess the information that will be provided to them?

That is not a slight on local authorities; it is simply the reality of the pace at which things are changing. The whole system needs to be upskilled. We do not want to face further blockages that stop us delivering the homes that we need. When we talk about improvements, we need to remember that Scotland needs to deliver around 25,000 new homes a year. We estimate that there is a backlog of around 100,000 homes that should have been built in Scotland since about 2007 but have not been built. If we continue to add pressure in relation to what needs to be delivered, will the rest of the system still work to ensure that we can keep delivering at the same time? How do we reconcile those things?

Monica Lennon: You mentioned NPF4, which is still a live issue for the Parliament—it is under scrutiny—and you touched on the need for better alignment of planning and building standards.

Tom, you talked about the need for a more joined-up approach. Do you want to add to what Fionna Kell said?

Tom Norris: For me, simplicity is the key. It is an incredibly complex landscape, but we need to get everyone to go in the same direction so that everything lines up, from the inception of a project through to a customer moving into a new home. The key is that that all lines up.

What I am hearing today, and what I have heard from my teams, is that we have conflicting policies. EESSH2 and net zero provide a good example of that. I cannot talk in detail about building standards, but it feels as though things are slightly fragmented. If we all agree that we need to move to net zero and that that is the end point, we need to think about how all the different parts of legislation that we are required to adhere to as a landlord and in our development work can be combined and lined up into one way of doing things. That will give us the long-term stability and clarity that are required.

You asked why people have not moved to net zero—full stop—for new developments. There is a fear that things are going to change. In my organisation, we talk a lot about not doing something and then regretting it later because we have to go back. We want to do it once and we want to do it right. I support what Fionna Kell said

about the fit-for-purpose challenge. There are some fabulous developments out there: there is some great mixed tenure and there is a load of place making going on. I hear the challenge of “Why not?” Part of the problem that we have is that people will be a bit fearful of the move to net zero.

We have the Tornagrain development in Highland and the Chapelton development in Aberdeenshire. If we look at how those big developments of ours have moved forward, we can see that earlier phases will not be net zero and will require to be retrofitted, but the stuff that we are doing at the moment, which is coming online now, is starting to be all about net zero. There is a timescale issue. The process has taken a bit of time, and it can take three or four years for a project to go from inception to delivery. That is why it feels as though there is a lag. That is more to do with the nature of the situation that we are in.

Monica Lennon: Members have enjoyed getting out of the Parliament to see some of the good and innovative practice that exists across Scotland. Do you have anything to add, Niall?

Niall Robertson: As a chartered building surveyor, I echo what Fionna Kell said about the quality of the housing that is being constructed. The Scottish technical standards of the building regulations dictate that buildings must be constructed to a high standard. A home that is built now will be built to a far higher standard than one that was built 20 years ago.

It strikes me that, if the skills shortage and the shortage of materials are causing an issue with the installation of heat pumps, for example, that might create some opportunities. I am not an expert on heat pumps, but I retrofitted a heat pump in my previous home. Essentially, when you fit a heat pump, your boiler becomes redundant or can be retained as a back-up. However, you need to increase the size of your radiators, because your heat pump operates at a lower temperature. I wonder whether there might be opportunities to think about that retrofit piece to make the process as easy as possible 10 or 15 years down the line when people’s gas boilers become inefficient. From an embodied carbon perspective, it does not make a lot of sense to put all that effort and investment into installing equipment that will become redundant in due course.

Monica Lennon: We have had a helpful written submission from Homes for Scotland, which touches on skills and challenges in local government. Through the inquiry, we have heard quite a lot about the planning workforce in local authorities. I think that, between 2011 and 2020, there has been a 20 per cent reduction in that workforce. However, we have not heard as much about other professions that work in local

government. Do you have any comments on the building standards workforce in local government from the RICS or surveying perspective? Is that area presenting challenges?

