

Email to:

heatmarketmechanism@beis.gov.uk

12 January 2022

To whom it may concern,

Market-based mechanism for low carbon heat: consultation

Scottish Renewables is the voice of Scotland's renewable energy industry, working to grow the sector and sustain its position at the forefront of the global clean energy transition. We represent around 270 organisations across the full range of renewable energy technologies in Scotland and around the world, ranging from energy suppliers, operators and manufacturers to small developers, installers, and community groups, as well as companies throughout the supply chain.

Scottish Renewables welcomes The UK Government's commitment to finding a mechanism to enable a low carbon heat rollout.

We note that the consultation document states that:

“Under the lead option that we are most likely to pursue, this mechanism would create an obligation on the manufacturers of fossil fuel heating appliances (gas and oil boilers) to achieve the sale of a certain level of heat pumps proportional to their fossil fuel boiler sales in a given period.”

We do not think such an obligation would be feasible due to a complex supply chain where suppliers cannot control the heating systems consumers want. The obligation would result in suppliers not being able to trade for part of the year when their quota for gas boilers has been reached. They would then need to start trading credits with other suppliers – this would be very complex. Many of the companies that would be affected are small micro-businesses and this could add in yet more complexity.

The alternative option of an obligation in the energy supply market could lead to unintended consequences as can be demonstrated by the current energy price cap which has resulted in a number of energy companies going out of business.

6th Floor, Tara House, 46 Bath Street
Glasgow, G2 1HG
☎ 0141 353 4980 📧 @ScotRenew
www.scottishrenewables.com

Scottish Renewables Forum Limited.
A company limited by guarantee in Scotland No.200074
Registered office: 6th Floor, Tara House, 46 Bath Street,
Glasgow, G2 1HG

Potential other options include:

- A 'Heat Pump Electricity Tariff' that is subsidised making operating costs significantly lower plus a capital grant to remove 50% from installation costs.
- Reductions in council tax and stamp duty for more energy efficient homes and/or homes that have low carbon heating systems (with top-up payments to local authorities from central government for loss of revenue from council tax).
- Very low interest loans for heating and energy efficiency work that are linked to the property, not the owner.

We disagree with the strategy of installing large numbers of small-scale individual heat pumps in order to meet the target set out in the Ten Point Plan of 600,000 heat pump installations by 2028.

Policy should focus on heat pumps as the solution in low regret areas off the gas grid and heat networks as the solution for major settlements.

Due to the correlation between off gas grid homes and fuel poverty, a greater focus should be placed on off gas grid properties. By framing the 600,000 heat pumps target around off-gas grid, progress can be made relatively quickly as data already exists on the location and number of such homes.

The Government should be promoting low carbon communal heating systems, based on heat networks, far more widely. These are more effective for retrofitting to Scotland's older, high density housing stock. Increasing the thermal efficiency of these buildings to a standard where heat pumps work effectively is more expensive than digging up the roads to lay heat pipes.

Scottish Renewables would be keen to engage further with this agenda and discuss our response in more detail.

Yours sincerely,



Helen Melone
Senior Policy Manager | Heat, Hydrogen and Solar
Scottish Renewables