



The Scottish Parliament  
Pàrlamaid na h-Alba

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Dear Conveners,

**Decarbonising heat in homes**

At its [meeting on 29 February 2024](#), the Public Audit Committee (the Committee) heard evidence from the Auditor General for Scotland (AGS) on his [report on Decarbonising heat in homes](#). The Committee heard further evidence on the report from the Scottish Government [at its meeting on 28 March 2024](#).

The AGS's report considers the actions that relate to housing in the Scottish Government's "Heat in Buildings Strategy: Achieving Net Zero Emissions in Scotland's Buildings" It also looks at the scale of the challenge that the Scottish Government faces in reducing emissions from heating homes, what steps it has taken so far and what is still to be done.

At its meeting on 28 March, the Committee agreed to write to the Local Government, Housing and Planning (LGHP) Committee and the Net Zero, Energy and Transport (NZET) Committee to highlight key issues arising from its scrutiny that may be of relevance to your future work, and in doing so, close its scrutiny of the report.

## **Governance arrangements**

The AGS's report states that Scotland's 2.5 million occupied homes contribute 15 per cent of the country's overall greenhouse gas emissions. The report further states that decarbonising heat in homes by switching from fossil fuel powered heating systems to renewable heating systems will make a significant contribution to meeting Scotland's statutory emissions reductions targets. Key message 1 of the AGS's report is clear that the scale of the challenge of reducing emissions from heating homes is 'huge' and that unless the scale and pace of activity significantly increases, the Scottish Government's ambition will not be met.

The AGS's report recommends that the Scottish Government finalises its governance arrangements, intended to provide oversight and co-ordination of activity across the Heat in Buildings Strategy (HIBS) programme, as soon as possible, and keep these under review to ensure they remain fit for purpose. The report also recommends that the Scottish Government produces a delivery plan for its HIBS programme by the end of 2024.

During evidence, the AGS stated that he agreed with the Committee's assessment that "there is a degree of urgency, given the scale of the change that is required". The Scottish Government confirmed during evidence that its governance arrangements would be finalised "in the next month or so", and that it was on track to publish its delivery plan by the end of 2024.

**The Committee suggests that the LGHP Committee and the NZET Committee may wish to consider monitoring the Scottish Government's progress in finalising its governance arrangements and publishing its delivery plan for its Heat in Buildings Strategy programme by the end of 2024, as part of their future scrutiny.**

## **Value for money**

Key message 4 of the AGS's report states that the Scottish Government currently estimates that it could cost the public sector, businesses and households £33 billion in total to deliver its full heat in homes strategy. The report also states that the Scottish Government has committed £1.8 billion of public money, over the current parliamentary term, to deliver its HIBS. Key message 4 goes on to state—

"Given the competing spending priorities faced by the Scottish Government, it must carefully consider how much public money to invest in this area and how to maximise its impact and ensure value for money."

The AGS's report recommends that the Scottish Government clarifies how it will use public money in the short and long term to support the delivery of its HIBS objectives, while achieving value for money. Paragraph 65 of the report states that the cost of delivering the HIBS programme will be substantial and that the Scottish Government must "consider whether its plans represent value for money, both for

the public funds it allocates and the households who need to invest in their properties, and will create the right conditions for private investment”.

During evidence the AGS stated that while Audit Scotland will make a value for money assessment in due course, public officials and parliamentarians will also want to do so “with regard to whether £1.8 billion is enough and whether the programme is delivering effectively”. Audit Scotland officials also expressed the view that the biggest test for value for money will be when households have decided that it is worthwhile to switch from gas boilers to alternative options.

Audit Scotland officials also stated that a key question in respect of achieving value for money was whether £1 spent on reducing emissions from homes could have achieved more emissions reductions had the Scottish Government chosen to spend it elsewhere.

