

What you need to know about net-zero and fuel poverty in Scotland



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Introduction

With so many strategies, route maps and consultations on minimum energy efficiency levels, renewable heating system requirements and fuel poverty, it can be easy to get lost in what seems like an ever-changing landscape. So, we've developed this handy guide to help CIH members navigate through net-zero.

Statutory targets

The Scottish Government has a range of statutory targets that have a significant impact on the housing sector.

In relation to **fuel poverty**, the [Fuel Poverty \(Target, Definition and Strategy\) \(Scotland\) Act 2019](#) sets out a new definition of fuel poverty linked to a minimum income standard (MIS). A fuel poor household is one where:

- More than 10 per cent (20 per cent for extreme fuel poverty) of net income is required to pay for their reasonable fuel needs after housing costs have been deducted; and
- The remaining household income is not enough to maintain an acceptable standard of living, defined as at least 90 per cent of the MIS once childcare costs and disability or care benefits are deducted.


It also sets out interim targets for fuel poverty and ultimately requires that by the end of 2040:

- No more than five per cent of households will be in fuel poverty;
- No more than one per cent of households will be in extreme fuel poverty; and
- The median fuel poverty gap of households in fuel poverty is no more than £250 in 2015 prices before adding inflation.

The Fuel Poverty Act requires the Scottish Government to have a [Fuel Poverty Strategy](#) and report regularly on progress. [Scottish Government modelling](#) estimates that 39 per cent of households in Scotland were in fuel poverty in April 2023 with the high cost of fuel contributing significantly.

For **net-zero**, the [Climate Change \(Emissions Reduction Targets\) \(Scotland\) Act 2019](#) sets a statutory target for Scotland to be net-zero by 2045, with interim targets at 2030 and 2040. As the housing sector contributes around 13 percent of all carbon emissions, it forms a key part of the Scottish Government's plans on carbon reduction. To meet the overall target, homes must meet a good energy efficiency standard and the majority will need to be using renewable heating systems, like heat pumps, by 2045.





The [Heat Networks \(Scotland\) Act 2021](#) aims to increase the use of heat networks across Scotland. The Act sets out statutory targets for the amount of heat to be supplied by heat networks to reach 2.6 TWh of output by 2027 (the equivalent of 120,000 homes being connected) and 6 TWh of output by 2030 (the equivalent of 400,000 homes).

The links between fuel poverty and net-zero

Improving the energy efficiency of homes can help to reduce the amount of energy needed to heat them to a suitable temperature and therefore help to reduce energy bills, in theory reducing fuel poverty. However, there is some concern that if significant funds need to be invested in homes to meet minimum energy efficiency standards and install renewable heating systems, these costs could be passed on to tenants through increased rent. The higher cost of electricity per unit also means that switching from a gas heating system could increase the risk of fuel poverty if it is not done in an efficient and sustainable way.

The Scottish Government has committed to ensuring a “Just Transition” to net-zero that focusses on maximising economic opportunities and community benefits so that people are not left worse off. A new Energy Strategy and Just Transition Plan is due to be published in summer 2024.

However, it is clear that the housing sector and Scottish Government need to be realistic about the costs involved in meeting net-zero and what can realistically be delivered. It is expected that minimum energy efficiency requirements across all tenures will have cost caps and exemptions. The Scottish Government estimates that it will cost £33 billion to decarbonise all of Scotland’s buildings and has committed to providing £1.8 billion over the course of this parliamentary term.

Net-zero strategies, delivery plans and consultations

The main net-zero strategy for housing is the [Heat in Buildings Strategy](#). This sets out how all of Scotland’s buildings (residential and non-domestic) will be decarbonised by 2045. HiBS includes a target for one million homes to be decarbonised by 2030, although [Patrick Harvie MSP](#) has since announced that this is unlikely to be achieved. Instead, the take up of renewable heating systems will be significantly scaled up throughout the early 2030s.


The strategy will be underpinned by a **Heat in Buildings Bill** which is currently being consulted on. Proposals include a statutory requirement for private rented homes to meet a minimum energy efficiency standard by 2028 and for owner occupied homes to meet the standard by 2033. It will also require the majority of homes across all tenures to move to renewable heating systems by 2045.

The bill is likely to include exemptions based on cost and feasibility to help ensure that requirements are reasonable and achievable. CIH members can find more details [here](#).

A separate consultation is underway on a new **Social Housing Net-zero Standard** (SHNZS) which will replace the Energy Efficiency Standard for Social Housing (EESH2) and is likely to be introduced from 2025. CIH members can find more details [here](#).

[Local Heat and Energy Efficiency Strategies](#) (LHEES) have also been published by local authorities setting out local approaches to heat transition. The strategies are required to provide a long-term strategic framework for the improvement of the energy efficiency of buildings in the local authority area and the reduction of greenhouse gasses from heating them. The Heat Networks Act also places a duty on local authorities to consider whether any areas are likely to be suitable for heat networks.

Around 1.5 per cent of Scotland’s heat is supplied by heat networks but increasing this proportion can help to meet the net-zero target. The Scottish Government’s [Heat Network Delivery Plan](#) seeks to expand the delivery of heat networks to meet the statutory targets set out above. Work is still underway to develop secondary legislation and guidance on some aspects of regulation and consumer protection. In the meantime, a £300 million [Scotland’s Heat Network Fund](#) has been established to support the development of large-scale heat networks across Scotland.



A timeline of key net-zero and fuel poverty milestones and targets

