

DRAFT BUDGET 2014-15

SUBMISSION FROM SCOTTISH RENEWABLES

Introduction

Scottish Renewables is the voice of the renewable energy industry in Scotland and is an organisation dedicated to securing the best possible environment for the growth of renewable energy in our country. We are working to deliver on the ambition of harnessing Scotland's abundant natural resources to secure a future that will deliver on jobs, investment and energy security, while helping mitigate the effects of climate change.

This submission covers Scottish Renewables' views on the Scottish Government's draft budget 2014-15, especially focussing on issues that fall within the Committee's core areas of interest while also addressing the Committee's questions, as outlined in the call for evidence. Scottish Renewables has also tried to group its answers to link clearly to the Scottish Government's National Indicators as outlined in *Scotland Performs*¹.

Overall, Scottish Renewables believes there is clear evidence that Scottish Government support for renewable energy in previous budgets is helping our country achieve a number of its Purpose Targets, by driving economic growth and simultaneously helping attain our sustainability targets. We wish to see a continuation of this progress elicited from the 2014-15 budget. However, the industry recognises that some issues of significant importance to the renewable energy sector and, therefore, the ability to meet some of the National Indicators, such as Electricity Market Reform (EMR), are out-with Scottish Government control.

Scottish Renewables considers it important to note that a proportion of the Scottish Government's funding for renewable energy so far has been aimed at leveraging private sector investment into the sector, with some funds being loan schemes, rather than grants, so will be paid back in future. It is this leveraging of the private sector that has led to investment in Scotland's renewable energy industry having doubled in 2012 to more than £1.5 billion².

Reduce Scotland's carbon footprint

Scottish Government support for the renewable energy sector in the 2012-13/ 2013-14 budgets, as well as previous budgets, has helped Scotland to significantly reduce its carbon footprint. For instance, the UK Government's Department of Energy and Climate Change (DECC) has stated that electricity generated from renewables in Scotland displaced 8.36 million tonnes of carbon dioxide emissions in 2011 (the last year figures are currently available for)³.

¹ <http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator>

² <http://www.scottishrenewables.com/news/record-output-and-record-investment-decc-trends/>

³ <http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm120910/text/120910w0003.htm#12091037001745>

However, heating in Scotland currently represents over 50% of total energy demand, produces 47% of Scotland's CO₂ emissions and accounts for 60% of domestic energy costs. Yet, at present, very little of our heat is generated from renewable sources. Therefore, it is an economic, social and environmental imperative that we encourage different forms of renewable energy technologies to provide clean, sustainable and affordable heat to Scotland's homes and businesses.

Renewable heat

Scottish Renewables welcomes the Scottish Government's intention to produce a Renewable Heat Generation Statement in 2013 which should clarify the heat output required to meet the Scottish Government's 11% target for renewable heat. Only by increasing the deployment of renewable heating will we be able to meet our renewable energy and climate change targets.

The continuation of Scottish Government's Heat Mapping Programme across local authorities to highlight areas of heat supply and demand should continue to be supported. In addition to individual local authority heat maps, Scottish Renewables would like to see a Scotland-wide heat map to allow a more strategic approach to the development of heat networks in Scotland.

District heat networks have long been used in other European countries to deploy large volumes of renewable and low carbon heat. Despite strong political support, there has been very limited development in Scotland. The District Heating Action Plan recognises the need for further support in this area and it is important that the Budget takes account of this. The continuation of funding schemes such as the District Heating Loan Scheme and Warm Homes Fund will be required to increase the uptake of renewable heat technologies and help to reduce fuel poverty. Further investment towards infrastructure costs will also be needed to expand networks.

In order to more holistically tackle the goal of reducing Scotland's carbon emissions, Scottish Renewables believes that, as well as having a national indicator to 'Increase renewable electricity production', the Scottish Government should also look at bringing in a specific indicator to 'Increase renewable heat production'.

