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## Net Zero, Energy and Transport Committee

# Net Zero, Energy and Transport Committee report on The Heat Networks (Heat Network Supply Target) (Scotland) Regulations 2023 [draft]



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# Contents

<b>Introduction</b>	<b>1</b>
<b>Delegated Powers and Law Reform (DPLR) Committee consideration</b>	<b>2</b>
<b>Net Zero, Energy and Transport Committee consideration</b>	<b>3</b>
<b>Conclusion</b>	<b>8</b>

# Net Zero, Energy and Transport Committee

To consider and report on matters falling within the responsibility of the Cabinet Secretary for Net Zero and Just Transition, with the exception of matters relating to just transition; on matters relating to land reform, natural resources and peatland, Scottish Land Commission; Crown Estate Scotland, and Royal Botanic Garden within the responsibility of the Cabinet Secretary for Rural Affairs, Land Reform and Islands; and on matters relating to energy within the responsibility of the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy.



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# Committee Membership



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**Deputy Convener**  
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**Bob Doris**  
Scottish National Party



**Jackie Dunbar**  
Scottish National Party



**Monica Lennon**  
Scottish Labour



**Douglas Lumsden**  
Scottish Conservative  
and Unionist Party



**Mark Ruskell**  
Scottish Green Party

# Introduction

1. The [Heat Networks \(Heat Network Supply Target\) \(Scotland\) Regulations 2023](#) [draft] were laid in the Scottish Parliament on 25 September 2023. The draft Regulations were referred to the Net Zero, Energy and Transport Committee for consideration and are subject to the affirmative procedure.
2. It is for the Net Zero, Energy and Transport Committee to recommend to the Scottish Parliament whether the draft Regulations should be approved. On 6 October 2023, the Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights lodged motion [S6M-10778](#) proposing that the Committee recommends the draft Regulations be approved.
3. As stated in the [policy note](#), the purpose of the Regulations "is to set a target for the supply of thermal energy delivered through heat networks in Scotland." The policy note goes on to specify, "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." <sup>1</sup>

# Delegated Powers and Law Reform (DPLR) Committee consideration

4. At its meeting on 3 October 2023, the DPLR Committee considered the instrument and determined that it did not need to draw the attention of the Parliament to the instrument on any grounds within its remit.<sup>2</sup>

# Net Zero, Energy and Transport Committee consideration

5. At its meeting on 7 November 2023, the Committee took evidence on the draft Regulations from—
  - Patrick Harvie MSP, Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights, Scottish Government
  - James Hemphill, Head of Heat Networks Policy Unit, Scottish Government
  - Suzanne Le Miere, Head of Heat Networks Policy Team, Scottish Government

6. The evidence taken and debate held at that meeting can be read in the Official Report.

[Read the Official Report - 7 November 2023](#)

7. In his opening remarks, the Minister stated that the Heat Networks (Scotland) Act 2021 ("the 2021 Act") places a requirement upon the Scottish Ministers to set a 2035 target for the supply of thermal energy delivered through heat networks.<sup>3</sup>

## Interim targets

8. The Committee noted that Scotland produces an estimated 1.18TWh of energy from heat networks and asked what the interim targets are between now and 2035. The Minister replied that the 2021 Act set initial targets, and these Regulations propose a target for 2035. Suzanne Le Miere added:

” The specific targets that the Act sets are 2.6TWh by 2027 and 6TWh by 2030. One of the other things that we considered as part of the consultation was the advice from the Climate Change Committee that the UK should look to achieve around 20 per cent of heat demand through heat networks.”<sup>4</sup>

9. Referring to the 2.6TWh figure, the Committee asked the Minister if it is possible for Scotland to double its supply of thermal energy from heat networks in under three years. The Minister responded:

” In the previous parliamentary session, the Committee debated the targets that should be set in the Act. The 2030 target was the result of a committee amendment rather than a government proposal. ...I have set out the range of actions that we are already taking to meet the initial targets that were set under the Act. Today, we are proposing the 2035 target, and the Act requires us to set a 2035 target.”<sup>5</sup>

## Financial cost

10. The Committee asked the Minister how much it is going to cost to meet the 2035 target. The Minister responded:



” “The overall investment will come partly from public funds and partly from institutional investors. Unlike decarbonisation through energy efficiency, heat networks generate a revenue stream, which makes them potentially attractive for institutional investors. It is not possible at this point to produce an individual costing for every network that will be built between now and 2035.”<sup>6</sup>

