

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	10 February 2026
EXEMPT	The covering report is not exempt, however the content of Appendix 1 is exempt under paragraphs 6 and 8 of Part I of Schedule 7A to the Local Government (Scotland) Act 1973 in that it contains information relating to the financial or business affairs of another person, and information on the estimated expenditure on contracts
CONFIDENTIAL	No
REPORT TITLE	District Heating Transmission Pipeline
REPORT NUMBER	CORS/26/019
EXECUTIVE DIRECTOR	Andy MacDonald
CHIEF OFFICER	Craig Innes
REPORT AUTHOR	Barry Davidson
TERMS OF REFERENCE	1.1.5

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present details of the proposed project to construct a district heating transmission pipeline to distribute low carbon heat from the Energy from Waste plant at East Tullos to heat networks in the city centre and to support further network expansion.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Notes the proposed route and estimated return on investment to construct, operate and maintain the district heating transmission pipeline in Appendix 1, Section 4 – Financial Case;
- 2.2 Authorises the Chief Officer - Commercial and Procurement to commission the necessary ancillary external resources to support the project delivery, to undertake a procurement exercise to invite tenders for a design and build framework contract, and, upon completion, to issue a call-off order for the detailed design of the district heating transmission pipeline to RIBA Stage 4 (to include a survey and assessment of the existing Aberdeen Heat and Power City Centre and Seaton heat network to ensure technical compatibility), and to request a fixed price from the contractor for the construction of the transmission pipeline.

3. CURRENT SITUATION

- 3.1 At the Finance and Resources Committee meeting on 23 September 2023, the Committee resolved:-

“(i) authorise the Head of Commercial and Procurement to undertake a procurement exercise to commission a feasibility study (to include network design to RIBA stage 3) and outline business case for Phase 1 of this project;

(ii) instruct the Head of Commercial and Procurement to explore external funding sources to support the capital delivery of this project and to report the outcomes of recommendations 2.1 and 2.2 to this Committee during Q3 2024”

- 3.2 In taking forward this instruction, Council officers commissioned WSP UK Ltd to undertake a feasibility study to determine the optimal route for the district heating transmission pipeline and to deliver a RIBA Stage 3 design for the preferred option.
- 3.3 The feasibility study concluded that, despite initial project concepts there does not appear to be any practically viable transmission pipeline routes that approach the city centre directly from the South. The constraints of existing structures, underground utilities, land ownership and traffic appear to rule out any route that approaches via Market Street or via College Street/Bridge Street.
- 3.4 Two new route options were considered: an East route and a West route. The East route (refer. Section 3.3.3. of Appendix 1) was identified as the most technically and financially viable, primarily because it traverses uncongested streets and open spaces, faces no limitations on pipe size or capacity, and facilitates future integration of zero carbon heat sources, thereby enhancing energy supply resilience and supporting broader decarbonisation and fuel poverty alleviation across Aberdeen. Consequently, the East route was selected as the preferred option for RIBA 3 Stage design and forms the basis of the Outline Business Case presented in Appendix 1.
- 3.5 Stakeholder engagement events with communities, landowners, businesses, and interest groups are to be scheduled for 19 February 2026, 24 February 2026 (virtual session), and 5 March 2026 to ensure that the project moves forward in a way that is transparent and considerate.
- 3.6 A planning application will be submitted for determination in Q2 2026. An overview of the key project milestones is provided in Appendix 1, Section 1.8.
- 3.7 Implementing the recommendations outlined in 2.2 will advance the district heating transmission pipeline design to RIBA Stage 4 and establish a fixed construction cost. This will provide the basis for an investment grade business case, enabling external funding to be sought to support the capital delivery of the project.
- 3.8 An update on the outcome of recommendation 2.2 will be reported to this Committee during Q1 2028.

4. FINANCIAL IMPLICATIONS

- 4.1 The cost to deliver the recommendations in 2.2 would be met from the approved budget within the existing General Fund Capital programme (NHCP 937).