Increase renewable electricity production

In general, Scottish Renewables believes that the Scottish Government's support for the renewable energy sector in 2012-13/ 2013-14 budgets, as well as previous budgets, has helped significantly increase renewable electricity production by providing a positive and stable political and financial framework from which the renewable energy sector can grow. This framework has led to a situation whereby Scotland's renewable energy industry became the second largest source of our electricity generation in 2011, beating both coal and gas for the first time⁴. Scottish Renewables also estimates there are over 11,000 full time equivalent posts currently reliant on the renewable energy sector in Scotland⁵.

We hope the Scottish Government and its partner agencies continue the support they have shown for increasing renewable electricity production in future budgets.

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65906/7343-energy-trends-december-2012.pdf (p.51)

⁵ http://www.scottishrenewables.com/static/uploads/publications/final_sr_jobs_report_21032012_-web.pdf

Also, in light of delays in developing the relevant electricity infrastructure needed to support the wind, wave and tidal industries, Scottish Renewables hopes the Scottish Government can take additional steps to accelerate this progress.

Marine Scotland

Marine Scotland runs vital environmental research programmes for the offshore renewables industry, helping to fill knowledge gaps in relation to strategic, industry-wide areas of uncertainty, ensuring the industry grows in the most environmentally sustainable manner. That work has included support for the Offshore Renewables Joint Industry Project (ORJIP) for offshore wind, and we would like to see a similar programme of works being undertaken for the wave and tidal industry. While the development of the wave and tidal programme of works is at a very early stage, as with ORJIP, it is likely funding support from Marine Scotland will be required.

In addition to these research programmes, Marine Scotland also runs a series of cruise surveys which monitor a variety of parameters including multibeam, sea bed ground truthing and sub-bottom profiling. Data sets from the cruises are uploaded onto Marine Scotland Interactive and provide an invaluable tool for marine energy developers. Resource for the continuation of this programme of works must be secured and ideally increased, to enable an expansion in scope in relation to both geographical coverage and types of survey undertaken.

The key to the successful and timely consenting of offshore renewable energy development is the continued support of Marine Scotland. Given the large volume of consents Marine Scotland's Licensing and Operations Team are currently considering, it is crucial they are properly resourced and equipped to process applications in the Scottish Government's budget.

Ports, harbours and manufacturing facilities

To secure the full social and economic benefits of offshore wind, wave and tidal energy development in the waters around Scotland, as well as from those projects across the UK and Europe, it is imperative that Scotland secures a strong, indigenous supply chain. However, as recognised in the Scottish Government's Offshore Wind Route Map⁶, a key challenge remains unlocking private investment for the development of port and manufacturing facilities.

Manufacturers are unable to commit to plants without orders from developers; orders which developers are unable to place in the absence of consents and visibility of a viable supply chain. If we do not address these issues, Scotland jeopardises its ability to compete with existing European facilities and the thousands of jobs that would be created.

This not only highlights the need for continued support of Marine Scotland's planning and consenting work, but also the need for public investment in infrastructure, namely around ports and harbours. The £70 million National Renewables Infrastructure Fund (N-RIF) was announced in 2010 and aims to leverage significant private sector investment to strengthen port and manufacturing facilities, however we understand that only a small proportion of this fund has been allocated to date.

⁶ <http://www.scotland.gov.uk/Publications/2013/01/5856>

It is imperative that the remaining N-RIF monies are secured and allocated to support the National Renewables Infrastructure Plan⁷.

The Offshore Wind Route Map tasks the Scottish Government with allocating funding to deliver a strategic port facility on the east coast of Scotland to facilitate offshore wind development and attract inward investment from the supply chain. This may come from the existing N-RIF, however the Budget should also consider how further government support in this area could reduce the risks for manufacturers and overcome the challenges which they currently face.

Wave and tidal – capital and revenue support

While the wave and tidal sectors have seen unprecedented inward investment over the last 12 months, access to finance remains one of the sectors' most important challenges. As the industry moves towards the deployment of commercial arrays, the risk profile of these developments remains high. As recognised in the Scottish Government's Marine Energy Action Plan⁸, public sector intervention in the form of both capital and revenue support continues to be required.