Niall Robertson: In recent years, from what I have seen, there has been a reduction in the number of building control officers, and there have been other challenges with planning officers. There have been redundancies in certain local authorities. It depends on how much resource is available at any given time.

I imagine that, in larger city centres, there could be challenges that might cause delays from a practical perspective. We often work for commercial clients that are looking to, say, fit out an office so that they can start their business or relocate following a move at the end of a lease. In that situation, the timescale for coming back on a building warrant application and having it validated is important to the overall delivery programme. The consequences of not getting a building warrant approved in time are that we do not get access, we cannot appoint a contractor and we cannot finish the project on time. It is therefore important that the Scottish Government and local government continue to invest in and recruit people for those important positions.

From a planning perspective, I want to point out that there is a huge lack of what we would class as net zero carbon buildings in Scotland in the commercial sector. My firm had a look around Glasgow last year and we found that only two properties met the net zero targets that have been set out by the UKGBC and other bodies. The latest major development in Edinburgh, which is being completed at the moment, is in Haymarket. It has taken on board very good sustainable practice. It is 390,000 square feet, which has been pre-let. The next property to be available in the city centre will not be available until 2024. There is demand in the commercial sector for sustainable buildings and there is not the supply to fulfil the demand, so we appreciate that retrofit will have to fill the gap. The widely used statistic is that 80 per cent of buildings that will exist in 2050 are already built, so you can see our challenge in needing to retrofit as many existing buildings as possible without affecting the character of our towns and cities.

Monica Lennon: I am conscious of the time and that other colleagues have questions, but I have a quick question before I pass back to the convener. It has been good to get your commercial insight today. You have just given us some examples of the lack of sustainable buildings on the commercial side. That is in Scotland, but you and colleagues in your company must work across the UK. How does our situation compare with that in other parts of the UK?

Niall Robertson: We have found that the net zero carbon standards have been led by industry. We have been finding our feet when it comes to what the targets should be and, ultimately, we have been trying to dramatically reduce energy usage. Whole-life carbon has been mentioned and we are looking at operational carbon, but embodied carbon is the aspect that is resonating with our clients. They want to know where materials come from and their overall footprint, which is another skills challenge that we are all stepping up to. I think that the same problem exists across the UK.

Monica Lennon: It is all very challenging. That is helpful. Thank you.

The Convener: Niall, if any of those research papers are publicly available, it would be great if you would share them with the committee. It sounds as though you have uncovered some interesting data.

Niall Robertson: Absolutely.

The Convener: Next up is Natalie Don, who joins us online.

10:30

Natalie Don (Renfrewshire North and West) (SNP): Good morning to the panel. This morning, we have chatted about the impact on citizens when it comes to cost and disruption. Evidence suggests that people are more motivated than ever to make changes to their lifestyles in order to transition towards net zero. The statistic that I heard this morning was that 40 per cent would like to move into a more energy-efficient home. What pressure do you feel from customers for such homes? Does that factor currently define choice in the purchase of a new home?

Fionna Kell: You are right. The research that we referred to was carried out in 2021 for housing day. Forty per cent would like to move into a more energy-efficient home but, interestingly, only 14 per cent had considered energy efficiency when making the decision on their most recent house move. Therefore, 40 per cent would like to do it but only 14 per cent had done so. There is momentum on the issue, which is simply a reflection of society as a whole—we are all much more aware.

Where reality bites is that it still comes down to cost. Making a home purchase is a very costly decision. For example, a brand-new house might be selling for, say, £250,000, and £10,000 of that might come from the new net zero requirements. The customer might compare that to a house five doors down that is exactly the same size but is 10 years old and is selling at £240,000, but has significantly less operational efficiency. The

customer might want to make the right decision and buy the newer-build property with more operational efficiencies but, when it comes to it, if it costs £10,000 more because those capital costs have had to be added on, will they make that decision?

