

Consultation Title: Scottish Energy Strategy: The future of energy in Scotland

Date: 30 May 2017

To: Citizen Space

**From: Scottish Land & Estates
Stuart House
Eskmills
Musselburgh
EH21 7PB**

Telephone: 0131 653 5400

E Mail: gavin.mowat@scottishlandandestates.co.uk

Scottish Land & Estates is a member organisation that uniquely represents the interests of both land managers and land-based businesses in rural Scotland. Scottish Land & Estates has members with interests in a great variety of land uses and welcomes the opportunity to respond to this consultation.

Over the past decade, government incentives and improvements in technology have encouraged landowners and developers to install renewable energy schemes across Scotland. Entrepreneurial farmers and rural businesses (many of whom are members of Scottish Land & Estates) have been instrumental in driving delivery of renewable targets on the back of these measures.

Now that the landscape of incentives is changing, we welcome the opportunity to contribute to the Scottish Energy Strategy so that we can help shape Scotland's energy future and ensure that landowners continue to have opportunities to contribute to delivery.

Q1. What are your views on the priorities presented in Chapter 3 for energy supply over the coming decades? In answering, please consider whether the priorities are the right ones for delivering our vision.

Scottish Land & Estates broadly agrees with the pragmatic approach of the priorities set out for energy supply. Concerns over funding of large commercial scale carbon capture storage (CCS) facility remain after the possibility of £1 billion funding was pulled by UK government. To offset the risk of commercial scale CCS not going ahead, consideration should be given to other technologies.

From our point of view Scotland's energy mix should be diverse both in terms of scale and type. Many landowners already play an important role in producing energy through onshore wind turbines, hydro-electric schemes, biomass boilers etc. Given financial challenges such as removal of Feed-in-Tariffs (FIT) and degression of the Renewable Heat Incentive (RHI) it

is important that the government provides favourable regulation that makes this type of development viable.

Q2. What are your views on the actions for Scottish Government set out in Chapter 3 regarding energy supply? In answering, please consider whether the actions are both necessary and sufficient for delivering our vision.

We broadly agree with the actions set out in this section. If CCS is to remain a significant priority then “maintaining pressure on the UK government to align its CCS strategy with Scottish energy priorities” will be crucial. Scottish Land & Estates believes close consultation with the UK government over the future of RHI as described in the ‘Actions’ section will also be very important in stimulating the decarbonisation of heat.

We have concerns about the action to “put in place measures which ensure that at least half of newly consented renewable energy projects will have an element of shared ownership by 2020”. It is our belief that a lack of interest on the part of the community should not disadvantage any private development proposal, instead there should be an appropriate level of flexibility afforded in such cases.

Scottish Land & Estates is concerned about the impact valuation anomalies in non-domestic rates is having on small-scale renewable schemes such as hydro. Once the Barclay Review is complete, we strongly urge the government to consider a non-domestic rates relief for small-scale renewable projects. At the very least there should be an amendment to the Plant and Machinery Order to ensure valuation anomalies are corrected and fair valuations can be applied. We do not want to see a situation where the viability of current schemes is adversely affected nor do we wish to discourage the creation of new ones.

Q3. What are your views on the proposed target to supply the equivalent of 50% of all Scotland’s energy consumption from renewable sources by 2030? In answering, please consider the ambition and feasibility of such a target.

Scottish Land & Estates welcomes the very ambitious target while noting that it could be very difficult to achieve as there are significant hurdles to overcome. We are concerned with the following;

- A lack of funding for commercial CCS could affect Scotland’s ability to realise its hydrogen potential;
- RHI or equivalent must continue beyond 2021 to incentivise the decarbonisation of heat;
- Without FITs there is urgent need for regulatory reform, improved business models and technology advances to make small-scale onshore wind viable;
- The availability of a network connection is a significant barrier to some island and rural communities that wish to use renewables;
- The gas grid supplies almost 80% of homes in Scotland and represents a huge hurdle to overcome in achieving this target; and
- As we have already mentioned, non-domestic rates can act as a barrier to the development of small-scale hydro schemes.

