Briefing 18-08 February 2018

# Scottish Energy Strategy

**To:** All Chief Executives, Main Contacts and APSE Contacts in Scotland

**Key Points**

- Goal by 2030 of 50% energy use from renewable sources, currently 17.8%
- Goal of a 30% increase in Energy Productivity by 2030.
- The Scottish Government have six priorities, with short to medium term actions outlined to achieve each of them.
- A number of statistics are given that show the state of the current Scottish Energy Market, and these are collated in this briefing.

## Introduction

The Scottish Government has launched its Energy Strategy, outlining the current state of the Scottish Energy Market and looking ahead at long term goals for 2050, along with interim targets along the way. There are also discussions on the likely challenges to be faced in meeting those targets.

The strategy is divided into 5 sections, starting with a broad overview before getting more specific about particular planned actions and how progress will be measured. This briefing will summarise the Scottish Government's strategy, and in particular highlight any areas that will impact local authorities. The strategy can be found here.

## Goals and Actions

The Scottish Government state that there are three core principals guiding their strategy: A Whole System View, An Inclusive Energy Transition, and a Smarter Local Energy Model.
From this, the following two goals have been put in place, to be **met by 2030:**

1. The equivalent of 50% of the energy for Scotland's heat, transport and electricity consumption to be supplied from renewable sources;
2. An increase of 30% in the productivity of energy use across the Scottish Economy.

In addition to this, six priorities are established, and referred to throughout the strategy document. Below is a summary of each priority, and the planned actions associated with each area that are expected in the shorter term.

*Consumer Engagement and Protection - "We will work hard to protect consumers from excessive or avoidable costs, and promote the benefits of smarter domestic energy applications and systems."*

The Scottish Government intends to have a publicly-owned energy company up and running by 2021, and further engagement around this is expected towards the end of 2018. Supporting this, an energy consumer action plan will be developed, and a summit of energy suppliers and consumer groups will be held. A Consumer and Competition Task Force will also be established.

A number of powers relating to consumer advice and advocacy have been recently devolved, and there will be a consultation on how best to use these powers. This will become a part of Scotland's Energy Efficiency Programme (SEEP) as it is further developed. On top of this, there will be a Smart Meter Advice project to educate users on how to use the data these devices provide. There will be a pilot project examining how to engage consumers on the benefits of switching energy providers to achieve the best tariff. Financial Health Checks will also be made available to tackle poverty and also assist with tariff switching.

*Energy efficiency - "We will continue to take direct and supporting actions to improve the use and management of energy in Scotland's homes, buildings, industrial processes and manufacturing."*

The SEEP Routemap will be published in May 2018, and the SEEP transition programme will be introduced at the same time. Other programmes run by the Scottish Government (Home Energy Scotland, District Heating Loans etc.) to continue alongside SEEP. Pilot schemes will continue to be monitored.

At an Industrial level, the Scottish Government will continue to support industries through SEPA, the Scottish Manufacturing Advisory Service and through enterprising agencies. There will also be a new forum set up for Scottish energy intensive industries, to pool and share leadership and expertise. This will be supported by a 2018 discussion paper looking at new ways to attract investment in industrial energy efficiency and decarbonisation.

*System security and flexibility - "Scotland should have the capacity, the connections, the flexibility and resilience necessary to maintain secure and reliable supplies of energy to all of our homes and businesses as our energy transition takes place."*

In addition to continued partnership with the National Grid and other partners, the Scottish Government will develop a Vision Statement for Scottish Electricity and Scottish Gas, ahead of the regulatory price control reviews. They will also continue their engagement with SGN on their 100% Hydrogen project.

*Innovative local energy systems - "We will empower our communities by supporting the development of innovative and integrated local energy systems and networks."*

The Scottish Government will publish a Local Energy Systems position paper in the coming months, as well as continue support for a variety of projects through schemes such as the Low Carbon Infrastructure Transition Programme. The learning from these projects will be shared to allow projects to be developed and replicated, with particular focus on projects providing low carbon alternatives.

Local Authorities will develop LHEES alongside the Scottish Government, and local communities will play an active role in planning low carbon systems. There will also be continued support for local energy systems developed within communities. The Scottish Government is keen to increase the number of shared ownership projects, as community benefit payments can provide significant income to communities. The Government will prepare a review of Good Practice Principles for Shared Ownership of onshore Renewable Energy Developments in 2018.

*Renewable and low carbon solutions - "We will continue to champion and explore the potential of Scotland's huge renewable energy resource, and its ability to meet our local and national heat, transport and electricity needs – helping to achieve our ambitious emissions reduction targets."*

Research will be conducted into a number of technologies. A Bioenergy action plan will be developed following research into its potential contribution to Scottish energy demand. Marine energy projects, such as tidal and wave energy, will be championed in Scotland with research ongoing. There will also be work to agree on five priorities within the industry following changes in UK government policy and potential changes as a result of leaving the EU.

Low carbon heat solutions will also be supported, with a number of existing schemes being continued. New funding programmes will be developed under SEEP. District Heating regulation is currently under consultation, and the Scottish Government will engage with the UK government over future heat decarbonisation pathways and projects.