That is the dilemma that people are finding. It is an expensive decision. People might make savings over the longer term, but has our mindset moved on to the decisions that we as individuals need to make to address our role in tackling the climate crisis? I am not sure that we all, as individuals, are ready for that just yet. As I mentioned, LBTT is an example of where a fiscal incentive could be used to make such decisions more financially attractive for a home purchaser and to help them to do the right thing.

Natalie Don: Following on from that, is energy efficiency being promoted to people when they purchase homes? Do people who buy or rent properties have adequate information to judge the efficiency of their new homes?

On that train of thought, are consumers adequately informed and protected? For example, my colleague Monica Lennon referred to homes being built right now that will have to be retrofitted. Are buyers aware that further work will be required in the future?

Fionna Kell: That is a bit of a chicken and egg situation. Consumers are informed of the energy efficiency of their new home purchase. I can talk only about new homes and not about existing housing stock. Someone who buys a new home that has just been built will have a full information pack about their property, including what is in it and what is required.

This year, a new consumer code and ombudsman will be introduced for the new-build housing sector. That will provide additional requirements for further information to be provided about the on-going upkeep and maintenance of every new home that is purchased. Again, that applies only to new build. Someone who buys a new-build home will be very informed as to what they are buying and the operational costs.

Someone who buys an existing property—not a new build—will have some information as a consumer, but maybe not as much as they might like. Obviously, the EPC information will be available, but that does not give them the whole story about the overall efficiency of their home.

Natalie Don: We have talked about incentivising and giving people more information, and you have said that people who buy brand-new homes will be fairly well informed, but what about those in current properties that will require work? We have chatted about the need for an information campaign to maybe show people

potential long-term savings or refer them to their house value, which might decrease over time if they have not had such work done. Is there anything else that should be included in an information campaign?

Fionna Kell: Anything that will educate customers sooner rather than later would be very welcome. As a society, we talk a lot about the changes that industry and business need to make but, ultimately, it will all come down to the changes that we as individuals need to make.

If I were setting out some kind of education and information strategy, I would be very focused on individuals and on what something will mean for someone as an individual. For example, we are beginning to get the concept that we will not be able to buy diesel cars in X number of years, but are we making sure that the customer is aware of that?

Think back to how full your inbox probably was when, in February this year, the new sprinkler systems were introduced. You will have had queries and concerns from constituents along the lines of, “Oh, I didn’t know this was coming—I don’t know how this is going to impact me and I don’t know what it’s going to cost me.” That will be nothing compared with what happens in a few years, when people find that they cannot get a new gas boiler for their house and that they will have to put in a whole new system. I do not think that the public is aware that those changes are coming down the line. We, as an industry, are aware of the changes, because it is our job to be aware of them and we are planning for them; I do not think that the public is aware of them.

Natalie Don: My apologies—I have focused on Fionna Kell. I do not know whether the others have anything to add. If not, I am happy to pass back to the convener.

Tom Norris: I just have a quick response. For our social rent tenants in particular, as a general rule, it is all about the running costs. Whether it is decarbonised gas or solar, right now, when we are out in communities, talking about net zero would be the wrong conversation for them. The focus is on how much it will cost.

If we can find a way to reduce the cost to tenants as a result of retrofitting, that will be an easy conversation, but it will not be if we have to say that the costs will go up even more. As a social landlord, that is the kind of thing that means you cannot sleep at night. For my customers, it will be all about running costs, because we take the capital cost in the investment.

Natalie Don: I appreciate that. Thank you. In moving towards any aspect of a more environmentally friendly life, there are always added cost implications, so it is important to keep

that conversation going with people who are in poverty.

The Convener: Next up is Jackie Dunbar.

Jackie Dunbar (Aberdeen Donside) (SNP): We hear a lot that, to get to net zero, the public and private sectors will have to work together. What will be the key challenges in making that partnership happen? I do not know whether that makes sense at all. Niall Robertson, I will come to you first, to cover the broader commercial property and housing side of things.

