

POLICY NOTE

THE HEAT NETWORKS (SUPPLY TARGETS) (SCOTLAND) REGULATIONS 2023

SSI 2023/XXX

The above instrument was made in exercise of the powers conferred by section 92(5) of the Heat Networks (Scotland) Act 2021. The instrument is subject to affirmative procedure.

Summary Box

The purpose of this instrument is to set a target for the supply of thermal energy delivered through heat networks in Scotland.

Policy Objectives

The instrument requires the Scottish Ministers to ensure that the combined amount of thermal energy supplied by heat networks in Scotland reaches 7 TWh by 2035.

This will provide certainty to the sector about Scotland's ambitions for heat network deployment, and obligate the Scottish Government to support the growth of the sector as may be necessary. The proliferation of heat networks can reduce emissions from homes and non-domestic premises and, in the right circumstances, provide affordable heating.

EU Alignment Consideration

The European Union (EU) Energy Efficiency Directive (Recast) 2021, which is still undergoing the EU parliamentary process, currently sets out that Member States should promote and facilitate deployment of efficient district heating.

The setting of a further target for heat network deployment in Scotland through this SSI will indirectly contribute to the promotion of district heating and is therefore in line with emerging EU policy. However, the Scottish Government's direct promotion and facilitation of these systems is being pursued under a range of other ongoing and proposed policies and programmes.

Consultation

A public consultation took place from 16 December 2022 to 11 March 2023. As a result of that consultation there was general support for the level of ambition that the proposed target set. There was also discussion about:

- Whether it would be better to set the target as a percentage of Scotland's total heat demand rather than at an absolute level (as proposed, in TWh);
- How the proposed target would translate to a target for each local authority, given the wide variation in potential for heat networks across Scotland's 32 local authorities;

- The importance of ensuring that future information, particularly that gathered through Local Heat and Energy Efficiency Strategies (LHEES) and Building Assessment Reports, is reflected in the target;
- That the achievement of the proposed target would require a significant increase in capital funding and resourcing of local authorities; and
- A desire to align the proposed targets with other statutory targets, particularly those relating to climate change and fuel poverty.

As a result, the Scottish Government intends to use this instrument to set the target at that level.

However, considering the responses received, the Scottish Government has also committed to keeping the 2035 heat network target (and, if appropriate, other heat network targets) under review. This will, for example, allow the Scottish Ministers to consider the heat network opportunities identified in Local Heat and Energy Efficiency Strategies (LHEES) which local authorities are due to publish by the end of 2023 and update on a 5 year basis. These Strategies will identify the potential heating system changes that may occur in a local area following extensive analysis and consultation, and therefore provide a richer understanding of future heat network output across Scotland.

Impact Assessments

A Data Protection Impact Assessment (DPIA) has been completed on the draft SSI.

Following screening, it was determined that a Children's Rights and Wellbeing Impact Assessment (CRWIA), Equality Impact Assessment (EQIA), Fairer Scotland Duty (FSD) Impact Assessment, Islands' Communities Impact Assessment (ICIA), nor a Strategic Environmental Assessment (SEA) were required given that the target itself has no direct impacts.

The Scottish Government, and other public bodies will undertake any impact assessments necessary as any further plans, policies and programmes to deliver on this target are developed.

Financial Effects

A partial Business and Regulatory Impact Assessment (BRIA) has been completed and is attached. The impact of this policy on business is consistent with those identified in the BRIA for the Heat Networks (Scotland) Act 2021. We do not expect any new impacts to arise from the setting of this target, though they may rise in line with the increased deployment of heat networks that this target requires.

The BRIA also identifies an established workforce associated with the heat networks sector, which stands to expand further in pursuit of delivering the target this instrument sets.

Scottish Government
Energy and Climate Change Directorate
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