All of these challenges need to be overcome if momentum is to be maintained and we are to have any chance of meeting the 50% target.

Q4. What are your views on the development of an appropriate target to encourage the full range of low and zero carbon energy technologies?

We are not opposed to targets but we believe the focus should be to create the right conditions for the use of low and zero carbon technology for the right circumstances. For example, ensuring non-domestic rates do not discourage private hydro scheme development, and finding the right mix of incentive and regulatory reform that ensures CHP biomass boilers remain an attractive prospect.

Q5. What ideas do you have about how we can achieve commercial development of onshore wind in Scotland without subsidy?

We consider this to be a very challenging proposition. In our response to the Onshore Wind Policy Statement we highlighted a need for installing the right turbine for the right site to take advantage of the wind conditions as well as the right approach to management having an impact on electrical output. Setting targets and measuring performance can highlight key areas of improvement, however, the business performance is also key to reducing costs. Opportunities for maximising economies of scale through extensions to existing projects and opportunities for smaller projects to establish links with a neighbouring high-energy user capable of utilising energy could be incentive for private investment. (see our response to the Onshore Wind Energy Statement [here](#)).

Q6. What are your views on the potential future of Scotland's decommissioned thermal generation sites?

Future uses of decommissioned thermal sites must meet the tests of keeping the system within carbon budgets while providing energy security at the lowest possible cost.

Q7. What ideas do you have about how we can develop the role of hydrogen in Scotland's energy mix?

Scottish Land & Estates recognises that the development of hydrogen and CCS need to be explored in synergy. Given the BEIS projections show no CCS in the UK's energy mix until 2032, the Scottish Government needs to demonstrate how it intends to develop the role of hydrogen in Scotland's energy mix before then.

Small-scale CCS storage is an option that should be explored and we therefore welcome the Strategy's focus on assessing opportunities for CCS demonstration and utilisation projects in Scotland; in particular projects combining CCS and bioenergy.

Q8. What are your views on the priorities presented in Chapter 4 for transforming energy use over the coming decades? In answering, please consider whether the actions are both necessary and sufficient for delivering our vision.

We broadly support the overarching priorities presented in Chapter 4 for transforming energy use. There are areas of concern noted within the SEEP consultation (response [here](#)) and which will be highlighted in the energy efficiency and condition standards in private rented housing consultation due to be submitted by the end of June. For example, basing standards on flawed EPC methodology and the potential detrimental impact on traditional buildings are key concerns. Scottish Land & Estates is concerned that where the Strategy highlights a need to make buildings carbon neutral it only references "technically

feasible” and “practical” (point 154 in consultation paper)– there is no mention of financial viability.

We welcome priorities for smart technology to help manage bills and energy consumption however, many rural properties will not benefit from smart meters due to lack of connectivity. Scottish Land & Estates fully supports the drive to reduce fuel poverty but this must be tackled from a holistic point of view, not just a house condition standards point of view. Occupant behaviour such as switching energy providers and learning how to effectively use heating controls plays a significant role in reducing energy costs.

Q9. What are your views on the actions for Scottish Government set out in Chapter 4 regarding transforming energy use? In answering, please consider whether the actions are both necessary and sufficient for delivering our vision.

Scottish Land & Estates generally agrees with the actions regarding transforming energy use. However, “Review the Assessment of Energy Performance of Non-Domestic Buildings (Scotland) Regulations 2016, with the intention of further regulations from 2020...” must be appropriate and should not affect viability of rural businesses. The private rented sector should also have access to funding and support streams to retrofit property in line with public and commercial sectors (as per Action no.5).

The recommendations of the rural fuel poverty taskforce and the strategic fuel poverty working group should be fully incorporated into the broader Actions listed. Scottish Land & Estates would like to see off-gas grid households as well as low income households included in the Action: “work collaboratively with energy suppliers to explore ways of helping low income households with their energy bills”.

Q10. What ideas do you have about what energy efficiency target we should set for Scotland, and how should it be measured? In answering, please consider the EU ambition to implement an energy efficiency target of 30% by 2030 across the EU.

