

Energy Efficient Scotland: Consultation: Energy UK response

17 June 2019

Detailed responses to questions

1. *With regards to achieving an accelerated delivery of the standards proposed, do you think mandatory action for owner occupiers would be required? Please provide a rationale for your answer.*

In our 2018 response, we welcomed the Scottish Government's commitment to providing the long-term policy certainty of a time-bound target for the energy efficiency of homes. Energy UK acknowledges that the rate of energy efficiency improvements taking place is not likely to be at a level on its own that will meet the target of all homes in Scotland reaching EPC C by 2040. Without further intervention, there is a risk that the rate of upgrades taking place will continue to slow as the 'low-hanging fruit' of easier to treat properties and more established measures (such as cavity wall and loft insulation) are completed.

Across Britain in general, the market for energy efficiency upgrades outside of the supplier obligations has been limited, and as such, we support mandatory requirements in the form of minimum energy efficiency standards for owner-occupied dwellings to increase uptake. However, we also note that for mandatory minimum standards to be effective, there needs to be strong enforcement and penalties for non-compliance. The experience with minimum energy efficiency standards in the private rented sector to date has been relatively low levels of compliance.

Our recently published report, the Future of Energy, outlines our key positions on what is needed in the next decade to reduce emissions from buildings.¹ We consider that strong minimum standards are needed, signalled clearly in advance to give certainty to households of the need to make changes. This also needs to be backed up with incentives to encourage households to comply ahead of time and make it easy to do so. Investment in new types of measures and installation methods is also required to drive down the cost of making energy efficiency improvements.

We also recognise that while mandatory action through regulation is needed to achieve the level of change required to upgrade the energy efficiency of Scotland's housing stock, some households are less able to pay for improvements themselves. Therefore, we stress the importance of having programmes in place to support those on lower incomes, and households in or at risk of fuel poverty to improve their energy efficiency.

We commend the Scottish Government for being a leader in the UK in this space through initiatives such as the Home Energy Efficiency Scotland Area Based Schemes, and the commitment of £145m in the 2019/2020 budget to support the delivery of Energy Efficient Scotland. We consider that to provide certainty around the scheme, the Scottish

¹ Energy UK (2019), The Future of Energy, <https://www.energy-uk.org.uk/our-work/future-of-energy.html>

Government should develop detailed funding arrangements for the full lifetime of the scheme as far in advance as possible.

2. *What trigger points, e.g. sale, renovation, etc. could be used to require owner occupiers to undertake energy efficiency improvements?*

The use of trigger points to require owner occupiers to undertake energy efficiency improvements is a useful mechanism to ensure improvements take place, while minimising excessive disruption to occupants. The sale, tenancy and renovation of a property are useful points to require energy upgrades at the same time.

We consider that the responsibility to undertake energy efficiency improvements at the point of sale could be placed on either the seller or the buyer of a property. There are circumstances where buyers would be better placed to fulfil this responsibility, such as where the seller is moving to a care facility and is unable to arrange improvements themselves. A responsibility on the buyer could come with a fixed timeframe to make necessary improvements or incur a penalty. Alternatively, if with a seller responsibility, there could be a requirement, in lieu of upgrading the property before sale, to set aside funds as part of the sale process for future energy efficiency improvements to be carried out by the buyers.

We support the approach being driven in standards such as PAS2035, and the current policy intent of ECO3, to encourage multiple energy efficiency measures to be fitted at the same time to minimise disruption to households. The concept of deep, whole-house retrofitting is being recognised as the most efficient way to achieve significant reductions in household energy use and carbon emissions. Trigger points such as sale and renovation are a way to encourage households to install multiple measures, as the scale of the retrofitting required can be more manageable if other works are taking place at the same time, or occupants are vacating the property due to a sale.

However, we also acknowledge that in some cases, requiring significant upgrades at a single point in time can be impractical or unaffordable for some households. We would encourage the Scottish Government to carefully consider the circumstances where it may not be feasible to comply with minimum requirements all at once. In this light, we consider that better information is useful to help homeowners understand the improvements they could make to their properties over time. Comprehensive energy efficiency advice, is therefore important.

