

Appendix One: Extracts relating to district heating included in the Scottish Government's Energy Efficiency Action Plan for Scotland 2010

Action 6.2 We will proactively develop district heating as a discrete policy area within energy efficiency, including by:

- i. appointing a dedicated officer to take forward district heating policy and co-ordinate activity across Scottish Government;
- ii. supporting a number of local heat mapping and feasibility projects over 2010/11;
- iii. investigating options for training or workshops for planning authority officers;
- iv. iv, pursuing options to finance district heating projects; and
- v. SEPA's advice to planning authorities re water, heat and power.

One of our dedicated heat officer's first activities will be to develop a database of existing and proposed district and community heating schemes to assist with awareness raising and heat policy development. This will be incorporated into the renewable heat data currently collected on our behalf by the sustainable development commission. It will include, where possible, costs, benefits, funding sought or obtained, network pipe distances, heat sources, and detail about types of heat users with links to case studies and contacts.

In appropriate areas, district heating allows the use of waste industrial heat, biomass or gas-fuelled combined heat and power (CHP) and results in significant energy efficiencies and CO2 emissions savings. As much of the activity that supports low carbon district heating is the same as for renewable heat (see the renewable Heat action Plan), both are covered in this section.

Responses to the consultation paper called for the Scottish Government to support district heat technologies in a number of different areas. These include: setting up an external group; support for heat mapping and feasibility studies by local authorities; greater use of planning powers by planning authorities; awareness raising among key decision makers; and capital funding.

We will also seek ongoing feedback from relevant stakeholders. We will, in the first instance, operate through the renewable heat implementation group and consider over time whether there is any need to establish a separate low carbon and renewable district heating group to advise on and take forward relevant actions.

The National Planning Framework for Scotland 2 advises that planning authorities 'should take account of the potential for developing heat networks when preparing development plans and considering major development proposals'. The Energy Saving Trust (EST) has recently published a planner support pack (Sustainable Energy in the Built Environment Best practice for Scottish Planners) as part of its local authority support programme. Endorsed by the royal town planning institute, this contains sections on district heating and heat mapping and provides case studies of how planners can encourage sustainable energy use. Building on this and other EST work, we will investigate with relevant stakeholders the best way of ensuring that planning authority officers have the skills and understanding to take forward National Planning Framework 2. This may involve a programme of training or workshops for planning officers that include advice on use of the heat supply options Assessment tool (tool available on disc from buildingstandards@scotland.gsi.gov.uk).

We are also funding local projects to increase understanding of the opportunities and feasibility of district heating. phase 2 of the sustainable glasgow initiative will include detailed feasibility

studies of district heating opportunities that have been identified through heat mapping work. We will extend our heat mapping support for Highland Council to 2-3 other councils, with the specific aim of identifying optimal areas for renewable and low-carbon district heating and specific candidates for detailed feasibility studies.

We recognise that, while local authorities have a key role in identifying local opportunities for low carbon and renewable district heating, there may be strategic opportunities which cover more than one local authority area. As part of our efforts to increase awareness and understanding of district heating among key decision makers, we are commissioning a research study into the economic and technical potential for using waste heat from Scottish power stations to fuel local district heating systems or other industrial sites.

With regard to finance, we will seek opportunities to support the roll out of district heating and CHP (see section c9). In this context:

- the scope of the European Regional Development fund (ERDF) programme has been extended to introduce the possibility of funding energy efficiency and renewable energy measures in existing housing in the 13 urban local authority areas targeted by the programme. In total we can now access up to £15 million of ERDF to fund low carbon, energy efficiency and district heating projects during the life of the programme;
- we will investigate with partners - as part of work by the Scottish low carbon investment project - whether appropriate district heating projects can be included in an overall package of opportunities for international investment;
- we support the use of an uplift for district heating under the renewable heat incentive.

