



## **UNISON Scotland response: National Public Energy Agency – February 2022**

### **Introduction**

UNISON is Scotland's largest trade union with members across the public, private and voluntary sectors. We are the largest trade union in the gas and electricity sectors as well as in local government, and our members deliver housing and care in councils and housing associations. We are also the recognised trade union across a range of NDPBs including regulators. Our 200,000 members include some of the lowest paid workers in sectors like social care. They are householders struggling with rising fuel prices and now the anticipated costs of heating conversion. Stopping climate change is a priority issue for UNISON members, reflected in our nation-wide network of branch Green representatives. UNISON Scotland is a member of the Just Transition Partnership, established by Friends of the Earth Scotland and the STUC in 2016.

UNISON Scotland welcomes the opportunity to submit views on the creation of a new public agency to direct the roll-out of heat decarbonisation and energy efficiency.

### Timescales

The Scottish Government has set a target of converting 1 million homes and 50,000 other buildings by 2030, and to establish a national public energy agency by September 2025. The Heat in Buildings Strategy consultation report underlined just how much of the basic groundwork for heat decarbonisation has still to be done. Meeting the 2030 target will be extremely challenging; it requires converting 124,000 homes each year until 2023 and an increasing number annually from then, when currently only 3,000 homes per year on average are being converted to heat pumps. It is anticipated that creating a public agency will take up more than 3 years of the 8-year timescale to 2030. It's vital that this does not detract from the tasks at hand between now and 2025.

### Enabling factors

Strategic planning, support and funding is needed now to ensure that decarbonisation of heating achieves its potential as part of a just and green transition to net zero and a Green economic recovery from the pandemic. A statutory public body responsible for coordinating funding and the implementation work of national, regional and local actors is needed.

However, its effectiveness will depend upon the actions of the Scottish Government in working with the UK Govt to establish a UK-wide regulatory framework and in providing adequate public funding for the national

agency and local government to deliver decarbonisation. Increasing borrowing powers to a level similar to those of devolved administrations around the world must be the priority in the 2022 review of the Scottish Fiscal Framework, so that the Scottish Government is equipped to deal with the climate emergency.

UNISON believes that the approach to heat decarbonisation should be public sector driven and publicly funded rather than private sector led. Reliance on private finance to meet most of the estimated £33billion cost is mistaken. Private finance is the most expensive way to achieve change, cuts against the claimed social justice aims and takes time to mobilise which we cannot afford. It is incredible that the Strategy proposes “expanding already tried and tested models such as Public Private Partnerships” (PPP). The trying and testing has taught us that private financing costs Scottish taxpayers billions more than conventional public funding (see UNISON’s [At What Cost report](#)). In our 2017 [Combating Austerity](#) report we argued that to save the public purse billions of pounds the Scottish Government should buy back existing PPP contracts. The Green Heat Task Force should look at the evidence and reject PPP as an option.

Funding for heating decarbonisation:

- must be fair and transparent;
- must not be more expensive than public borrowing;
- must not put the burden of the transition onto low paid public service workers, tenants in the rented housing sector, or local communities.

Local government action is vital for the Scottish Government to meet its climate targets. In setting the 2022-23 Budget, the government ignored appeals including from the Parliament’s Local Government, Housing and Planning Committee, to provide the resources councils need to play their full role in meeting net zero. If new statutory duties are to be placed on councils regarding Local Heat and Energy Efficiency Strategies (LHEES), then there must be accompanying funding. The report of the [LHEES pilot evaluations](#) states that “If LHEES is introduced as a statutory duty, adequate funding, reflecting a comprehensive understanding of the resources and skills required to effectively design and deliver LHEES will be vital”. Without additional decarbonisation funding authorities will feel under pressure to meet their statutory duties and net zero plans by diverting funds from already overstretched and underfunded operational budgets, outcomes will be delayed, and Net Zero targets will not be met.

Rolling out energy efficiency retrofitting will be an immediate priority for the shadow public energy agency and the ease of doing this is greatest in the social housing sector. However, [the SFHA](#) say this remains constrained by the insufficiency of government funding, despite the doubling of the Social Housing Net Zero Heat Fund in the next financial year. This is short sighted, as [the example](#) of the German energy efficiency programme shows. The net impact in Germany was that the public purse ended up being a net beneficiary

from a fairly substantial energy efficiency programme that had required significant public funding.<sup>1</sup> In fact 3 times more public revenue was generated than the subsidised loan programme cost.

UNISON's 2021 research, [Getting to net zero in UK public services](#), evidences the savings to be made from public investment in decarbonisation measures across the public sector estate. Most energy efficiency measures pay back their investment cost within nine years, while some measures (such as circular procurement approaches) can generate savings immediately. We note that the decarbonisation of the public sector estate will be subject to a separate consultation this year.

### Social justice

The heating transformation is being attempted in the midst of a cost of living crisis, exacerbated by escalating energy prices. The ownership and governance of the energy sector, ineffectual regulation and government policies favouring the interests of private energy businesses is behind this crisis for consumers. Over 600,000 households are in fuel poverty and the number is growing.