Electric vehicles are an important focus for the Scottish Government, as it has a target of having no petrol or diesel cars and vans sold after 2032. They intent to introduce large pilot schemes to encourage motorists to use ultra-low emission vehicles and remove any barriers to their use.

*Oil and gas industry strengths - "We will support investment, innovation and diversification across our oil and gas sector, working with industry to advance key priorities such as maximising the recovery of remaining resources, subsea engineering, decommissioning and carbon capture and storage "*

The Scottish Government plans to establish new forums to work with industry and academia on carbon capture and utilisation (CCU), carbon capture and storage (CCS) and hydrogen progress. Support will be made available for innovative hydrogen and carbon capture utilisation and storage opportunities. The ACORN CCS project will also continue to receive support.

The Scottish Government will continue to be a member of the Global CCS Institute, and will also work with the UK Government and the Oil and Gas Authority to progress Scottish interests, such as protecting infrastructure. There are also plans to develop a roadmap towards a Carbon Dioxide Utilisation Strategy for Scotland.

Work will continue in the North Sea to enhance the capacity and competitiveness of the supply chain. The Oil and Research Technology Centre would continue to receive support as well, with additional support coming from Skills Development Scotland and their Transition Training Fund. Finally, the Scottish Government would enhance decommissioning capacity with their decommissioning challenge fund and supporting a Scottish deep-water port.

**State of the Market Statistics**

The plan contains a number of statistics on the current state of the Scottish Energy market, which are collated below.

- 54% of Scotland's electricity needs were estimated to be met by renewable energy in 2016.
- Final energy consumption has fallen by 15.4% since mid-2000s. Surpassed goal of 12% by 2020.
- 17.8% of heat, transport and electricity consumption was supplied by renewable sources in 2015. Goal of 30% by 2020.
- Energy Productivity increased ~31% from 2005 to 2015.
- Renewables generated 42% of electricity production in 2015.
- Scottish renewable energy displaced estimated 9.4 m tonnes of $CO_2$ across the GB system in 2016.

- 90% of UK hydro Power is generated in Scotland.
- Heating accounted for 51% of total Scottish energy demand, transport 25% and electricity 24%.
- Domestic energy consumers are paying over 50% more for average dual fuel energy than in 1998.
- Emissions from homes built with current standards are 75% lower those built with1990 standards.
- Oil and Gas accounted for ~90% of total primary energy in 2015.
- Scotland and Scottish adjacent waters accounted for 63% of total UK gas production in 2016-17.
- It is estimated that Scotland produced renewable heat equivalent to between 4.8% and 5% of non-electric heat demand.
- There were 3575 Electric Vehicles in Scotland as of June 2016 and EV sales in 2015 were more than the previous 4 years combined. There are over 600 public EV charging points, giving 1200 charging bays and 150 rapid charging points. The A9 will be Scotland's first 'Electric Highway'.
- Scotland estimated to be largest oil and second largest gas producer in EU. The sector contains over 2000 companies, supporting 115,000 employees and is worth £17.5 bn to the Scottish economy in 2016/17.
- The renewables and low carbon technologies sector supported an estimated 58,500 jobs in 2015 with a turnover of £10.5 bn, accounting for 13.5% of total UK turnover and £910 m invested in renewable generation assets. Exports were worth £224.5 million in 2015.

**APSE Comment**

APSE welcomes the Scottish Energy strategy both as a document to guide future energy activity and as a prompt to highlight the current and upcoming opportunities.

APSE Energy has carried out numerous surveys of officers with responsibilities for energy and related matters and the lack of a clear and consistent policy context within which they are looking to move forward their councils' plans for energy work. Changes in existing policy and priorities at government level, especially those relevant to financial subsidies for individual technologies, can impact significantly on specific projects which take a long time to put in place and on other local authority programmes.

This strategy refers to local authorities only a handful of times and as a high-level document one might expect it to avoid detail. However, this should not deceive local authority councillors and officers into thinking that they do not have a role to play in the energy agenda across Scotland. Those who are already heavily involved will know that this role exists and that they will be involved in the many projects underway. However, it is often those who are at the perceived margins who need to be informed about their potential role.

For example, this strategy paints a scenario where 100% of Scottish cars and light goods vehicles are powered by electricity. Of course, this will not happen overnight and the infrastructure required will build up over time. Many involved in fleet management and procurement understand that electric vehicles are now more reliable and playing a bigger part but do other understand the scale of this change. Are those working on local development plans looking to include requirements for charging infrastructure as well as minimum insulation standards, alternative heat sources or at least designing homes so they can be adapted more easily to fit them in future or space for battery storage?

The same is true of assets as many local authorities look at the future of their land and buildings and what should be done with them. One option is to sell them but this may be short sighted when considered in the wider context. For example, a piece of land may have a close connection to the national grid – an advantage which can have a potential value both in future development and financial terms. They may also be in close proximity to heavy energy users, a prime position for energy generation.

The point is that local authorities need to have adequate energy related information about their assets in the same way as they have financial information and to think about how will use them in future with a new energy future in mind. This strategy is helpful in that it outlines the kind of changes we will see as the energy landscape develops.

The role of local authorities in the energy agenda can be significant but officers and members need to think about their plans in a different way than in the past.

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