3. *When should mandatory energy efficiency targets be introduced for the owner-occupied sector? Should they be introduced before 2030?*

As recommended in our Future of Energy report, Energy UK considers that both domestic and non-domestic buildings should be at least an EPC Band C by 2030, or 2035 at the latest, to be sold or leased. Signalling an ambitious target for minimum standards ahead of time provides confidence and certainty to building owners that they need to act on energy efficiency. At the same time, clearly signalled targets give owner occupiers the opportunity to comply with regulations ahead of time. Coupled with strong incentives for the able to pay market, this could significantly increase uptake of energy efficiency measures.

4. *From a supply chain perspective, do you think bringing forward the timescales for the Programme would have a positive or negative effect on quality, skills & capacity and consumer protection? Please provide a rationale, and evidence where possible.*

There is a risk that significantly ramping up delivery will put pressure on the quality of delivery if not managed effectively. However, if timescales are signalled well in advance, this

could encourage new entrants to enter the market to meet the increased demand. The market for energy efficiency measures in the UK has traditionally been one characterised by 'boom and bust' cycles given its reliance on supplier subsidies. A more comprehensive programme for energy efficiency, backed up by public funding and a sustainable private market, could address this issue.

In saying this, a strong quality assurance framework is needed alongside ramped up delivery to ensure that energy efficiency measures are installed correctly and perform as expected. Therefore, we also welcome the Scottish Government's commitment to work with training providers to ensure skilled and qualified staff are available to deliver the level of change needed.

5. In your view, how would accelerating Energy Efficient Scotland help, and/or how would it hinder, plans to address fuel poverty?

Care needs to be taken to make sure that improvements in energy efficiency do not result in greater hardship or expense for those already finding it difficult to heat their homes. This is why ensuring adequate support to those in or at risk of fuel poverty is important. Energy UK supported the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill in our response to the call for evidence in November 2018, and noted that support needs to be made available for those unable to fund the cost of energy efficiency improvements themselves.

We acknowledge the concerns outlined in the consultation document that accelerated delivery of low-carbon heating sources could create negative outcomes for households in fuel poverty. This should be addressed by exploring existing areas of no or low regrets for joint heating and energy efficiency deployment to ensure that the transition incurs lowest cost and lowest disruption for customers. These measures include the opportunity to direct delivery towards those unable to pay, to enable those customers to be among the first to benefit from any reduction in the cost of heating their homes and the broader benefits derived from having a warm home.

6. With regards to reducing the emissions associated with the supply of heat, what are your views on consideration of energy efficient improvements alongside changes to heating systems?

We support an emphasis on a whole-house approach to energy efficiency upgrades, and considering wider energy efficiency measures when a heating system is upgraded is a sensible way to encourage this practice. Many of the energy efficiency measures that have been delivered to date through schemes such as ECO have been single measures, meaning that a significant proportion of dwellings that have already been treated will require further retrofitting in future, increasing disruption for households.

Requiring other upgrades, such as improved insulation, at the same time as a heating system upgrade may also make low-carbon options more attractive and cost effective. Low-carbon measures such as air-source heat pumps are currently more expensive to operate than carbon-based systems such as gas boilers. Addressing building fabric makes low-carbon options more feasible.

7. What are your views on using change of tenancy as a trigger to require the increased standard?

Change of tenancy is a useful trigger point to require energy efficiency upgrades. As noted in the consultation document, tenants in the private rented sector change dwellings far more frequently than in the owner-occupied sector and as such, it should be faster to upgrade these dwellings in this way through regulatory requirements alone.

We would welcome more detail on how requirements relating to a change in tenancy will be enforced. It is important that the agency responsible for ensuring compliance with the standard have access to tenancy information in order to know when a new tenancy agreement is entered into for a property that would be subject to the standard.