With regard to waste heat, Scottish environment protection Agency (SEPA) will continue to seek energy efficiency through its advisory and regulatory roles and will keep the effectiveness of its processes under review. the core purpose of SEPA's thermal treatment of waste guidance is to ensure that new thermal waste treatment facilities do not impede recycling or waste prevention opportunities and that they maximise the recovery of energy. The guidance requires applicants to prepare heat and power plans and to achieve a high level of plant energy efficiency through their implementation over a number of years. the high efficiency levels will require the use of heat in addition to power. As very high energy efficiency in excess of 60% can only be achieved in a mature heat network infrastructure that does not yet exist in Scotland, SEPA is staging requirements on applicants to improve energy efficiency. The Scottish government's updated Guidance on Thermal Power Stations in March 2010 strengthened and clarified the requirements on the use of heat in such facilities. 10

Action 9.2 We will actively engage with UK and EU funding policy for energy efficiency, with a view to maximising the value of UK, EU and other international funding in Scotland.

As we look how to finance the growing demand for energy efficiency, we will also investigate the potential for unlocking other domestic and international sources of funding for energy efficiency. This will draw on existing research on domestic loans schemes, for example, and consider existing EU, UK and Scottish schemes and loans.

At a UK level, we will link into DECC's UK Energy Security and Green Economy Bill proposals for Green Deal Finance. These build upon the pilot £4m pay As You Save (PAYS) scheme that tests new ways to finance whole house energy makeovers. The UK government is currently progressing proposals for Green Deal finance, with Scottish government input so that these can

be designed to meet Scottish circumstances. Since the green deal's market driven approach may encompass ESCOs (Energy Savings Companies), we will consider relevant funding mechanisms for housing, such as funds available through the European Investment Bank, once the UK Energy Security and Green Economy Bill has been laid before the UK parliament later this year and proposals are known more fully.

In addition, we will consider examples of good practice, such as London's Buildings Energy Efficiency Programme (BEEP) to retrofit buildings, and the London Green Fund. We will consider work to help support community enterprises and social business, and any possibilities to fund specific energy efficiency technology development and deployment, for example investigating whether any technology companies might be eligible for RSA.

Looking to Europe, we will consider schemes such as:

- the JESSICA Fund - financing sustainable development for urban areas;
- ERDF and ESF funding, e.g. for innovative heat networks or skills programmes;
- implementation of the European Commission's Strategy Energy Technology Plan (SET-Plan) to finance low carbon technologies and the possibility of a Scottish city participating in the smart cities initiative, which includes €11 for energy efficiency; and
- the potential EIB proposal to set up a loan scheme for micro-generation to retrofit social housing.

As an example, the Scottish government and the new Scottish Green Energy Centre (SEGEC) are working with partner bodies in the EU-supported Lowland and Uplands Scotland (LUPS) and Highlands and Islands structural funds programmes to seek ways for such programmes to support energy efficiency more strongly than in the past. The programme Monitoring committee has now agreed that the balance of funds within Priority 1 ERDF (LUPS) will focus on the Scottish Innovation Low Carbon Fund (SILC), supporting individual enterprises and collaboration between industry, academia & the public sector to deliver innovative low carbon technology demonstration projects. Working closely with the European commission, we have also secured agreement to widen the eligibility scope of ERDF priority 3 (LUPS) (urban regeneration) to give greater importance to energy efficiency, district heating and low carbon technologies, i.e. to include:

- energy efficiency measures in housing;
- support for energy production from renewable energy and low carbon technologies in response to local energy needs, e.g. co-generation and distribution energy systems such as district heating and CHP projects;
- projects that support clean and sustainable public transport, if part of integrated urban development plan; and
- support for schemes that pilot or demonstrate new or innovative approaches to energy efficiency retrofit measures, in particular targeting the retrofit of existing social housing stock.

We have also responded to the commission's consultation on future financing to 2020 to stress the importance of giving the promotion of the low carbon economy a much higher priority in future funding programmes.