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## SFT sets out the opportunity for the PPP community to proactively play their part in the transition of public buildings to “net zero”.

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The targets roll off the tongue easily now. In Scotland it is net zero emissions of all greenhouse gases by 2045 and for all publicly owned buildings to meet zero emission heating requirements by 2038.

Steady progress is being made through policy development; some targeted funding such as through the Scottish Green Public Sector Estate Scheme together with the development of supporting tools such as the Net Zero Public Sector Buildings Standard and some actions by building owners are providing support. It is early days though. These actions are helping, but individual discreet projects such as switching to LED lights in a building will not deliver the scale of the asset and behavioural change that is required. Substantial investment in energy efficiency and net-zero compatible heat sources will be required for every building.

As well as the setting of targets and policy development by government and the individual actions of building owners/managers, momentum is firmly building from an investors perspective. Environmental Social Governance is shaping infrastructure investor strategies and the move to climate related financial disclosures is another factor in steering the market to transition their asset investment and management to a net zero world.

Within the existing Scottish public estate there are around 120 PPP projects across the



education, health, office and custodial sectors, with many hundreds more spread across the UK. These assets are unique, but of course climate change does not discriminate between buildings procured under different contracts. Whilst the policy and regulatory environments develop and the targets move closer, PPP market players are beginning to consider pathways to net zero for assets delivered through PPP contracts.

An optimised pathway to net zero for an asset will work with the natural system lifecycle and investment patterns. This is likely to see investment made during the remaining life of many PPP contracts, even where these come to an end significantly before the 2038 policy deadline.

This needs to start with engagement across the various parties. Some key areas to frame early discussions include:

- The authority's net zero ambitions and how the PPP asset sits within their developing strategies;

- The early consideration of the project risk profile and the requirement to maintain the project return;
- Maintaining the integrity of the buildings if new energy systems are installed;
- The FM provider's ability to deliver the service and remain in a neutral position;
- Understanding of the due diligence required and costs; and
- The practical implications of a change procedure under the contract and the works themselves.

Whilst these are some of the key PPP contractual areas and set the framework for engagement, the underlying challenges for the building are the same as for many others in the public sector.

The maturity of the policy and regulatory environment means that the discussion is still about 'pathways' to net zero at this stage, as those pathways may well differ depending on the extent to which they focus on the use of technology. This should not stop the conversation. Now is the time for public bodies to engage with their partners and to prepare and develop their governance to set out a roadmap for decarbonising their PPP assets, albeit recognising of course this is in a changing environment.

Past and current experience of working with public bodies indicates a wide range of contractual knowledge and confidence in engaging with project companies on any contractual matters. There is a natural reaction for public bodies to steer away from these discussions at this stage until there is more clarity from government.

To help support public sector PPP practitioners, private sector providers and investors with direction on adopting a

systematic approach to the delivery of net zero in the PPP sector, we have produced [Guidance on pathways to net zero for assets delivered under PPP contracts.](#)

Designed to link into other current tools and guidance available to public bodies prepared by both ourselves and other organisations, the guidance proposes a staged process in the context of the natural opportunities that arise in the life of a PPP asset, whether that be through planned preventative maintenance, asset replacement and lifecycle planning, or in the preparation phase for the handback of the asset.

All stakeholders have a part to play in the transition to net zero and this guidance seeks to encourage a common language, understanding and approach across the PPP sector.

Whilst the drivers for contracting partners may be different in coming to the table to decarbonise a PPP asset, it will take a partnership approach to achieve the ambitious national targets and net zero related goals of each party.

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