While discussions around Electricity Market Reform (EMR) continue to progress, there remains a real risk that it will not deliver the level of support required by the wave and tidal industry. It is crucial that Scotland secures the appropriate mix of capital and revenue support mechanisms that will accelerate the development of marine renewables and we wish to see this recognised in the Budget.

The Action Plan recognises that we must build on the £13 million Wave and Tidal Energy: Research, Development and Demonstration Support fund (WATERS) which supported the testing of new wave and tidal prototypes in the seas around Scotland, by providing further support for newer technologies entering the market. The second round of WATERS funding was allocated to five marine energy developers in August 2012 to help them secure an increased share of the growing international marine energy market.

The Scottish Government, in conjunction with Scottish Enterprise and Highlands and Islands Enterprise, is now tasked by the Marine Energy Action Plan with delivering this tailored support for new and emerging technologies. Scottish Renewables, therefore, looks to the budget to ensure the allocation of this funding.

Renewable Energy Investment Fund

The Renewable Energy Investment Fund (REIF) is made up of £103 million from Fossil Fuel Levy money that the UK Government released to the Scottish Government in the financial year 2012-13. Investment is focused on wave and tidal, district heating and community renewables projects⁹. While REIF is not expected to spend as much of its funding as expected in 2012/13, this is mainly down to external factors delaying projects, such as the UK Government's Electricity Market Reform

⁷ <http://www.scottish-enterprise.com/your-sector/energy/energy-how-we-can-help/renewables-support/energy-renewable-energy-reports.aspx>

⁸ <http://www.scotland.gov.uk/Topics/marine/marineenergy/wave/energyaction>

⁹ http://www.scottish-enterprise.com/~/_media/SE/Resources/Documents/PQR/REIF%20Q%20and%20As.pdf

(EMR) and the economic recession. However, we would urge for these funds to remain available for renewable energy projects in following years.

The Renewable Energy Investment Fund should be continued in the 2014-15 budget and beyond to meet the investment needs of emerging technologies and community projects.

Community renewables

The Scottish Government's Community and Renewable Energy Scheme (CARES) was formed to encourage the local or community ownership of renewable energy across Scotland¹⁰ with an aim of reaching a target of 500 megawatts of installed community and locally-owned renewable energy capacity by 2020. The scheme was previously delivered by Community Energy Scotland (CES) but is now being implemented by the Energy Saving Trust (EST).

Continued collaboration between industry and the EST will allow communities to access expertise within the renewables sector and also ensure that wider pieces of guidance, such as the work on good practice for community benefits and the community benefit register, are completed, monitored and updated as appropriate.

Scottish Renewables hopes that the support given to local communities by CES continues under EST and also looks forward to promoting the benefits of renewables to communities in conjunction with EST.

Home Energy Scotland Renewables Loan Scheme

The Home Energy Scotland Renewables Loan Scheme will help to develop the microgeneration sector by providing support for householders who wish to install a domestic renewables system or connect to a district heating scheme powered from a renewable energy source.

It is important that Scotland continues to support domestic renewables which can offer a valuable addition to Scotland's energy mix whilst reducing householders' reliance on volatile energy prices. Scottish Renewables would therefore like to see continued funding for this programme in the budget.

Reduce the proportion of individuals living in poverty

In Scotland, approximately half of all the energy we use is for heating, but with around 900,000 households – more than 1 in 3 – estimated to be in fuel poverty, the need for more innovative, cost-effective means of heating our homes has become an even greater priority. Targeting these homes, for renewable heat installations, will produce the maximum carbon dioxide savings and significantly address fuel poverty in Scotland.