11. The Committee asked the Minister if it is correct to say the 2035 target is being set before councils have completed their Local Heat and Energy Efficiency Strategies (LHEESs), and without a clear indication of the costs involved. The Minister reiterated that the 2021 Act requires the Scottish Ministers to set a 2035 target and suggested this sends a clear and positive signal to industry.<sup>7</sup>

### Local Heat and Energy Efficiency Strategies (LHEESs)

12. The Committee asked the Minister how the 2035 target relates to the LHEESs, and if the Scottish Government has a clear enough picture of the work being undertaken by councils to enable a target to be set for 2035. The Minister noted that this work is developing and that some councils have made more progress than others. The Minister added:

” “A significant number of local authorities have completed their LHEESs and others are due to complete the work by the end of the year. The picture that is emerging, local authority by local authority, demonstrates that we have a handle on where heat networks are likely to be introduced, as well as—to address the Convener’s concern once again—being confident that they will generate a return on investment. The developments will generate an income stream, which is one of the things that will make them attractive for investment.”<sup>8</sup>

13. The Committee asked the Minister if he saw opportunities for municipal ownership of heat networks. The Minister responded:

” “Yes. We have been exploring a range of models of operation. That might involve direct municipal ownership; it might involve joint ventures between local authorities and other partners.”<sup>9</sup>

14. The Committee asked the Minister for reassurance that rural local authority areas will not be penalised for not moving forward as quickly as other (urban) local authority areas. The Minister responded that heat networks are found in a range of urban and rural settings. He acknowledged that:

” “There will be a high level of potential in dense urban environments such as Glasgow, but that should in no way inhibit the development of networks in other parts of Scotland where they represent the most suitable approach to decarbonisation. That is why we are asking all local authorities to lead on the development of the LHEESs.”<sup>10</sup>

15. The Committee asked if the 32 individual strategies will be collated and presented as an overall plan, and when the Committee can expect to see money in the Scottish Government’s capital plan to assist with heat networks. The Minister stated that local authorities will produce their LHEESs and provide them to the Scottish

Government, and these will be shared with the Committee and made public. James Hemphill added:

” “We have six or seven out to draft at the moment, which is good progress. We are also undertaking an independent collation of the 32 strategies so that we have something that we can present to the Committee and others with an interest. I guess that that will map the opportunity areas across the country and give us an aggregate or total sum.” On the question of capital, the Minister reiterated that the Scottish Government already has in place the heat network support unit and the heat network fund.<sup>11</sup>

16. The Committee asked if local authorities will have targets set upon them as well, or if the 2035 target is an overall target. James Hemphill clarified that it is a national target.<sup>12</sup>

17. The Committee asked what happens if the target is not met. The Minister stated:

” “The act allows us to continue to review the target. I think that it is at least a fair possibility that we will review the target upwards rather than downwards but, if a future Government decides that heat networks have not been the success that I believe that they will be, it would be for it to come back to committee and Parliament and ask to review the target in the other direction.”<sup>13</sup>

## **Investment**

18. The Committee asked for more detail on what discussions have been held with institutional investors and how likely such investment is. The Minister stated that a range of discussions had taken place with individual potential investors and through the green heat finance task force.<sup>14</sup>

19. The Committee queried whether the Minister is "open as to whether it is private companies putting in heat networks or local authorities running them." The Minister responded that the Scottish Government had considered different models for the development and operation of heat networks. He added:

” “We think that it will be an attractive area for private investment, but we also know that there is a need for the public sector to give leadership, particularly at local level, where local authorities understand both the building stock and the energy resources that they can bring to bear. That is why they are leading on the development of LHEESs.”<sup>15</sup>

## **Regulation of heat networks**

20. The Committee asked the Minister whether he could foresee the Scottish Government taking a different position to the UK Government on regulating the price of heat. The Minister responded:

” "The aspiration is always to work together on issues that sit between devolved and reserved powers. Sometimes we are more successful at achieving that co-operation than at other times. As I mentioned, some of the changes that were recently made to the Energy Act at Westminster were agreeable, and we made good progress on some of those issues, although not necessarily all of them. We will continue to try to work together." <sup>16</sup>

## Skills

21. Referring to the target of 7TWh by 2035, the Committee asked the Minister if Scotland has the workforce and skills base to scale up its heat networks infrastructure from its existing 1.18TWh output. The Minister responded that the question "is relevant to the whole heat in buildings agenda" and said he has been working closely with his colleague, the Minister for Higher and Further Education, on the skills and education issue. <sup>17</sup>