5. LEGAL IMPLICATIONS

- 5.1 Based on the information available at this stage, the proposed investment by the Council, as a public authority, to construct a district heating transmission pipeline is considered likely to be a low subsidy control compliance risk. This initial view draws on (i) the Council's previous experience in relation to the development and operation of the Torry Heat Network and (ii) a preliminary evaluation being carried out by officers to ensure that the current proposals are complaint with the current legislation (namely the Subsidy Control Act 2022).
- 5.2 As stated above, the present evaluation remains preliminary given that it is based on information currently available to officers. A further review and formal subsidy control assessment will be required following the completion of the procurement process.
- 5.3 In addition, legislative and regulatory compliance will require ongoing review as the project progresses. This will include consideration of the Subsidy Control Act 2022, the Heat Networks (Scotland) Act 2021 and the Heat Networks (Metering and Billing) Regulations 2014, together with any new or amended legislation expected to come into force that will further regulate the heat networks market. At the time of preparation of this report, it is noted that the Heat Networks (Market Framework) (Great Britain) Regulations 2025 is partially in force. The full implications of these Regulations will require further assessment as they are fully implemented and the project progresses. It is anticipated that these matters will be addressed in subsequent reports to committee should they have any bearing upon the project.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 The delivery of this project will lead to a significant reduction in the use of fossil fuels within the district heating network and have a positive impact on the Council's carbon reduction and net zero targets. Further details on the monetised benefits resulting from carbon savings and air quality benefits are contained in Appendix 1, Section 3.8.3. – Present Value of Benefits.
- 6.2 An environmental impact assessment screening request is being prepared for submission to the planning authority. The request includes supporting inputs from a range of disciplines including ecology, trees, archaeology, ground, water, flood and acoustic monitoring.

7. RISK

- 7.1 The recommendations contained within this report and the assessment of risk contained within the table below have been carefully considered against the Council's Risk Appetite Statement. The proposals set out in the recommendations are consistent with the Council's approved risk appetite statement.

7.2 The table below provides a summary of the risks identified at the time of writing and it is anticipated that the table will be refreshed to reflect the outcomes of the RIBA Stage 4 design and updated business case.

7.3 The risk ratings specified reflect the risk level post-mitigation and assume that the control actions identified will be implemented and completed.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Failure to connect the City's heat networks to a low carbon heat source would negatively impact on the development of a low carbon regional economy, delaying the transition to net zero and leaving residents and businesses exposed to rising energy prices and market volatility	Approval of the recommendations in this report would support the Council to deliver these strategic objectives	L	Yes
	The Energy from Waste plant fails to deliver sufficient quantities of heat	Full load test to be undertaken prior to any capital expenditure commitment. An update will be provided in a future report to this	M	

		Committee (per 3.8)		
Compliance	<p>Subsidy control and grant funding</p> <p>Schedule delays as a result of protracted negotiations to secure the necessary legal rights for installing the transmission pipeline infrastructure across third-party land, including obtaining rights of access for ongoing operation and maintenance</p> <p>Compliance with future Heat Network legislation</p> <p>Compliance with the Council's existing consent to trade</p>	<p>Full legal review of funding proposals for compliance with subsidy control requirements and any grant funding conditions will be undertaken</p> <p>Early engagement with landowners to ensure that rights can be secured without impact to the project schedule</p> <p>Continue to monitor any changes that may have an impact on the delivery of the project</p> <p>Full legal review to ensure compliance</p>	L L	Yes

Operational	Tunnel construction risk	Ground investigation works to be carried out prior to the procurement exercise to appoint a design and build contractor	M	Yes
	Operation and maintenance	Aberdeen Heat and Power (AHP) will be responsible for the operation and maintenance of the district heating transmission pipeline including any upgrades to the existing AHP Heat Networks that are required to ensure technical compatibility	L	
Financial	The project cannot be delivered without securing additional funding	<p>A fixed construction cost, including a contingency sum, for the transmission pipeline will be determined following the completion of the RIBA Stage 4 design</p> <p>Alongside the existing budget (NHCP 937), Council officers have investigated both debt and grant funding options for the project</p> <p>An updated business case</p>	M	Yes

		<p>setting out the funding options will be included in a future report to this Committee (per 3.8)</p> <p>Anticipated customers / heat loads do not materialise and impact the projects financial viability</p>		
Reputational	Potential opposition to the proposed transmission pipeline route	<p>Effective stakeholder engagement with communities, landowners, businesses, and interest groups</p> <p>Once installed the transmission pipeline will be completely buried and the site reinstated. There will be no lasting visual impact</p>	M	Yes
Environment / Climate	Environmental surveys that involve habitats and surveys during mating season could delay the project team from gathering the evidence required for the planning submission	An environmental impact assessment screening request is being prepared for submission to the planning authority. The request includes supporting inputs from a range of disciplines including ecology, trees, archaeology, ground, water,	L	Yes

		<p>flood and acoustic monitoring</p> <p>Continue to monitor, close engagement with planning authority</p>		
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7.4 In addition to the risks identified in the table above, the project risk register has been provided in Appendix 1.