Niall Robertson: I will try to answer that question as best I can. Generally speaking, we act on the commercial side of things. In the light of what has been mentioned about planning, for example, it might be helpful to encourage engagement between the parties. Given the lack of net zero carbon buildings on the horizon, the sectors need to try to work in partnership more. Say a developer is interested in investing in a city or a building. On doing that redevelopment, they will pay a premium for that net zero carbon piece, which is over and above the building regulations. It would be helpful if the local authority could understand and appreciate the investment that the developer is offering and work in partnership to deliver those buildings. The local authority could give more time for pre-assessments, given where we are trying to get to.

Jackie Dunbar: Do you think that the distribution network operators are well prepared for what is coming?

Niall Robertson: That is not for me to answer, but it is one of the first questions that we ask when we are going to decarbonise a building. We have to look at the capacity of the network and get in touch with utility providers to have that conversation. We can see pressure coming down the line as we move towards fully electric buildings.

Jackie Dunbar: Tom Norris, do you have anything to add?

Tom Norris: Not on that point. Could you repeat your question?

Jackie Dunbar: My first question or my second one?

Tom Norris: The first one. I was getting mixed up.

Jackie Dunbar: I asked what the key challenges will be in ensuring that the public and private sectors work together.

Tom Norris: Our experience comes from doing it, and we will partner with whoever the best people are to get the job done. In Edinburgh, we work closely with City of Edinburgh Council in various guises. Those relationships are often

already there. Going back to my earlier point, it is about how we line up everything so that we are all facing in the same direction. Whether we are dealing with an affordable property that is part of Places for People Scotland or with a local authority property, we are aiming to have more affordable housing. That is the key. It does not matter who is doing it as long as they are the best people for the job. That will be a combination of the public, third and private sectors.

A lot of that partnership working is already happening project by project, although that might not be massively visible. A few days ago, City of Edinburgh Council announced a net zero development in Granton. It will be working on that with CCG (Scotland) Ltd. Things are happening and there is innovation, but we need more of that. We need to ensure that the policy backs that up so that we are all heading in the same direction.

Jackie Dunbar: Are you saying that you do not see any future sticking points?

Tom Norris: I see plenty. The biggest sticking point is pace. It is so important that we decarbonise as quickly as we can and that we keep that affordable. I have said a few times that the single biggest sticking point for my customers will be the cost of heating their homes affordably. I come back to that because that is what we really care about.

Jackie Dunbar: I am looking at Fionna Kell, who might like to come in.

Fionna Kell: In our response to a Scottish Government consultation last year—it was to do with section 6, on energy standards—we proposed that a joint working or steering group should be established to create a route map and that that group should include us, distribution network operators, the supply chain and Scottish Government representatives from the more homes and building standards divisions and those dealing with new-build standards. From our perspective, it seems as though, at the moment, people are working in their own areas on lots of bits and pieces but we are not seeing the route map that we need for delivery.

You asked about DNOs. It is our understanding that they are working on, investing in and moving towards a transition but that it is a huge beast to turn. I go back to my earlier point about building a house being the end part of a process when all the rest of the bits are in line. Are the DNOs fully ready? I cannot speak on their behalf, but we do not think that they are as ready as some of the legislative requirements and the intended policy timescales might like them to be. I am not saying that they are not moving in that direction, but I do not think that we are all moving at the same pace or that policy is moving at the same pace as the

supply chain or skills. A little more co-ordination would help to get us all to the end point much more effectively.

10:45

Jackie Dunbar: I will move on to local government. I think that local authorities are getting better at involving communities and asking them what they would like to see. How can the housing sector develop that approach and support them in reaching out to folk who will live in their houses in the future?

Fionna Kell: There is already quite substantial engagement in the planning process from an early stage, so there is definitely a role for home builders and local authorities in working together. However, we still have concerns over some issues. For example, for major housing applications in Scotland, it was taking an average of 59 weeks for a decision to be made, compared with the statutory period of 16 weeks. Major business applications were taking about 22 weeks. Even in the case of those who have in place a processing agreement, only 33 per cent had decisions made within an agreed timescale.

