

## **EUA response to the Scottish Draft Heat in Buildings Strategy**

### **About us**

The Energy and Utilities Alliance (EUA) provides a leading industry voice helping shape the future policy direction within the sector. Using its wealth of expertise and over 100 years of experience, it acts to further the best interests of its members and the wider community in working towards a sustainable, energy secure and efficient future. EUA has seven organisational divisions - Utility Networks (UN), the Heating and Hotwater Industry Council (HHIC), the Industrial & Commercial Energy Association (ICOM), the Hot Water Association (HWA), the Manufacturers' Association of Radiators and Convectors (MARC), the Gas Vehicle Network (GV Network) and the Manufacturers of Equipment for Heat Networks Association (MEHNA)

EUA represents all the main heating manufacturers in the UK along with the majority of major installation companies, training providers and component manufacturers. Approximately 98% of heating measures installed in UK homes comes from an EUA member.

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### **Response**

- 1. To what extent do you support the pathway set out for achieving the 2045 net zero target and the interim 2030 target?**

The 2045 is in line with the CCC recommendations and so is expected. The 2030 target is very ambitious and probably not going to be achievable in the timescales. However, we realise that this is not a negotiable point and so steps have to be made to meet it. We would prefer the strategy to be technology agnostic as this will allow the Scottish Government to draw on multiple technologies and vectors in the case their preferred route is not ramping up quick enough.

We believe that the ambition to have 1 million heat pumps installed by 2030 is very ambitious. For comparison the English Government is looking at around 13% of the installed population being heat pumps by the same time.

To achieve this level of installation the Scottish Government will need to generously fund these directly as the up-front direct costs and home upgrades will be a barrier to deployment.

We think that the Scottish Government could be less targeted with their technology approach. A more agnostic approach could allow a quicker reduction in emissions later in the 2030s rather than trying to force change in the next decade at a higher cost.

We would ask for clarity if hydrogen for heating will be allowed in 2045 as whilst it will be a zero carbon fuel it is likely to emit very low levels of greenhouse gases in the form of NOx.

## **2. What are your views on any risks of unintended consequences from this pathway?**

It is likely that this approach will increase delivery costs in the short term as it will force technology changes that may have high up-front costs. This could discriminate against the fuel poor who will have to pay significant amounts to upgrade their homes.

It could also penalise people who transition early as technology development later in the 2020s and 2030s could be cheaper and easier to install and run.

We would advocate an approach more in keeping with the English Government that is looking at developing the information base first, taking no regrets steps like hydrogen ready boilers and stricter new build standards.

**3. What are your views on our assessment of strategic technologies in low and no regrets areas to 2030?**

EUA agrees with assessment. We would add hydrogen ready boilers to the list. The boiler industry has agreed that from 2025 all new models sold will be hydrogen ready. These cost the same as a gas boiler and will facilitate a potential change to hydrogen gas heat in the future. If hydrogen doesn't materialise the consumer will not have spent unnecessary money.

Fabric energy efficiency improvements should be main priority.

**4. What are your views on any risks of unintended consequences from this pathway?**

This pathway could lead to higher system costs, or preclude those homes from future technologies. But this is the risk of all heating system changes made at this point. This is why fabric first is the best policy in the short term.

**5. What function should a new heat target serve?**

We do not believe there needs to be a heat target. A target has not worked in the past as heat is complex and often fails to develop in a linear manner.

It would be more appropriate to monitor deployment and determine what policy steps may need to be taken later in the decade as progress is close or not to the carbon reduction requirements.

Targets also tend to be rigid in their design and so often push up costs as it distorts normal market operation. Actors could push up costs knowing that a certain number of technologies have to be sold to meet the target.

6. How do you think a new heat target should account for the need to deliver against our statutory fuel poverty targets?
7. Do you agree that a new heat target should apply to heat in buildings, distinct from industrial heat?
8. What form should a new heat target take and why?
9. At what level should the target (s) be set and for what date?
9. What are the most significant actions we can take to ensure that Scotland's people and organisations are meaningfully engaged in the net zero heat transition?

The Scottish Government need to provide honest information on costs and options that will be available.