8. OUTCOMES

COUNCIL DELIVERY PLAN 2025-26	
	Impact of Report
Aberdeen City Council Policy Statement	The proposals within this report support the delivery of the following aspects of the policy statement:-
<u>Working in Partnership for Aberdeen</u>	
	<p><u>Building a Greener and Sustainable City</u></p> <ul style="list-style-type: none"> • Work with partners to deliver a just transition to net zero and plan to make Aberdeen a net-zero city by no later than 2037, and earlier if that is possible. • Continue to reduce the carbon footprint of the Council's building estate. <p><u>Homes for the Future</u></p> <ul style="list-style-type: none"> • The project will support the commitment to extend Aberdeen's district heating network, to offer affordable warmth and help alleviate fuel poverty.
<u>Local Outcome Improvement Plan</u>	
Prosperous Economy Stretch Outcomes	<p>The proposals within this report will support the delivery of the following LOIP Stretch Outcomes:</p> <ol style="list-style-type: none"> 1. 20% reduction in the percentage of people who report they have been worried they would not be able to heat their home. • The expansion of the district heating network and the connection to a low carbon heat source, will provide connected households with access to affordable heat and support the alleviation of fuel poverty across the city.

	<p>2. 74% employment rate for Aberdeen City.</p> <ul style="list-style-type: none"> The project will support the local economy and provide training and employment opportunities. The construction programme is estimated to create 235 temporary jobs and lead to the creation of 1 permanent job.
<p>Prosperous People Stretch Outcomes</p>	<p>The proposals within this report will support the delivery of the following LOIP Stretch Outcomes:</p> <p>10. Healthy life expectancy (time lived in good health) is five years longer:</p> <ul style="list-style-type: none"> The most common physical health impacts experienced by those living in cold homes are respiratory and circulatory illnesses. The availability of affordable heating will contribute towards the meeting of this objective.
<p>Prosperous Place Stretch Outcomes</p>	<p>The proposals within this report will support the delivery of the following LOIP Stretch Outcomes:</p> <p>13. Addressing climate change by reducing Aberdeen's carbon emissions by at least 61% and adapting to the impacts of our changing climate:</p> <ul style="list-style-type: none"> The expansion of the district heating network and the utilisation of waste heat will allow the current gas fuelled heating systems to be replaced by hot water produced from the EfW plant, this has the potential to save 383MtCO₂ over the project lifetime (a reduction of ~74% in carbon emissions compared with gas boilers).
<p>Regional and City Strategies</p> <p>Buildings and Heat Strategy (Net Zero Aberdeen)</p> <p>Climate Change Plan 2021-2025</p> <p>Local Heat and Energy Efficiency Strategy</p>	<p>The proposals within this report will support the delivery of the following Regional and City Strategies:</p> <p>The expansion of low and zero emission heating and reduced fuel poverty key outcomes.</p> <p>Extending the district heating network and connecting to a low carbon heat source will support the Council's transition to net zero and interim targets for a reduction in carbon emissions.</p> <p>The proposals within this report support the delivery of Priority A, Heat Network Development and Priority D, Alleviating Fuel Poverty, through the</p>

Local Housing Strategy 2025-2030	<p>proposed expansion and decarbonisation of heat networks.</p> <p>The proposals within this report support strategic priorities including the expansion of district heating schemes and the alleviation of fuel poverty. The target is to ensure that by 2030, no more than 15% of households are in fuel poverty, and no more than 5% are in extreme fuel poverty (in line with Scottish Government Targets).</p>
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9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	<p>No assessment required for this report. I confirm this has been discussed and agreed with Craig Innes, Chief Officer - Commercial and Procurement on 27 November 2025.</p> <p>An Integrated Impact Assessment will be submitted following the completion of the detailed design of the transmission pipeline and form part of a future report to this Committee per 3.8.</p>
Data Protection Impact Assessment	Not required for this report.
Other	An environmental impact assessment screening request is being prepared for submission to the planning authority. The request includes supporting inputs from a range of disciplines including ecology, trees, archaeology, ground, water, flood and acoustic monitoring. Further assessment on monetised benefits resulting from carbon savings and air quality benefits are contained in Appendix 1.

10. BACKGROUND PAPERS

- 10.1 District Heating – Network Expansion / Waste Heat Utilisation (City Centre Link) – COM/23/290 – Finance and Resources Committee – 13 September 2023.
- 10.2 General Fund Revenue Budget and Capital Programme 2025/26 to 2029/30 – CORS/25/048 – 5 March 2025.

11. APPENDICES

- 11.1 Appendix 1 – Outline Business Case.

12. REPORT AUTHOR CONTACT DETAILS

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