Therefore, getting applications through to build the houses that people need is already a lengthy and delayed process. That goes back to investment and the role of local authorities. We need to have the investment and resources to deliver homes—of whatever kind and wherever they are being built. Local authorities need the planning system to be working in support of that aim, but, at the minute, it is not—certainly not as effectively as it needs to be.

Jackie Dunbar: This might be more of a question for Tom Norris. How can local government bring local communities with it when new and significant house building is taking place?

Tom Norris: We are very connected to our customer base. We spend a lot of time listening to customers' concerns, talking to them in their communities and polling them on the various aspects of what we do. Given that we have 10,000 customers, when we work with local authorities, it is very easy for us to access those people to understand their needs.

As for how that flows out into what we do with new developments, I have already mentioned our newer signature developments at Longniddry, up at Chapelton and at Tornagrain. The essence of those developments is community, and we take a sensitive approach to what the houses look like. For example, if you went to Longniddry and then up to Chapelton you would see that those developments are completely different, because we want each of them to fit in with the essence of

the community that was previously there or in that area.

It is important to understand local need and what people want—particularly in more rural communities, such as where I am from in Perthshire. We need to talk to people and understand what they need. At Places for People Scotland, we can quite easily work with customers to understand what they want. At the moment, we know that the cost of living, which we discussed earlier, is a key issue for them. Other issues in their minds are the quality of homes and the speed of repair. Unsurprisingly, it is the basics that customers want: they just want to live their best lives, do their thing and not be bothered by their landlords. If we take that as a general rule, the bits that concern them are the basics, such as ensuring that they have all the things that they need. When we apply that approach to new developments, local authorities, registered social landlords and other partners can work together quite easily.

Interestingly, communities know about and are well aware of any new build that is happening, because there is huge appetite in our communities to get the newer houses, if that makes sense. They already have a real connection with what is going on.

Can more be done? Yes, I think so, but that is all about keeping an ear to the ground and having a connection with people, which is something that we, as an organisation, focus a lot of time and effort on.

Jackie Dunbar: Thank you. I am conscious of the time, convener, so I will pass back to you.

The Convener: Our final questions are from Mark Ruskell.

Mark Ruskell: I am aware that we are up against it, timewise, so I just want to ask the panel for their reflections on two issues. First, do you see a role for passivhaus or passivhaus-equivalent standards? What might be some of the opportunities or challenges in that area? Secondly, do you see any opportunities for reforming the EPC process? Perhaps Niall Robertson can start.

Niall Robertson: Again, this is not my area of expertise, but passivhaus standards are certainly an aspiration, subject to costs. I believe that passivhaus comes with a cost premium, but others would be better placed to advise on how realistic it would be to implement that on a wider scale. It is probably something that individuals aspire to, and I would encourage them to do so, if that is what they are looking to achieve from their development.

Energy performance certificates are certainly an area of debate. In my sector, where I work for

clients who operate across the UK, I have found that the minimum energy efficiency standards that have been introduced in England and Wales are fairly clear about improvements and the road map that will lead to the EPC B rating by 2030. From what I have observed, there has been an awful lot of consultation in Scotland. It would be helpful if we could get to the end of that process to ensure that we have clarity and are able to give sound advice to our clients.

Fionna Kell: It is my understanding that, by the time that we have moved to the standards that will be introduced in Scotland by 2024—effectively, there will be a ban on gas boilers and other building regulations are likely to come in around that time—the industry will be at, or almost at, passivhaus or equivalent standards.