## Energy from waste facilities and incinerators

22. The Committee asked to what extent the Scottish Government is reliant on existing energy from waste facilities and incinerators, and to clarify what contribution they will make to the achievement of the target. The Minister responded that he sees no reason why Scotland should not be using waste heat from existing facilities. He added:

” "...the Government has an approach on incineration that aims to move away from the development of new incinerators. However, the use of any source of waste heat from an existing facility—whether it is energy from a waste plant, a data centre or an industrial site—makes a valuable contribution by putting heat into a heat network." <sup>18</sup>

23. The Committee asked whether some facilities and incinerators could become less viable in the future if less waste is produced, therefore closing down or decommissioning early, and if this will have an impact on achieving the target. The Minister responded that heat networks are most effective when they have a range of heat consumers and heat suppliers. He stated:

” "Some networks will have a heavy reliance on a single heat source or small number of heat sources. Existing networks will be under a duty to bring forward a plan to decarbonise if they have a polluting heat source." <sup>19</sup>

## Accountability and consumer protection

24. Sarah Boyack, also in attendance, asked about the level of accountability and protection afforded to consumers through different operating models, such as public-private partnerships involving local authorities. The Minister responded:

” "I would like to see ambition coming from local authorities and, indeed, other bodies such as social landlords, which would see connection to a heat network as something that is in the interests of their tenants as well as their business model. If we do see that level of ambition from public bodies, including local authorities, it will contribute very substantially to meeting the 7TWh target." <sup>20</sup>

## Debate

25. Following the conclusion of evidence taking, the Minister moved motion S6M-10778 in his name—

That the Net Zero, Energy and Transport Committee recommends that the Heat Networks (Supply Targets) (Scotland) Regulations 2023 [draft] be approved.

26. Three Members made contributions—

- The Convener acknowledged the need to set and achieve a target but expressed concern at whether the target is achievable and the lack of an indication of cost. The Minister replied that the business and regulatory impact assessment for the Regulations suggests that the cost of meeting the target could be up to £6.2 billion. The Minister clarified that this constitutes £300 million of public funding, and the rest is to come from a range of sources.<sup>21</sup>
- Mark Ruskell endorsed the Scottish Government's approach in not setting a 2035 target in the 2021 Act, noting the apparent level of detailed work that has been carried out locally to understand what the target should be and how it can be achieved.<sup>22</sup>
- Douglas Lumsden expressed concern around the stated £6.2 billion figure and suggested it has not been made clear enough how the target can be achieved.<sup>23</sup>
- There were no further contributions.

27. The Convener invited the Minister to sum up and respond to the debate. The Minister concluded:

“Once again, I would say that we have consulted widely on a range of evidence-based targets. The target that we are setting was widely supported in the consultation. It sets out strong growth in the heat network sector, which we believe not only sends a signal about what we intend to achieve and builds confidence among investors but represents an achievable target that will help to decarbonise Scotland. I genuinely hope that, as we develop policy and the wider heat in buildings approach, members across the chamber will recognise not only the opportunity but the necessity of decarbonising Scotland's heat.”<sup>24</sup>

28. The motion was agreed to (by division: For 5, Against 0, Abstentions 2).

# Conclusion

29. The Net Zero, Energy and Transport Committee recommends that the draft Heat Networks (Heat Network Supply Target) (Scotland) Regulations 2023 be approved.

**Net Zero, Energy and Transport Committee**

Net Zero, Energy and Transport Committee report on The Heat Networks (Heat Network Supply Target) (Scotland) Regulations 2023 [draft], 17th Report, 2023 (Session 6)

- 1 Scottish Government (2023). [The Heat Networks \(Heat Network Supply Target\) \(Scotland\) Regulations 2023: Policy Note \(legislation.gov.uk\)](#)
- 2 Delegated Powers and Law Reform Committee. 56th Report, 2023 (Session 6). [Subordinate Legislation Considered by the Delegated Powers and Law Reform Committee on 3 October 2023](#) . (SP Paper 442)
- 3 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 2
- 4 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Cols 3-4
- 5 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Cols 4-5
- 6 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 5
- 7 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 5
- 8 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 6
- 9 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Cols 6-7
- 10 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Cols 7-8
- 11 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 8
- 12 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 9
- 13 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 9
- 14 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 9
- 15 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Cols 10-11
- 16 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Cols 11-12
- 17 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 12
- 18 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 14
- 19 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 15
- 20 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 16
- 21 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Cols 17-18

- 22 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 18
- 23 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 18-19
- 24 Net Zero, Energy and Transport Committee, [Official Report](#) , 7 November 2023, Col 19

