



Scottish Council for  
Development and Industry

## POLICY SUBMISSION

RESPONSE TO SCOTTISH GOVERNMENT ON:

PROPOSALS FOR IMPROVING THE ENERGY PERFORMANCE OF EXISTING NON-DOMESTIC BUILDINGS

**November 2008**

SCDI is an independent and inclusive economic development network which seeks to influence and inspire government and key stakeholders with our ambitious vision to create shared sustainable economic prosperity for Scotland.

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1. The Scottish Council for Development and Industry (SCDI) is an independent membership network that strengthens Scotland's competitiveness by formulating policies to encourage sustainable economic prosperity. Its members are drawn from businesses, local authorities, trades unions, educational institutions and the voluntary sector from across Scotland.

**Q1. Can we achieve the significant carbon emission reductions we need from non-domestic buildings by relying on the current measures and support available?**

2. SCDI supports the view that the starting point for energy policy is to save energy. SCDI welcomes the greater focus by government on measures and support to increase energy efficiency. Many businesses are participating in a range of international, UK and Scottish schemes, as well as private sector-led initiatives, and they are also voluntarily undertaking their own sustainability assessments, making their own carbon emission reduction targets and introducing their own comprehensive plans to reduce their energy demand. Energy efficiency is increasingly becoming a source of competitive advantage and profitability. Rising energy costs are magnifying the benefits of efficiency, but businesses also view higher carbon emissions as a reputational issue in the global market with which they cannot afford to be associated. New technology is being developed and piloted by Scottish companies to monitor energy waste in buildings and will become more widely available.

3. In response to the Scottish Climate Change Bill consultation, SCDI said:

“Guidance, advice and encouragement to take action to address climate change is important, but this should be underpinned by incentives to change behaviour. Rewards for early adoption of resource efficient processes or energy reducing measures should be widely introduced. These can help to alleviate the sometimes substantial costs that can be incurred when adopting these types of measures. For example, raising building standards to reduce the emissions from Scotland's domestic and non-domestic building stock will have significant costs implications. The costs will be passed on to the buyer or tenant which, without some form of offsetting policy, will impact on affordability.”

4. The current measures and support available will in the next couple of years be strengthened with the introduction of the Carbon Reduction Commitment trading scheme for large non-energy intensive businesses and public sector organisations, and the roll-out of Energy Performance Certificates. Both are supported by SCDI. With businesses already participating in Climate Change Agreements, the Carbon Reduction and the EU Emissions Trading Scheme etc, it would appear sensible to focus further action on the domestic sector.
5. Any further regulation on business should be proportionate, not duplicate forthcoming changes and be underpinned by incentives to change behaviour. In SCDI's view, the Scottish Government's proposals are not. They will cover the same non-domestic buildings as the Carbon Reduction Commitment and it must be questioned what they will add to it. They will further increase the complexity and costs of compliance and reporting requirements for businesses. Those with a number of sites with different energy needs and performance which may be covered by different legislation and regulation will be particularly affected. The proposals do not demonstrate an appropriate balance between regulation and reward. With the economy entering a recession and market mechanisms of rising fuel and energy prices already driving energy efficiency, further legislation and regulation would be unnecessary, costly and, possibly, counterproductive in reducing carbon emissions at this time. Businesses operate globally and higher costs in Scotland may damage economic competitiveness. The Scottish Government should more fully consider the risks associated with unilateral regulation.
6. SCDI would like greater emphasis from the Scottish Government on offering support which helps businesses to adapt. The extension of the household loan scheme to SMEs has been welcome, but, in SCDI's view, there is a need to consider a more ambitious scheme of incentives for early adoption for all. SCDI would suggest that the Scottish Government

examines how business rate reductions could be used to reward those investing in energy efficiency.

**Q2. Do you agree that we should seek to use a holistic approach to carbon assessment for the built environment when such methodologies are available?**

**Q3. How should we measure and account for our efforts in so far as they reduce indirect emissions?**

7. SCDI generally believes that the approach should be based on an end-user inventory as this provides the clearest incentive to improve energy efficiency. However, the methodologies for measuring responsibility for direct and indirect emissions, especially for larger organisations, are not yet tested and will be complicated. It would be preferable to agree international standards.

