



COMMITTEE: East Lothian Council

MEETING DATE: 17 February 2026

BY: Depute Chief Executive – Resources and Economy

REPORT TITLE: Memorandum of Understanding with Lothian Heat CIC

REPORT STATUS: Public

1 PURPOSE OF REPORT

1.1 The purpose of this report is to provide an update on the Memorandum of Understanding (MoU) that the Council is seeking to enter into with Lothian Heat Community Interest Company (LHCIC).

2 RECOMMENDATIONS

Members are recommended to:

2.1 Agree the Memorandum of Understanding that is appended to this report.

3 BACKGROUND

3.1 An Energy Report and Local Heat and Energy Efficiency Delivery Plan Update was considered by Council at its meeting in October 2025.

3.2 The report explained that LHCIC has been set up to provide a development vehicle to serve the interests of those living and working in East Lothian, Midlothian, and Edinburgh, and to meet the following charitable objectives:

1. To explore solutions for minimising waste heat and delivering clean, affordable heat to homes across the Lothians and Edinburgh.
2. To maximise community ownership of and benefit from future heat solutions.

- 3.3 The report advised that LHCIC wished to enter into a non-legally binding MoU with the Council to collaborate on finding heat solutions to support the people, Council, and businesses of East Lothian.
- 3.4 Council agreed with the principle of a partnership with LHCIC, which should be aligned with regional discussions, and subject to officers developing an MoU to be agreed at a future Council meeting. It was further agreed that this MoU should be brought to the December 2025 meeting of the Council for a report and decision.
- 3.5 A verbal update was given at the Council meeting in December 2025. The Council's Head of Development confirmed that a written report would be presented at the Council meeting in February 2026.
- 3.6 Subsequent to the meeting in December, Council officers prepared an MoU and shared this with LHCIC. There have been a number of revisions to the document since that time. Council officers submitted a final version of the MoU to LHCIC In January 2026. A copy of this is set out in Appendix 1 to this report.
- 3.7 LHCIC have confirmed in writing that they are happy with this final version. It is hoped that the MoU will be signed within a week of this Council meeting.
- 3.8 Council officers have continued to have discussions with regional partners. LHCIC have indicated that they hope to also agree MoU's with the other Lothian councils. It is hoped that the partnership with LHCIC will help meet the objectives of the Council's Local Heat and Energy Efficiency Strategy.

4 POLICY IMPLICATIONS

- 4.1 None.

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: None.
- 5.2 Human Resources: None.
- 5.3 Other (e.g. Legal/IT): None.
- 5.4 Risk: None.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 ***Select the statement that is appropriate to your report by placing an 'X' in the relevant box.***

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 Appendix 1: Draft MoU.

8 BACKGROUND PAPERS

8.1 Report to Council on 28 October 2025 – Energy Report and Local Heat and Energy Efficiency Delivery Plan Update

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

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Tel/Email	kdingwall@eastlothian.gov.uk
Date	30 January 2026

Head of Service Approval

Name	Sarah Fortune
Designation	Depute Chief Executive Resources and Economy
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed
Approval Date	30 January 2026

MEMORANDUM OF UNDERSTANDING

Between **East Lothian Council (ELC)** and **Lothian Heat CIC (LH)**
("Parties")

1. Introduction

- 1.1. This Memorandum of Understanding (MoU) outlines the principles and broad framework under which ELC and LH will collaborate on finding heat solutions to support the people, council, organisations and businesses of East Lothian (hereafter referred to as "the Objective").
- 1.2. This MoU is not legally binding, and no legal obligations nor legal rights shall arise between the Parties from this MoU. The Parties each enter into the MoU intending to honour all their obligations.
- 1.3. Nothing in this MoU is intended to, or shall be deemed to, establish any partnership or joint venture between the Parties, constitute either Party as the agent of the other Party, nor authorise either of the Parties to make or enter into any commitments for or on behalf of the other Party.
- 1.4. Notwithstanding its non-legally binding nature, this MoU is intended to provide clear strategic direction and internal assurance to officers of East Lothian Council that collaborative activity with Lothian Heat CIC in pursuit of the Objective is authorised and supported by ELC.

2. Purpose and Objective

- 2.1. The purpose of this MoU is to ensure that both Parties are proceeding in a collaborative manner in order to achieve the Objective.
- 2.2. The Parties agree to work together to explore approaches to develop the following:
 - Regional and local scale district heat network opportunities;
 - Shared heat pump or other suitable solutions for appropriate rural communities;
 - Individual heat pump or other suitable low-carbon technology installations; and
 - Regional opportunities to work with local authority partners and community groups to deliver the cheapest possible heat price.
- 2.3. The Objective directly supports the delivery of East Lothian Council's Local Heat and Energy Efficiency Strategy (LHEES), approved by Council in October 2024, and provides an agreed mechanism through which officers may progress LHEES actions in partnership with Lothian Heat CIC.
- 2.4. In progressing the Objective, the Parties acknowledge:
 - ELC's current focus on the potential for a district heat network at Cockenzie, and the potential of utilising mine water geothermal energy for the Blindwells development and surrounding area.
 - Lothian Heat's current focus priorities are the potential opportunities at Mussleburgh, Cockenzie and Wallyford as well as the earlier development stages for the transmission network.

