

**Correspondence from Director-General Enterprise, Environment & Digital to
the Public Audit Committee, 16 May 2014**

Audit Scotland Report – Renewable Energy

16th May 2014

Dear Convener

Renewable Energy

Further to my letter of 30 January on the subject of the Auditor General's report on renewable energy, I would like to provide the Committee with further details of the Scottish Government's approach to the renewable heat sector, as well as an update on the revised Energy Skills Investment Plan.

I am pleased to report that the Draft Heat Generation Policy Statement was published for consultation on 4 March. It sets out the Scottish Government's ambitions on how low carbon heat can reach more householders, business and communities, and provides a clear framework for investment in the future of heat in Scotland. The Draft Statement's policy aims, to largely decarbonise the heat system by 2050, were widely welcomed when debated in Parliament on 6 March.

Further information on the Draft Statement, which seeks to address the points raised by the Auditor General on renewable heat, is attached as an annex. The annex also confirms the action being taken to implement the report's recommendation on the target for overall energy demand.

The refreshed Energy Skills Investment Plan (SIP) was due to be published by the end of financial year 2013-14. However, in order to allow Skills Development Scotland sufficient time to gather information to ensure that the plan accurately reflects the skills needs priorities for the sector, publication has been delayed until the summer, at a date to be agreed with industry.

With your agreement, I therefore propose to write again to the Committee with a further update once the refreshed Energy SIP has been published. In the meantime, I hope this response is helpful.

GRAEME DICKSON

Director-General Enterprise, Environment & Digital

Response to Audit Scotland's *Renewable Energy* recommendations

2. The Scottish Government should clarify the role of renewable heat within its wider vision for Scotland's future energy mix.

The Scottish Government published "Towards Decarbonising Heat: Maximising the Opportunities for Scotland: Draft Heat Generation Policy Statement" for consultation, on 4 March 2014. The consultation document is available at the following link - <http://www.scotland.gov.uk/Resource/0044/00445639.pdf> .

The Draft Statement discusses how Scotland can reduce the emissions from heat use; diversify heat sources in order to largely decarbonise the heat sector by 2050; increase security of our heat supply through greater local control, whilst reducing the pressure on household energy bills. Importantly it looks at how to seize the economic opportunity presented by this change by stimulating potential investment to deliver de-carbonised heat through growing and emerging sectors such as district heating and geothermal; and support industries and business sectors through identifying opportunities for heat efficiency, heat recovery, and renewable sources.

In doing so it sets out proposed targets for district heating as follows:

- A proposed overarching target of 1.5 TWh of heat to be delivered to households, business and industry and the public sector by 2020.
- And a proposed 40,000 homes to be supplied with affordable low carbon heat through district or communal heating by 2020 (Up from 10,000 at present).
- Additional funding of £4 million over the next 2 years bringing the total for our District Heating Loan Fund to over £8 million over 2014/5 and 2015/6.

It also commits to support the development of a call for geothermal heat or heat and power demonstration projects, following the recommendation in a recently published report which identified significant geothermal potential in Scotland.

The Draft Statement also gives an undertaking to make the Scotland Heat Map data sets available to all Scottish local authorities in April 2014 in order to assist them to identify opportunities for heat projects and support local energy planning.

3. The Scottish Government should use its revised methodology for measuring progress towards the renewable heat target to set a realistic interim milestone for 2017.

On 21 February 2014, the Scottish Government published an article called 'Heat in Scotland' as part of the Energy in Scotland 2014 compendium of statistics. This article explains in detail the revised methodology for the renewable heat target, and how it differs from the previous methodology. The compendium - which provides a

statistical overview of current and historic energy production, transformation, and consumption in Scotland - is available at the following link: <http://www.scotland.gov.uk/Resource/0044/00444530.pdf>

Consideration was given to the recommendation from Audit Scotland to set an interim renewable heat target for 2017. However, the variability of when renewable heat projects come online is likely to create significant step changes in renewable heat output, making it difficult to set an informative interim renewable heat milestone. The Scottish Government is working with the Energy Saving Trust and other key stakeholders to continually improve our understanding of the opportunities to deliver renewable heat projects in Scotland.

The Scottish Government has put in place a number of supporting measures, including significant finance resource through Renewable Energy Investment Fund and Warm Homes Fund, to maximise investment and uptake in renewable heat technologies in Scotland. In addition the domestic Renewable Heat Incentive was introduced on 9 April 2014, and is complemented through the Scottish Government's continued support of the Home Energy Renewables Loan Scheme into 2014-15, which provides interest free loans of up to 75% of the cost of installing renewable technologies.

4. The Scottish Government should agree a methodology to monitor its target for overall energy demand and start reporting progress against it by the end of 2014.

Scottish Government analysts are currently working on the overall energy target methodology, consulting with key partners and exploring the options for presenting this target. The new measurement will be published as part of the next compendium of Scottish energy statistics, due to be published early in 2015. Further details are provided in the 'Improving Scottish Energy Data' article within this year's compendium of statistics.