**The Committee suggests that the LGHP Committee and the NZET Committee may wish to consider the extent to which the Heat in Buildings Strategy is delivering value for money in scrutinising the proposed Heat in Buildings Bill and the next Climate Change plan.**

### **Just transition and fuel poverty**

Exhibit 3 of the AGS’s report shows that the estimated number of Scottish households living in fuel poverty in 2023 was 35 per cent, an increase of 11 per cent from 2019. During evidence, the AGS stated that the Scottish Government’s ambition of no more than five per cent of people in Scotland will be fuel poor and no more than one per cent will be in extreme fuel poverty by 2024, will be a “hugely significant challenge, given where we currently are”.

The report states that the Scottish Government has “outlined several measures in its HIBS aimed at delivering a just transition, but it is too early to say if they will be enough to meet this objective”.

Exhibit 9 of the AGS’s report states that of the £1.8 billion the Scottish Government has committed to its HIBS programme over the current parliamentary term, £465 million is allocated to support schemes to reduce fuel poverty and those who are unable to pay. During evidence, the Committee noted that there is a limited amount of public funding available. In response, the AGS stated that the Scottish Government has set aside funding but that it was difficult to forecast the extent to which it will be eaten up by demand. An Audit Scotland official added that “we have not seen any assessments done by the Scottish Government, but I think it is fair to say that more resources will be required around protecting households”.

The AGS went on to say that—

“Those factors—decarbonisation and fuel poverty—will clearly have to be weighed up. They might or might not be competing demands, but both are

very challenging. To deliver on the statutory target of no more than 5 per cent of people experiencing fuel poverty, and to deliver on the 2045 net zero targets to decarbonise Scotland's heating systems, will require clear plans to navigate all the complexities that we touch on in the report. The targets are undoubtedly stretching”.

When asked about the importance of ensuring homes were better insulated, warmer and cheaper to run, irrespective of reducing emissions targets and net zero ambitions, the Director-General Net Zero stated—

“I think that, since 2015, about £249 million has been invested in around 35,000 households, with an average cost of about £7,000 to convert those properties into low energy-loss, high-efficiency homes, and I guess that that support will be on-going. This is a matter for ministers, but I see the focus of the support going forward being on those who most need it in the transition”.

**The Committee draws the LGHP Committee's attention to the risks identified by the Auditor General for Scotland that the move to low carbon heating may pose to people who are experiencing or are at risk of experiencing fuel poverty. The Committee asks that, as part of its scrutiny of the proposed Heat in Homes Bill, the LGHP Committee seeks assurances that the proposed legislation will address affordability, fairness, equality and feasibility.**

### **Public participation**

The AGS's report states that the Scottish Government has set targets for a 60 per cent reduction in emissions from buildings. It has also set a target for 22 per cent of heat in buildings to be directly supplied from renewable sources by 2030. For housing, the Scottish Government estimates that meeting these targets would require decarbonising heating in at least 1.17 million additional homes by 2030. The HBS states that to meet these targets—

“clean heating system installations between 2021 and 2026 would need to reach a total of 124,000 and annual installation rates would have to peak at over 200,000 in the late 2020s”.

The AGS's report highlights that “current installation rates are significantly below these rates” and that there were only just over 5000 certified installations in total in 2022.

During evidence, the AGS stated that one of the key challenges facing the pace of the transition to low carbon heating is that it will—

“...require the public to engage with, and have confidence in, transitioning from a fossil fuel-based system to a low-carbon one. People will make environmental decisions, but fundamentally they will make economic

decisions for them and their families. That might be at the expense of fuel poverty or other aspects of how they lead their lives.”

During evidence, an Audit Scotland official stated that, from the evidence gathered to inform the report’s findings and conclusions, it was clear that the Scottish Government accepts that public engagement is an important part of its approach. They added—

“I would say that cost will be a major factor, and there is a role for the Scottish Government to provide clarity on how much the systems will cost and what the best system will be for particular houses. There is a lot of work that the Scottish Government can do to provide people with a bit more assurance and confidence, but there are also factors outwith the Scottish Government’s control, such as the cost of electricity, that will undoubtedly play a part”.