**Q4. Should Scottish Ministers take powers that place a statutory duty on the owners, or persons delegated by the owners of non-domestic buildings, to carry out an Assessment of Carbon and Energy Performance (ACEP) other than when a building is sold or rented out?**

8. For the reasons already highlighted, SCDI is not convinced of the need to introduce a statutory duty to obtain an ACEP. The Sullivan Report on a Low Carbon Building Standards Strategy for Scotland recommended that any scheme beyond the Energy Performance of Buildings Directive should be practical. These regulations will increase costs and complexity for businesses.
9. If ACEPs are to be introduced, SCDI would suggest that a one size fits all approach would be inappropriate and not all non-domestic buildings are suitable. There are buildings which need to be kept cool to protect technical or electric equipment. These would need to install costly air conditioning if energy efficiency improvements are mandated, producing no carbon emission reduction benefit. One example which has been highlighted to SCDI is telephone exchanges. Carrying out ACEPs on them all would not only be inappropriate, it would be polluting and a heavy cost for the communications network and may make Scotland less attractive for further investment.

**Q5. Should Scottish Ministers be able to vary the time intervals between EPCs as part of ACEPs?**

10. The time intervals for EPCs are set out in a European Directive for compliance by all EU Member States. Reducing the time between EPCs in Scotland as part of ACEPs runs the risk of putting Scottish businesses at a competitive disadvantage when compared to their UK and EU competitors.

**Q6. Should it be mandatory for cost-effective improvements identified within the ACEP to be actioned by the owners, or persons delegated by the building owners?**

11. Carbon reduction schemes are increasingly based on a market mechanism creating overall financial incentives to reduce emissions. Mandatory requirements for specific improvements would, in contrast, interfere in business investment decisions, could be a financial burden and may limit their opportunity to create and implement imaginative solutions. There is a danger that this may reduce their motivation to undertake their own voluntary initiatives and divert investment from other energy saving and carbon reducing measures which, overall, would have a more significant impact. For example, some businesses have found that Scottish planning policy and guidance on Combined Heat and Power schemes would appear to promote schemes which are not the most effective in terms of energy efficiency.

**Q7. Should consideration be given to extending legislation to include a requirement for operational ratings, as well as asset based ratings? If yes, should provision be made for sub-metering?**

12. Consideration should be given. However, this must involve consideration of the significant extra costs for any landlord with a number of tenants in the building in installing a sub-meter for all of them and consideration of the significant extra costs of introducing remote monitoring in unmanned buildings. These issues need to be resolved before the legislation is extended.

**Q8. Should there be an entirely separate process for historic/ traditional buildings to reflect their distinct characteristics, or should the requirements of such buildings be incorporated into a single assessment process which takes account of the characteristics of older buildings?**

**Q9. Do you agree with the suggested criteria at paragraph 6.13 that should be considered in the assessment of historic/ traditional buildings?**

**Q10. Can you suggest additional assessment criteria and are there other criteria and action you would like to see included? Are there criteria and actions which you think should be excluded?**

13. SCDI's preference would be for an entirely separate process for the buildings.

**Q11. Should responsibility for enforcement rest with local authorities or should there be some other body? Please offer suggestions for appropriate bodies?**

14. The key question is whether the introduction of a new statutory duty is necessary and appropriate at this time. SCDI believes that the mandatory enforcement process may indeed discourage or slow steps to reduce carbon emissions. The cost of inspections would, presumably, fall on businesses, along with the financial (and carbon) costs of attending inspections around Scotland, additional reporting and administration. This runs contrary to the conclusions of the Scottish Government's Regulatory Review Group.

15. SCDI can see difficulties with either suggestion. For many companies, local authorities would represent an additional environmental regulator. However, a new public body would clutter the regulatory landscape still further.

**Q12. Should contraventions and sanctions apply along the lines identified above?**

16. No. SCDI cannot support them while the proposals are in their current form.

**Q13. In many instances, the business and public sectors welcome regulation as it creates a level playing field, however, regulation needs to be proportionate and be sensitive to the needs of these sectors. As a tenant or building owner, what impact would these proposals have on you or your business? (Please indicate all positive and negative effects that you perceive may occur as a result of these proposals).**

17. Of greatest interest to SCDI is the impact on the Scottish economy and concern that resources would not be directed to measures which would have the optimal carbon reduction. SCDI does not believe that the proposals follow the five principles of better regulation agreed by the Scottish Government's Regulatory Review Group. In particular, they do not demonstrate proportionality by intervening only when necessary with the remedies appropriate to the risk posed, and costs identified and minimised. It would appear that factors such as economic growth and business competitiveness have not been taken properly into account. It might have been better for the Scottish Government to define the full range of specific actions proposed to meet the Scottish Climate Change Bill's budgets and targets for

widespread consultation and engagement with business, rather than bring forward these proposals in isolation. It is a concern that the Small Firms' Impact Assessment has not been undertaken at this stage and will only be so "as the proposals are firmed up". This implies that a decision has already been made to implement the proposals, when an assessment on their impact on small firms would have been helpful in commenting on whether they would indeed be beneficial.

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