WWF SCOTLAND

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Briefing: Ministerial Statement 15th March 2016:
SCOTLAND'S ENERGY STRATEGY

Scotland is in the midst of a global energy transition towards a renewable energy future. We must embrace this clean energy transition, if we are to secure the maximum benefits for Scotland. WWF Scotland warmly welcomes the commitment to develop a new, holistic energy strategy. The strategy should prioritise demand reduction, put Scotland on course to capture the benefits of being the EU's first renewable electricity nation in 2030, and encompass a new Warm Homes Act that supports the significantly accelerated growth of renewable and district heating in Scotland.

Key points/Background

WWF Scotland warmly welcomes the Scottish Government's commitment to develop a new holistic energy strategy for Scotland, later this year[1].

Scotland is in the midst of an energy transition that is being experienced globally. Uruguay meets almost 95% of its electricity needs from renewables, China plans to add 35GW of wind and solar in 2016 alone, in 2015 global renewable capacity additions surpassed fossil fuel additions for the first time, and Norway has increased its district heating capacity by 150% in the last 10 years.

Whilst Scotland has made great strides in renewable electricity, which now generates the equivalent of 50% of Scotland's electricity demand, **much more needs to be done on renewable heat, transport and energy efficiency.** Scotland must embrace the necessary energy transition, if we are to successfully capture all its possible benefits.

Scotland's energy strategy should continue to provide clarity of vision and long-term confidence for investors. Scotland's 2020 electricity target is an example of leadership that has been rewarded with significant investment and job creation. We must now set our sights on 2030 and provide a clear strategy that provides the certainty and direction needed to continue the transition. Independent research suggests that **by 2030 at least 45% of Scotland's total energy needs (electricity/heat/transport) must be met from renewables**, if we are to meet out climate targets[2]. **In 2013, just 13.1% of Scotland's total energy needs were met from renewables[3].**

[1] Announced to Parliament 17 September 2015: http://bit.ly/1RDWqmL
[2] Ricardo AEA 'Renewable energy in Scotland in 2030', forthcoming, commissioned by WWF Scotland, Friends of the Earth Scotland and RSPB Scotland.
[3] Scottish Government statistics publication, 'Energy in Scotland: 2016, http://www.gov.scot/Resource/0049/00494812.pdf

Scotland's refreshed energy policy should commit to a renewable energy future. It should address the following areas:

- **Take a demand-reduction first approach**, with a National Infrastructure Priority on energy efficiency that helps all homes in Scotland to reach at least a C energy performance standard; and includes an electricity demand reduction strategy that reduces electricity use by at least 1% per year until 2030.
- Put Scotland on course for achieve the Scottish Government's 2030 power sector decarbonisation target (50g CO_2/kWh) through entirely renewable electricity generation – this would **make Scotland the EU's first renewable electricity nation**; and focus on maximising the opportunities, in terms of job creation, empowered communities and local economic renewal.
- **Accelerate the roll-out of renewable heat technology** so that by 2030, 40% of Scotland's heat demand is met from renewables (2014 level: 4%); and support the accelerated deployment of district heating through the regulatory framework provided by a Warm Homes Act.

Energy demand-reduction

The cheapest, greenest, most secure energy is the energy that's never used – a 'negawatt'. Scotland's energy policy should take a demand-reduction first approach.

On heat, the Scottish Government[4] and all political parties[5] have committed to make energy efficiency a National Infrastructure Priority. However, as yet no commitments have been given about objectives, or the scale and level of ambition, for the project. More than 50 civic and business organisations have called for an objective for the domestic housing sector of supporting all homes in Scotland to reach at least a C EPC standard by 2025. This would create up to 9,000 net jobs each year, save the NHS up to £80m per year and help to reduce fuel poverty rates[6]. This level of ambition is also the minimum required to allow our climate change targets to be met.

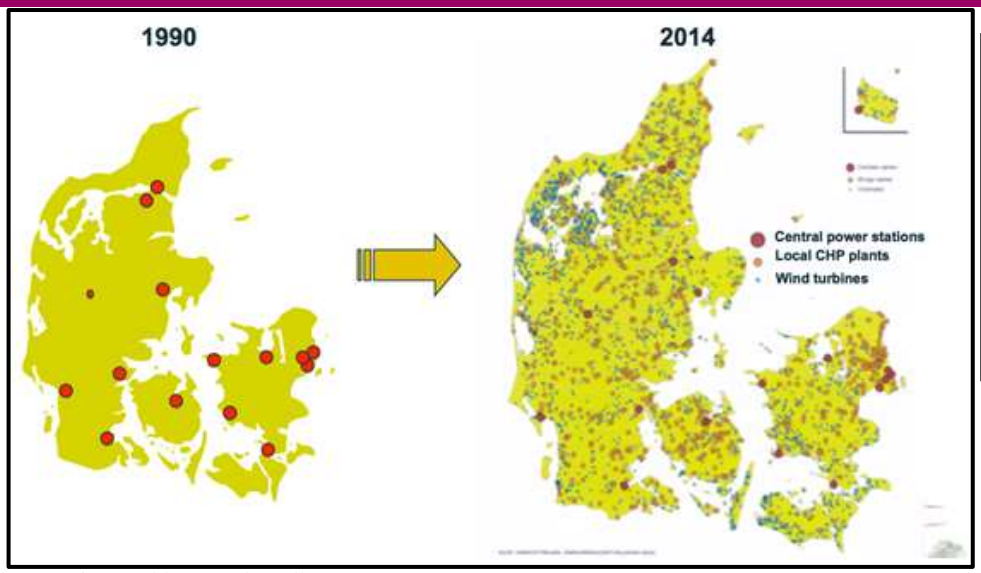
On electricity, there has not to date been a Scottish policy focus on reducing electricity consumption[7]. WWF Scotland therefore welcomes the commitment from Scottish Government to include this in the new energy strategy[8]. **WWF Scotland wants to see a demand reduction action plan, as part of the new energy strategy, that helps people and businesses to reduce their demand for electricity**. This should aim to reduce electricity use in Scotland by 1% per year. It should also include a 'negawatts' competition, supported by a challenge fund, that helps stimulate commercial and community innovation.