This makes a *socially just* transition in heating even more essential. The Poverty and Inequality Committee's [recent advice on the Child Poverty Delivery Plan 2022-2026](#) identifies housing costs including associated fuel costs as a *priority* area for government action to reduce child poverty. This must inform the immediate work of the shadow national public energy agency.

Rising fuel prices, mortgage rates and rents combined with real terms cuts to wages and benefits presents the most challenging context in which to effect changes to householder behaviour that involve either hefty upfront costs or an additional burden of loan repayments. The Green Heat Finance Taskforce and the shadow national public energy agency must make a realistic appraisal of affordability taking account of the expected trajectory of household finances and conduct rigorous equality and child impact assessments on every aspect of the proposals. As stated, the funding approach must not cost more than public borrowing and must not put the burden of the transition onto low paid workers and communities.

### **What is needed to achieve transformational change: opportunities and challenges**

What is needed for heat decarbonisation, the opportunities and challenges for delivery, and the role of a new national agency are already well understood. These are set out in the report of last year's consultation on the Heat in Buildings Strategy. The key question is how to deliver decarbonisation whilst also achieving social justice and a green economic recovery from the pandemic.

In addition to public finance the following are needed to achieve a just, green transition to decarbonisation of heating:

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<sup>1</sup> STE Research Report 2011– Impact on public budgets of the KfW promotional programmes. Forschungszentrum Julich.

- An approach based on community wealth building principles to secure maximum benefit for local communities and economies, as well as the domestic economy.
- Action to fill gaps in supply chains where these exist and diversify economic ownership. Public or not for profit ownership of the supply chain would help to reduce the costs of heating conversion both at scale and for individual householders while ensuring greater access to fair work.
- There must be action to develop technology R&D and supply chains and skilled labour to support the heating transition as identified in the Heat in Buildings Strategy.
- A huge labour-intensive effort is required to deliver the retrofit of homes at scale as the immediate priority for the next few years. The STUC's [Green Jobs Report](#) estimates this could create up to 108,000 jobs. To achieve the necessary pace, local and inclusive job creation and fair work, this is best coordinated and delivered by local authorities.
- Public procurement must be used to drive green and decarbonisation outcomes in contract delivery and supply chains, and social justice outcomes by guaranteeing fair work, access to the workforce for trade unions and trade union recognition.
- Local government must be adequately funded to enable it to play its full role, as recommended by the [Just Transition Commission](#). The Just Transition Commission reported councils and social enterprises playing a leading role in combining climate action with social impact. But resources are needed to roll out and scale up these initiatives. Specifically local authorities should be provided with funding to establish municipal energy companies so that they can develop, own and deliver low carbon heat and energy efficiency infrastructure at local or regional level.

### **Regulation and enforcement**

The new national public agency should be directly accountable to government but independent of the sector it is regulating. As we understand it the agency will coordinate the delivery of heat decarbonisation and energy efficiency by a range of actors at different levels, along with investment, but will have no direct delivery role.

The consultation paper asks about evidence or case studies which demonstrate the effectiveness or not of new regulatory standards being enforced at national versus local level. A critical point is that effective enforcement requires adequate resources. The existing regulatory and enforcement powers of local councils have been undermined by years of under-resourcing by national government. Evidence for this is contained in UNISON's *Damage* series of reports which has looked at the impact of austerity on enforcement by [environmental health](#) (2018), [trading standards](#) (2018) and [building standards](#) (2017). Enforcement action by local authorities against neglectful private landlords has been severely constrained by lack of funding. Powers alone whether at national or local level are insufficient.

An effective means of enforcing energy efficiency and heating standards in the private rented sector is particularly important for a socially just transition, tackle fuel poverty and child poverty. In many areas a

growing proportion of low-income households especially families with children now live in private rented accommodation. There is an overlap which needs consideration between the regulatory role proposed for the national public energy agency, the introduction of a new housing standard for all tenures, and proposals for changes to housing regulation including a Regulator for private rented housing.

In general terms UNISON supports an approach of incentivising and supporting householders and landlords to meet the new standards rather than penalising and will comment on proposals as they are brought forward. The new public agency will be responsible for awareness raising. We believe a huge universal drive is needed to win the hearts and minds of householders and to support them in planning and implementing the necessary changes. Because there are proven difficulties in identifying and therefore targeting 'fuel poor' households, a door to door, street by street, neighbourhood approach is [known to be most effective](#). UNISON has argued (in [Warm Homes](#)) for free door to door assessments to be conducted, providing low income householders with remedial works free at the point of delivery, and giving access to interest free loans for those householders who are able to pay.

#### **Workforce participation/UNISON involvement (Qs 14-15)**

It is stated that the new public agency is being "co-developed" with partners. As the leading public sector trade union, with recognition in the energy sector, regulatory sector and across a range of NDPBs, UNISON's inclusion as a partner in this process would be beneficial. UNISON's is recognised by and manages relationships with a wide range of public bodies each funded and configured differently. This gives us a breadth of understanding of the advantages and disadvantages of different models.

The new agency should be designed with reference to the Fair Work Framework and the principle of effective voice. Employee representation on boards is already best practice amongst NDPBs and we would hope the Scottish Government would involve UNISON as a stakeholder when designing the new body, draw on our knowledge of NDPBs and what is most efficient, and consult us about employee representation on the governance of the new body.

**February 2022**

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