Scottish Renewables, alongside other stakeholders, successfully lobbied DECC to allow Registered Providers of Social Housing access to the domestic RHI so they can receive the financial support necessary to install renewable heat technologies in their properties¹¹. However, further funding from the Scottish Government may be

¹⁰ <http://www.energysavingtrust.org.uk/scotland/Communities/Community-And-Renewable-Energy-Scheme>

¹¹ <http://www.scottishrenewables.com/news/scottish-renewables-domestic-rhi-social-landlords/>

required to ensure that those in fuel poverty are properly targeted by the installation of these renewable heat technologies.

Increase the number of businesses

Budget support from the Scottish Government, as well as a generally positive attitude towards renewable energy, has led to a situation whereby a number of multinational companies have decided to make Scotland a key base for their renewable energy operations. Recent examples of international companies choosing to locate in Scotland include Areva¹², Gamesa¹³, Mitsubishi¹⁴, and Samsung¹⁵.

Scottish Renewables would like to see the continuation of the work undertaken by Scottish Enterprise, Scottish Development International and Highlands and Islands Enterprise to bring international companies to Scotland and to support Scottish companies in the renewables sector, and would like to see this recognised in the budget.

Non-Domestic Rates

Another positive move the Scottish Government made was the introduction of the Non-Domestic Rates (Renewable Energy Generation Relief) (Scotland) Regulations 2010. Scottish Renewables fully supports the continuation of this scheme, which provides greatest benefit to smaller-scale and community renewables projects, and which makes a material difference to the economics of these projects.

Improve the skill profile of the population

Increase the proportion of young people in learning, training or work

The Scottish Funding Council continues to invest £300,000 in Scotland's Colleges Energy Industry Partnership. This is proving to be an extremely valuable resource for industry and further education and has shown that it can respond quickly to changing skills requirements from employers, pool expertise and resources, and reduce unnecessary duplication.

Scottish Renewables would like to see continued support and additional resource given to both the Scottish Funding Council and Skills Development Scotland to ensure that the necessary training provision and academic courses are available to meet the industries future needs.

Improve knowledge exchange from university research

Increase research and development spending

The Energy Technology Partnership (ETP) consists of around 250 academics and 600 researchers, and is the largest, most broad-based power and energy research partnership in Europe, and it recently established an Energy Industry Doctorate Programme in Renewable Energy and Low Carbon Technologies

¹² <http://www.bbc.co.uk/news/uk-scotland-20390785>

¹³ <http://www.bbc.co.uk/news/uk-scotland-scotland-business-17489118>

¹⁴ <http://www.heraldscotland.com/business/company-news/mitsubishi-set-to-invest-20m-at-livingston-base.21440776>

¹⁵ <http://www.scotland.gov.uk/News/Releases/2012/01/samsung31012012>

The £35 million Prototype Offshore Wind Energy Renewables Scotland Fund (POWERS) has been established to recognise the production of prototypes is both speculative and high risk and will provide financial support for capital and operational costs associated with the production of full scale prototypes of next generation offshore wind turbines. Similarly, The Scottish Innovative Foundation Technologies Fund is looking at offshore wind foundation projects¹⁶, and Scottish Enterprise and Highlands and Islands Enterprise are planning research and development funding for ideas that may reduce the cost of producing energy from offshore wind¹⁷.

The launch of Scotland's International Technology and Renewable Energy Zone, where industry and academia are working together to meet the challenges associated with the development of the offshore renewables sector, aims to introduce efficiencies, reduce risk and drive down costs. The University of Strathclyde's £89 million Technology Innovation Centre (TIC) also provides a hub for world-leading research, transforming the way academics, business, industry and the public sector collaborate.

Scottish Renewables would like to see continued support allocated in the Budget to support all of the above programmes and bodies.

¹⁶ <http://www.scottish-enterprise.com/your-sector/energy/energy-how-we-can-help/energy-funding/innovative-foundations-fund.aspx>

¹⁷ <http://www.scottish-enterprise.com/your-sector/energy/energy-how-we-can-help/energy-funding/offshore-wind-funding-project-call.aspx>