We would also suggest that they access the findings from the 2 BEIS trials into Heat Pumps and Hydrogen. These will outline findings on what barriers there are to install these low carbon technologies. This should provide a framework of common questions, problems and solutions for installation. Our recommendation would be to use these to develop actions for overcoming problems that may arise.

10. What in your view are the opportunities, if any, available to key organisations, such as local government, businesses and trade associations and community or other non-government organisations, in supporting this public engagement activity?

Our experience of government heat policy is that most times heating engineers are not included in the communications strategy. Heating Engineers visit a home every 6 seconds in

the UK, either for a repair, service or new installation. They are key for any transition as they will be the ones directly informing the consumer on what to install.

Some consumers will be more climate conscious and so will choose to install a heat pump, but the majority will not actively make the choice. If heating engineers are not engaged with, when asked they will recommend a straightforward boiler replacement.

It is also important that the communications are straightforward, clear and agreed on by most parties to ensure that the consumer does not get mixed views. We know from numerous reports and studies that whilst most consumers are broadly ok to move to new technologies, they are very resistant to cost and disruption. Any indication that the new system may be more complicated or unnecessary and the transition will become more complicated and take longer to deliver. We would want communications to not try and simplify what will be a complex and involved process, so consumers know what to expect.

- 11. In your opinion, could any of the proposals set out in this strategy unfairly discriminate against any person in Scotland and who shares a protected characteristic (age, disability, sex, gender reassignment, pregnancy and maternity, race, sexual orientation, religion or belief).**
- 12. In your opinion could any of the proposals set out in this strategy have an adverse impact on children's rights and wellbeing?**
- 13. What further action can we take to support people to make informed choices on the energy efficiency and heating options available to them?**

Providing guidance on what the installation process of various heating options would be helpful to assist householders know what could be needed for their homes. We would encourage the Scottish Government to work with independent third parties like Citizens Advice or the Energy Saving Trust to ensure continuity of message.

14. What is your view on the current level of support and advice provided through existing services such as Home Energy Scotland and the Energy Efficient Business' Support service?
15. Are there any further suggestions that you could provide on how the customer journey through these delivery services could be improved, in light of the ambitions set out in this strategy?
16. What are the most appropriate steps we can take within our powers to ensure sufficient consumer protection for supported energy efficiency or zero emissions heat installations?
17. Do you have views on whether we should adopt the use of the UK government's TrustMark quality assurance framework?

EUA strongly urges the Scottish Government not to adopt the TrustMark quality assurance framework. The Trustmark framework is too expensive and too complicated for both installers and consumers. Adopting this framework will mean low carbon and retrofits do not take place and so should be avoided. There is also a chronic lack of installers registered with the scheme so consumers will not be able to find installers to do the required work.

Instead, the Scottish Government should work with organisations like SNIPEF to develop a robust but proportional system to ensure there is a correct balance between consumer protection but also ability to train and recruit engineers.

We would add that one of the key reasons for the failure of the Green Homes Grant is because of the Trustmark requirement. There were not enough installers registered and the bureaucracy involved meant installations were too complicated for consumers to follow.

Previous schemes like the Green Deal have also failed because of disproportionate installation regulations.

- 18. In your view, is there any further action that we, or other key organisations (please specify), can take to protect those on lower incomes, and those in or at risk of falling into fuel poverty, from any negative cost impact as a result of the zero emissions buildings transition?**

The key here is to ensure that any new regulation or transition ensures that upfront or high running costs are not imposed on consumers, especially those not able to pay. This may be directly, such as imposing high technology costs without assistance. Or by limiting ability to sell homes. We are currently seeing the consequences of this in England with the inability of homeowners of high rise properties to sell or insure their homes because of fire safety liabilities. If Scotland effectively bans homes from being sold that do not meet EPC band C, but the homeowner cannot afford to upgrade the home, then they could become trapped by being unable to sell their home or potentially get a mortgage. As the fuel poor are more likely to live in homes with a lower EPC rating they are at most risk.

Rural and off gas grid homes are also more likely to be affected by the policies outlined and so work needs to be done to ensure these homes can be upgraded at an affordable cost.