Scottish Land & Estates supports the setting of an achievable energy efficiency target but consideration must be given to the costs, challenges and risks involved with upgrading traditional rural housing stock, connecting rural households to smart technology, and other considerations we have outlined in the accompanying consultation responses.

Q11. What are your views on the priorities presented in Chapter 5 for developing smart, local energy systems over the coming decades? In answering, please consider whether the priorities are the right ones for delivering our vision.

We agree with both the priorities set out in the Strategy. Additionally, Scottish Land & Estates would like to see a flexible approach to policy regulation as a priority for the Scottish Government. Scottish Land & Estates believes we are currently faced with a regulatory landscape which often slows the transition to a decentralised and flexible energy system. We have set out some examples for action below.

Q12. What are your views on the actions for Scottish Government set out in Chapter 5 regarding smart, local energy systems? In answering, please consider whether the actions are both necessary and sufficient for delivering our vision.

In addition to the Actions outlined in the Strategy, Scottish Land & Estates would like to see:

- Simplification of network charging principles that are cost-reflective and represent fair recovery of costs;
- Co-locating energy storage with existing generation could help to bring flexibility to the grid network. For existing sites accredited under the FIT, Renewables Obligation or Contracts for Difference there is uncertainty as to how co-location may affect these income streams, and concern that adding storage (where it, for example, may trigger a re-accreditation process) could jeopardise access to those revenues and serve as a disincentive to investment in co-location; and
- Guidance for planning authorities on co-location to allow for consistent and appropriate decision making.

Q13. What are your views on the idea of a Government-owned energy company to support the development of local energy? In answering, please consider how a Government-owned company could address specific market failure or add value.

While we are not opposed to the idea of a Government-owned energy company, we believe that the support initiatives in place such as the Low Carbon Infrastructure Transition Programme, CARES Local Energy Challenge Fund, CARES Infrastructure and Innovation Fund, the Renewable Energy Investment Fund, and the District Heating Loan Fund are already providing adequate support.

Q14. What are your views on the idea of a Scottish Renewable Energy Board to allow savers to invest in and support Scotland's renewable energy sector? In answering, please consider the possible roles of both the public and private sectors in such an arrangement.

Scottish Land & Estates supports the proposal to create a Scottish Renewable Energy Bond which will allow savers and investors across Scotland to have a stake in the renewable energy sector. However, delivering a new financial product of this scale would represent a sizeable challenge requiring significant legal and commercial expertise.

Q15. What ideas do you have about how Scottish Government, the private sector and the public sector can maximise the benefits of working in partnership to deliver the vision for energy in Scotland?

Given the reduction in incentives and increasingly challenging targets, Scottish Land & Estates acknowledges that there will be a greater need for collaboration between the Scottish Government and the private and public sectors. Many Scottish Land & Estates members currently work as delivery partners with regards to local and renewable energy projects. In order to sustain and build on this level of delivery there needs to be continuity and clarity of regulation and incentives.

The proposed Local Heat and Energy Efficiency Strategies (LHEES) is one method of bringing together various partners in order to deliver a variety of renewable schemes, not just for District Heat networks that has initially been proposed. (see LHEES response [here](#)).

Q16. What ideas do you have about how delivery of the Energy Strategy should be monitored?

We welcome the commitment to publish an Annual Strategy Statement which will take account of the Climate Change Plan monitoring framework and relevant energy indicators. Given the challenging targets proposed, Scottish Land & Estates would suggest that interim

milestones or targets be given due consideration. We also consider it important to monitor how privately owned renewable schemes contribute to Scotland's energy mix and targets.

Q17. What are your views on the proposed approach to deepening public engagement set out in Chapter 6?

Scottish Land & Estates believes there is a clear need for a step change in the way people use and generate energy. In particular, the targets to supply 80% of domestic and 94% of non-domestic heat from low carbon technologies by 2032 will require individuals and business owners as well as the public sector to share the Scottish Government's ambitions. This will require co-ordinated communication, targeted marketing, and media and education programmes to change attitudes and begin to deliver that step change.

In terms of local conversations, there must be adequate education and awareness for people to buy-in and support the Strategy and its goals – communication across all stakeholders is essential in delivering this.