Electricity

A new energy strategy must mark the end of the old centralised, demand driven power sector model. The power sector system must now evolve to match the change in generation type we have experienced in the last 15 years – 50% of Scotland's electricity demand is already met by clean, cost-competitive, distributed renewables. This means the new energy strategy must prioritise flexibility by supporting demand side response, storage and interconnection.

The new energy strategy must present a coherent shift to an all renewable future. This means no longer holding onto increasingly outdated concepts such as baseload. Last year the National Grid CEO Steve Holliday said, "The idea of baseload power is already outdated."[9] Instead the focus must be on fulfilling the potential renewable electricity provides for distributed, decentralised generation, as demonstrated by this Danish diagram:

[4] In June 2015, Scottish Government press release: http://news.scotland.gov.uk/News/Climate-change-action-heats-up-19c8.aspx
[5] In various manifestos and in the Scottish Party Leaders' Climate Change Agreement: http://bit.ly/1U6LIeA
[6] 35% of households in Scotland are currently in fuel poverty, by latest figures (for 2014): http://bit.ly/1RlYDrA
[7] E.g. the Scottish Government has an Electricity *Generation* Policy Statement [our emphasis]
[8] Scottish Government response to EET 'Security of Supply' Inquiry: http://bit.ly/1MbGKoZ
[9] Interview, World Energy Focus #15, September 2015. Available here: http://bit.ly/1WeFash



<- In the last 20 years the Danish energy sector has transformed from centralised power generation to a highly renewable, distributed, generation mix, that is integrated with a CHP-led district heating system.

Source for graphic: energinet.dk

Independent research[10], undertaken by internationally-renowned engineering consultancy firm DNV GL, has shown that almost fully-renewables based electricity generation in Scotland is technically feasible and achievable in 2030, with Scotland playing to its strengths by continuing to export electricity to the rest of the shared and secure Great Britain grid. **Scotland's refreshed energy strategy should embrace this vision, which would make Scotland the EU's first entirely renewable electricity nation**.

Despite regular media scare stories, the final report of the Economy, Energy & Tourism Committee's exhaustive inquiry into Security of Supply concluded that, even allowing for the forthcoming closure of Longannet power station: "our inquiry found no credence in the more excitable 'minutes-away-from-blackout' coverage that tends to attach itself to this subject" and said "Witnesses at the expert roundtable session that commenced **the inquiry shared the view that there was no [security of supply] crisis pending**"[11].

Heat

There has been strong support for, and progress on, renewable electricity in Scotland. However, the Scottish Government needs to accelerate take-up of renewable heat technology. **More than 50% of Scotland's energy use is for heating, but less than 4% of this total heat demand currently comes from renewable sources**[12]. Independent research for WWF Scotland by Ricardo-AEA and UCL found that approximately 40% of total heat demand must be met by renewables by 2030 if Scotland is to meet Scotland's climate targets at lowest cost[13]. This will require the rapid roll out of heating technologies so that more than half of all heating system sales in 2030 are renewable energy systems.

Regulation to support the growth of district heating is also required. This was recommended to the Scottish Government by the Expert Commission on District Heating, and was supported by the majority of consultation responses to the Scottish Government's draft Heat Generation Policy Statement[14]. Recommendations to the Scottish Government from a special working group of the Expert Commission on regulation are expected to be published shortly.

A Warm Homes Act that helps bring clean and affordable heat to thousands of households and businesses in Scotland would support the development of a new district heating industry in Scotland, create jobs and help protect consumers.

[10] Pathways to Power, commissioned by WWF Scotland: http://bit.ly/1JkZpNd
[11] Paragraphs 96 and 15, http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/93376.aspx
[12] Estimated figure for 2014, from Energy Saving Trust: http://bit.ly/1U6GrUh
[13] Ricardo AEA 'Renewable energy in Scotland in 2030', forthcoming, commissioned by WWF Scotland, Friends of the Earth Scotland and RSPB Scotland.
[14] See http://www.scotland.gov.uk/Resource/0046/00460648.pdf (only 5% thought current support was sufficient).

Suggested Questions for the Scottish Government

- How will the new energy strategy embrace Scotland's renewable energy future, and focus on securing the benefits in terms of jobs, economic renewal and community empowerment?
- Will the new energy strategy take a demand-reduction approach first? And, if so, how will this benefit businesses and consumers in Scotland?
- What is the Scottish Government's response to the call of 50 businesses and civic organisations, for it to set an objective for its National Infrastructure Priority on energy efficiency of supporting all homes in Scotland to reach at least a C EPC rating by 2025? WWF say this is the minimum level of ambition needed to achieve future climate change targets.
- How does the Scottish Government intend to support the necessary rapid growth in renewable heat from the below 4% level today?
- WWF Scotland have said that Scotland can be the EU's first renewable electricity nation by 2030, with almost entirely renewable electricity generation maintain security of supply & Scotland's electricity exporting position. Will the new energy strategy embrace this vision?
- Will the Scottish Government support a new regulatory framework that delivers the accelerated deployment of district heating in Scotland, as part of the new energy strategy?

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