- Parties also recognise the need to retain flexibility to explore and progress other viable opportunities across East Lothian as external funding, data, or partnership opportunities emerge.
- A shared understanding that we seek to enable heat solutions that maximise long-term affordability, local value retention, local skills and business growth and community benefit, consistent with Scotland's net zero targets.
- A shared understanding that LH will seek to explore delivery models that maximise long-term affordability, local value retention, local skills building, and community benefit, consistent with Scotland's net zero targets.

3. Principles of Collaboration

3.1. The parties agree to adopt the following principles as part of this partnership:

- **Active collaboration** – Officers and representatives will engage constructively and in a timely way to progress agreed activities aligned with the Objective and the LHEES, whilst also recognising and respecting budget constraints and other time critical work being undertaken by partners, and committing to discuss and, in so far as possible, resolve competing priorities where these risk delaying progress.
- **Clarity of roles and accountability** – Each Party will be clear about its respective responsibilities and will take ownership of agreed actions.
- **Open and timely communication** – The Parties will share relevant information, opportunities and constraints as early as possible, subject to any statutory or confidentiality constraints. Communication will be open, transparent and honest, with the aim of fostering a collaborative relationship.
- **Alignment with governance and policy** – All activity under this MoU will be undertaken in line with Council-approved policy, statutory requirements and established governance arrangements.
- **Good faith delivery** – The Parties recognise the time-critical nature of heat decarbonisation and will act in good faith to progress agreed actions, escalating barriers where necessary rather than allowing inertia to stall delivery. The Parties will conduct interactions in a professional and respectful manner in support of the Objective. Each Party will listen to and value the perspectives of the other, and will act in good faith to support the shared Objective of this MoU.

4. Roles and Responsibilities

4.1. East Lothian Council:

- Undertake our duties and decision making in accordance with legislative requirements and established governance of ELC.
- Appoint a senior representative to liaise with LH;
- Commit to identifying and allocating appropriate officer time and expertise to progress projects of joint interest within the LHEES, using a pragmatic and proportionate resourcing approach, which may include full-time secondment, shared resourcing, or in-kind support, subject to mutual agreement.
- Explore how ELC land assets might support the heat network development at Cockenzie, along potential transmission pipe routes and at other strategic locations; and

- Actively support and, where required, co-sign or provide formal letters of support for external funding applications that align with the Objective and the LHEES, subject to internal governance and approval processes.

4.2. Lothian Heat CIC:

- Seek to unlock external funding to support dedicated project development capacity. Where such funding is secured, if additional ELC officer time is requested, the Parties will negotiate how additional officer time or full-time secondment arrangements may be supported.
- Seek to explore delivery models that maximise long-term affordability, local value retention, local skills building,
- Develop and finalise Governance arrangements with an experienced board with energy sector, heat network and financial expertise;
- Develop MoU's with key stakeholders and develop relationships that can unlock further detailed studies and action as required;
- Recognise that ELC's current position is that the delivery of heat networks cannot be dependent on capital resources from, or underwriting of debt by, ELC, given the financial position and wider demands on resources; however, to also recognise that in some cases a heat network may represent best value as a decarbonisation option for Council estates.
- Where agreed with ELC, LH shall be responsible for submitting applications for funding.

4.3. Joint Responsibilities:

- Collaborate in the overall planning and management of the Objective's activities and timelines; meeting at least quarterly to review progress against the Objective, address barriers to delivery and agree next steps;
- Facilitate where possible in the sharing of data, information and resources in a timely and transparent manner, whilst respecting that sometimes there may be impediments to this;
- Work together where possible to seek and secure necessary approvals, permits and/or licenses required for Objective activities; and
- Proactively communicate any challenges or changes in circumstances that may affect the Objective's scope, budget, or timeline.
- Work jointly, including with Scottish Enterprise and other relevant agencies, to explore opportunities for local and regional supply-chain development associated with heat network and low-carbon heat delivery.

5. Duration and Termination

- 5.1. This MOU shall remain in effect from the date of the last signature until the earlier of the (1) completion of the Project or (2) the exercise of Clause 5.2 below.
- 5.2. Either Party may terminate this MOU by providing ninety (90) days' written notice to the other Party. In the event of termination under this Clause 5.2, both Parties will cooperate to ensure an orderly wind-down of the Project activities.

6. Dispute Resolution

- 6.1. Any dispute arising under or in connection with this MOU shall be resolved by mutual discussion between the Parties.
- 6.2. If the Parties are unable to resolve the dispute by mutual agreement, they shall consider mediation or another mutually acceptable method of alternative dispute resolution.

Signed for and on behalf of [ELC]

Signature:

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Name:

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Position:

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Date:

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Signed for and on behalf of [LH]

Signature:

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Name:

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Position:

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Date:

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