- 19. What are your views on our approach to phasing out funding for fossil fuel heating systems by 2024 where it is not detrimental to our fuel poverty objectives? Do you think that this could be achieved any sooner than 2024, and if so how?**

We believe that assistance for installing hydrogen-ready boilers should not be prevented by this policy. Hydrogen-ready appliances could be a key tool for transitioning homes to hydrogen heating in the future.

20. What changes can be made to the Strategy to help maximise positive impacts and minimise negative ones on people experiencing fuel poverty and other vulnerable groups?
21. What are your views on how we can support place-based deployment of zero emissions heat within our delivery programmes?
22. What is your view on how best to engage, and support, local communities in the planning and implementation of the heat transition in their area?
23. What role do you think community anchor organisations could play in supporting the heat transition?
24. In your opinion, what steps can we take to ensure that policies set out in this strategy do not unfairly impact Island and other remote communities?
25. What is your view on the timescales proposed for LHEES?
26. Do you agree with the approach to LHEES set out above? If not, please give reasons to support this.
27. What are your views on what Permitted Development Rights might help enable in the heat transition, in addition to those we have already included in the Permitted Development Rights review programme?

We agree that proportionate Permitted Development Rights are important to ensure heat pumps can be installed. We would ask the Scottish Government to work with other GB administrations, so they are as consistent as possible. This will simplify understanding of what can be installed and when.



28. In your view, is here further action that can be taken to ensure that our electricity systems are ready for heat decarbonisation? If yes, please provide further information.
29. What are your views on the changes set out above for the electricity networks and are there further actions that could be taken by government, the regulator or industry that would make these more cost effective? Please provide evidence to support any suggestions.
30. In your view, what changes are needed to ensure that those least able to pay, including those in fuel poverty, are not unfairly impacted by the transition in our electricity and gas networks?
31. What are your views on the changes set out above for the gas networks?
32. Are there further actions that could be taken by government or industry that you think would make the changes set out more cost effective? Please provide evidence to support any suggestions
33. What evidence can you provide on the potential for heat networks in Scotland that can help inform a new ambition for deployment within the final Heat in Buildings Strategy?
34. What evidence can you provide on the potential for heat derived from energy from waste to qualify as low or zero emissions?
35. What views do you have on mechanisms to support this and the use of wider sources of waste heat?

36. With the sustainable market for heat networks described above in place by the early-2020s, are there any further gaps that must be filled to support subsequent delivery of heat networks? If so, what are these and are there particular types of organisation that would be key in filling these?
37. What are your views on the range of actions identified above to kick start the investment in the transition over the next 5 years?
38. Do you agree with the strategic funding priorities set out above?
39. In your view, should equal funding be allocated across these priorities or should certain priorities be weighted in terms of impact for Scotland?
40. What are the opportunities and challenges we face in maximising our £1.6 billion investment?
41. What are your views on the role of government funding over the next five years? For example, should it be focused towards significant increases in the volume of renewable heat and energy efficiency measures installed or more targeted at specific priority groups or technologies?
42. What are your views on how we can use our funding to leverage and encourage private sector and other forms of investment?
43. What are your views on the effectiveness of our existing delivery programmes in supporting different client journeys, including for those in or at risk of fuel poverty? (for example, landlords, homeowners, non-domestic building owners –public and private, domestic and non-domestic tenants). In your opinion, are there any gaps in support?

44. Is there any action we can take to further tailor our support to meet the ambitions set out in this strategy, including in relation to fuel poverty? (Please include any evidence you may have to show what this might achieve.)
45. What are your views on the approach outlined above to take action towards a long-term market framework for net zero emissions in buildings?
46. What are your views on how we can achieve a fair and equitable cost distribution for the net zero transition, including ensuring we tackle fuel poverty?
47. What financing mechanisms are needed to encourage investment from householders, businesses and the private sector?
48. What are your views on the regulatory actions set out in the proposed regulatory framework?