Key message 3 of the AGS’s report states that reducing emissions from heating homes is a complex process involving a range of stakeholders and partners. The report goes on to say that success is contingent on many factors, including raising public awareness and providing appropriate advice and financial support to homeowners. The report states that the Scottish Government published a public engagement strategy for its HIBS programme in December 2023, to guide engagement work over the remainder of the Parliamentary term.

**The Committee notes that the Scottish Government’s public engagement work focussed on the move to low carbon heating is at an early stage. Given the importance of public awareness of the changes that households will be required to make, the Committee suggests that the LGHP Committee and the NZET Committee may wish to consider the effectiveness of the Scottish Government’s public engagement strategy as part of their scrutiny of the proposed Heat in Buildings Bill and the next Climate Change plan.**

### **Private investment**

Securing private investment is also crucial to the Scottish Government’s success in meeting its decarbonising heat in homes ambitions. During evidence, an Audit Scotland official stated that—

“The Scottish Government’s role is to try to create conditions whereby the market can grow, and private investors will then have more confidence to invest in funding schemes. That is the real catalyst that will, one would hope, drive large-scale change and start us moving towards achieving the Scottish Government’s aims and objectives.”

During evidence, the Scottish Government’s Director-General Net Zero, confirmed that its Green Heat Finance Taskforce had been set up to explore ways to encourage private sector investment as well as to work with local authorities to develop local heat and energy efficiency strategies. The AGS’s report states that the

[Green Heat Finance Taskforce's Report: Part 1](#), published in November 2023 concluded that—

“The Scottish Government, in partnership with others, needs to instil confidence in the market for green finance products.”

The AGS's report recommends that the Scottish Government responds to recommendations made by the Green Heat Finance Taskforce in its Report: Part 2, which is due in Autumn 2024, and that it works with the private sector to help create the conditions to roll out funding and finance mechanisms to help homeowners comply with new regulations on heating their homes.

**The Committee asks that, as part of its scrutiny of the proposed Heat in Homes Bill, the LGHP Committee considers the progress made by the Scottish Government to secure private investment.**

### **Skilled workforce gap**

The AGS's report states that developing a supply chain and a skilled workforce for decarbonising heat in homes will be challenging. The report further states that Scotland only has around 200 accredited air source heat pump installers compared to 8,700 gas installers. During evidence, the AGS stated that—

“Therefore, there will have to be effective engagement by Government, the enterprise and skills agencies, further education colleges and universities so that heat pump know-how becomes an integral skill”.

An Audit Scotland official added—

“As the Auditor General said, there are only 200 certified installers. That suggests that whatever investments are being made in skills development in that area, they will need to scale up, and to do so very quickly, potentially”.

During evidence, the Director-General Net Zero confirmed that—

“We have a number of schemes in place that support young apprentices—for instance, we have a scheme for bolt-on qualifications to apprenticeships in heat in buildings installations at no cost. We have a mobile unit for heat installations, which is about to go up to Shetland at the end of the month to support people there on heat in buildings installations. We also have a scheme that supports installers to become MCS accredited”.

The AGS's report states that there are “many barriers preventing the sector from retraining and upskilling at the pace and scale necessary”. These include—

- Smaller companies reporting the funding schemes for upskilling are complex and challenging to apply for

- Older workers being reluctant to learn new skills and, in some cases, opting to leave sector
- Some companies being reluctant to invest in or enter the market because of a lack of confidence or certainty.

**Given the forecasted gap in the skilled workforce required to decarbonise homes, the Committee suggests that the LGHP Committee may wish to consider the progress being made by the Scottish Government to close the skills gap when it scrutinises the proposed Heat in Homes Bill.**

Yours sincerely

**Richard Leonard MSP, Convener**