Just to touch on the issue of cost again, I think that it is important to point out that, if we set aside any other inflationary costs, the additional investment that is required to move a typically built two-bedroom house to passivhaus standards is about 17 per cent of the capital cost. As Niall Robertson has said, that might be acceptable to individuals who want to achieve such standards, but it would be a challenge to deliver those standards in the overall volume of homes that we need in Scotland at pace, at scale and at that additional cost if someone were to say, “Right—this has to happen tomorrow.” As I have said, though, we are well on the way towards that and, by 2024-25, we will be at or very close to those standards.

As for the EPC issue, I have no particular comment to make on that.

Tom Norris: With regard to passivhaus standards, getting to a place where customers do not need to heat their homes or where they use as little energy as possible is, without doubt, an ambition, but the question is how we get there and whether that is affordable at scale at the moment. I am 100 per cent behind that as an ambition.

The EPC issue is a challenge. We have been looking at what we can do about decarbonisation for the next phase at Tornagrain. The Sunamp thermal batteries that we have installed elsewhere do not come into the standard assessment procedure calculator for EPC. That means that, for us, although it is often absolutely the right thing to do, it will not impact the EPC—in fact, it might impact it in a negative way.

That is one example of the need to have everything lined up. The EPC and net zero have to go together; they have to be one and the same. However, at the moment, there are examples of where they are not lined up. If we were to focus purely on EPC, we would move to air-source heat pumps rather than necessarily use the battery

installs as we do now. From a policy point of view, we definitely need that to support the end goals. Whether it is battery or heat pump, it is all decarbonised, and that should be reflected in the EPC.

Mark Ruskell: That is interesting. I have had personal experience of the EPC for my house not reflecting the use of batteries. Consequently, I had to go to Home Energy Scotland to get a fresh certificate that recognises that batteries exist and that they might be a good option.

I will end with one more question for Tom Norris around the second energy efficiency standard for social housing. This morning, the Government announced that it will bring forward the review of that standard to this year. What would you want to come out of that review?

Tom Norris: I will repeat what I have said: everything has to line up. We have to find a way for our customers to heat their homes affordably and to reduce the requirement for any heat source because we insulate it—we go fabric first, follow that up with an appropriate heat source and keep the focus on cost. If we are able to find a way to drive industry in one direction, we will get to where we need to be.

We will, of course, follow what is going on and engage with Government throughout any discussion. However, the fact is that we need the standard to be simple, and to ensure that customers and people are at the heart of the policy. If we do that, we will find that we get to the right answer.

The Convener: I have one final, brief question for Fionna Kell. You mentioned a couple of times the need for a joined-up route map between local government and national Government. The written submission from Homes for Scotland mentioned that a national delivery agency could do that. However, I was not sure whether that was a reference to the Scottish Government’s national energy agency, which is—as you know—a virtual agency that will not be fully operational until 2025. Was it a reference to that agency or to the need for something more?

Fionna Kell: We are talking about the delivery of all homes in Scotland. Regardless of tenure, location or net zero position, our view is that, currently, there is insufficient joined-upness in the entire system that would help to focus on delivering more homes. We need to have something similar to what is happening in Homes England, for example, which is much more joined up in relation to different bits of Government funding streams and the release of large-scale public assets for housing developments and so on. A lot of that happens in a much more co-ordinated manner. We are therefore suggesting that we

need to have something that helps to align all the different parts of the system.

Going back to one of my previous points, we should be building around 25,000 new homes of all tenures in Scotland each year. We estimate that we have a backlog of around 100,000, given what we have built since 2006-07. We need something that jointly helps us all to work in the same direction to deliver those homes.

The Convener: That would certainly help the committee as well.

Tom, I saw that you were nodding. Do you want to come in?

Tom Norris: I am in complete agreement. In relation to our experience of how we are currently structured and set up, that overarching mind, if you like, would be very welcome.

The Convener: Great.

That brings us to the end of our allocated time. Thank you all for joining us. It has been a fantastic session and we have covered a wide range of important points. Thank you for taking the time out to be in front of the committee this morning. Enjoy the rest of your day.

10:59

Meeting continued in private until 12:38.

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