More clarity is needed on what “require installation of zero or very near zero emissions heating systems in existing buildings from 2025” means in practice. So for example does this mean gas boilers can still be installed or would they be banned from 2025. The Scottish Government need to publish what products can and cannot be installed by what date. This also applies to what Zero emissions by 2045 means. A list of what products are considered an ‘emission’ would help, especially to clarify if hydrogen will be considered zero emission.

49. What are your views on the timeframes set out for the application of the regulation set out above?

More clarity on what the dates mean from a practical perspective are needed to answer this question. For example, 2025 would be too soon to ban gas boilers if this is the policy

outcome outlined. However, the lack of clarity means it is impossible to assess the timeline correctly.

### *Replacement or installation of a new heating system*

EUA believes that 'replacement' should be removed from this trigger point or boiler replacements excluded from this definition, as attempting to enforce installation of Net Zero heating systems when a heating system breaks down and needs to be replaced will be not only be practical or achievable by this date. Especially as this could involve upfront costs that are 3 times the current counterfactual.

50. **What are your views on how our Delivery Programmes could support compliance with regulation?**
51. **What other mechanisms/support may be required to ensure that regulation is fair and equitable for all?**
52. **What are your views on the plans set out to maximise the economic benefits to Scot land from the heat transition?**
53. **What role could technology-specific milestones (for example, by 2025) play in supporting supply chain development, and how should these milestone levels be developed?**

The only supply chain constraint for installing heat pumps will be heating engineer skill developments. Currently there are not enough heating engineers with the training to install the number of heat pumps that is in the strategy document. The key will be to find a balance between regulatory schemes like MCS and general advice to enable existing gas engineers to upskill.

One problem that has arisen with previous schemes is over promise by government and then a lack of work for engineers. Engineers will have paid significant sums to upskill and get the various accreditations required to install heat pumps but then the work hasn't materialised to justify the outlay.

A sensible step would be to identify simple upskilling that can be delivered through existing training and accreditation programmes for gas engineers, so their outlay is minimal, but the skillset is sufficient for heat pump installations. We would recommend the Scottish Government work with Snipef to develop this.

54. **Is there anything further that can be done to ensure that Scotland realises the economic opportunity available from the heat transition?**
55. **What more can be done to support the development of sustainable, high quality and local jobs in the heat and energy efficiency supply chain across the breadth of Scotland?**

For heating we do not believe there will be any significant jobs created in Scotland. The engineers will come from the existing engineering pool. There may be some additional jobs in heat pump manufacturing created.

We would urge the Scottish Government not to overplay the economic and job creation opportunities as significant numbers of heating measures are already installed on a daily basis so there is limited scope for additional jobs and economic development.

The biggest areas of potential growth could be in the energy network sector. Both the gas and electricity networks will need significant upgrade work to meet the increased energy requirements.

56. In your view, what are the opportunities and constraints presented by the role of the wider public sector in maximising the economic benefits to Scotland?
57. In recognition of the proposals set out in the forthcoming skills consultation what further action can be taken to support skills development in Scotland over the lifetime of this strategy?
58. Are you aware of any barriers to the reskilling of existing oil and gas heating engineers to equip them to install low and zero emission heating?

The key barrier will be creating overly bureaucratic schemes that effectively locks them out of upskilling or reskilling. Schemes like MCS and Trustmark only have a minority of engineers registered with them and so are not appropriate. We would ask that the Scottish Government work with Snipef for an appropriate way to deliver the upskilling.

It is important that existing engineers are engaged with. They are in consumers' homes every day, often giving informal energy advice. If they are not positively engaged, it will make the energy transition harder to deliver.

59. How can we support the development of more opportunities for young people?
60. To what extent do you agree that the issues identified must be addressed jointly by the UK and Scottish governments to unlock delivery in Scotland?
61. Are there any further areas where joint action is required, for example to ensure no one is left behind in the transition and fuel poverty is addressed?
62. Do you agree with our proposals for a monitoring and evaluation framework? If not, please state your reasons and suggested improvements.

63. What are your views on how lessons learned from heat and energy efficiency policy and programmes should be shared with the sector and key stakeholders to ensure that Scotland benefits from the public investment outlined above?
64. Finally, is there any other information you would like to provide us with that is relevant to the development of Scotland's Heat in Building Strategy?