8. *What are your views on using 1 April 2025 as the date to start applying the minimum standard of C when there is a change in tenancy?*

Energy UK strongly considers that landlords have a duty to ensure that the properties they let out are of a good standard and are affordable for tenants to heat. We welcomed the previous proposal for all PRS properties to be at least EPC band C by 2030, and applying the minimum standard from 2025 as tenancies are changed is a logical step to ensure this target is met.

Requiring compliance well ahead of the target date may also support the supply chain's capacity to upgrade PRS properties. With a single, set target there is a risk that landlords will only look to comply with the standard immediately before the target date, putting pressure on the supply chain and costs.

As with our responses to questions 1 and 8, we consider that robust enforcement to underpin the minimum standard will be required to ensure landlords comply with this requirement.

9. *With regards to providing a useful tool to landlords planning and executing improvement works, what are your views on basing any cap of required works on a definition of cost-effectiveness and technical feasibility?*

As stated in our 2018 response, any definition of cost-effective needs to be workable with regard to the measures available for a given property. The estimated savings of a measure are notoriously difficult to calculate as is the pay-back period. For some improvements, the lifetime of the measure will be very long. It is unclear to Energy UK whether the definition would allow for situations where there are no savings as a result of energy efficiency improvements. It is often the case that fuel poor households simply cannot afford to heat their homes properly and as a result will not be turning on their heating. The installation of energy efficiency measures should improve this situation in that these households will be able to afford to heat their homes and use the needed electricity/gas. In these instances, there would be no savings.

The estimated lifetime for some measures can be very long. Energy UK is concerned that the proposed definition does not seem to take into account whether a measure is affordable in the first place for the households who will be funding them. If a household or landlord is looking to invest to insulate a solid wall property, the cost for this will be very high. The Scottish Government should, therefore, consider whether additional support for these types of measures can be provided through grant funding etc.

We also note that there is a risk that the proposed definition will restrict the number of options available to households or landlords which could ultimately result in properties not being cost-effective to treat and thus not meeting the required standard. This would make the overall Long-Term Standard difficult for the housing sector to meet. The Scottish Government should carefully consider how it might address the points raised above in finalising its definition of what makes a measure cost-effective.

As Energy Efficient Scotland sets long-term targets, it is important that any definition of technical feasibility takes into account advances in technology and installation methods over time. Given the length of the targets and timeframes set out, it is possible that the cost of

some measures will reduce and become cost-effective to carry out. Any exemptions based on technical feasibility should have a defined review period shorter than the life of the Energy Efficient Scotland programme, after which the property owner should be required to carry out an improvement or apply for a further exemption if the measure remains cost-prohibitive.

The level of any cap is also an important consideration. England's PRS cap was set last year at £3,500, and as a result less than 50% of EPC rated F and G homes are expected to be upgraded above EPC band E by 2020. Energy UK supported a cost cap of £5,000, as this captured a far higher range of measures, and would have seen more properties being brought up to an EPC band E or higher.

10. The Short Life Working Group have made recommendations which they believe represent the actions required to ensure that Energy Efficient Scotland will achieve consistently high levels of quality, health and safety and consumer protection. Do you agree? If not, what more or less should be done?

The recommendations of the Short Life Working Group appear similar to the recommendations made in the Each Home Counts Review in 2016, which Energy UK supports. The Review recommended the creation of a new framework for quality assurance and consumer protection, backed up by a new quality mark, code of conduct for consumer engagement, consistency in standards across certification bodies for different measures and more robust consumer advice and customer journey pathways.

As a result of Each Home Counts, Trustmark has been established to implement the recommendations, and is in the process of developing the necessary frameworks to provide a central system for lodging records of energy efficiency installations to improve the customer journey and identify risk areas for auditing scrutiny. Other improvements will include improving the enforcement of standards and the consistency of their application across certification bodies and scheme providers.

We would encourage Energy Efficient Scotland to take an approach to quality, health and safety and consumer protection that is consistent with the recommendations of the Each Home Counts Review, and where possible avoid any duplication in processes that could add additional costs to the supply chain.

11. Do you have any views on how this can be achieved whilst at the same time ensuring maximum participation from suppliers across Scotland regardless of their size and geographical location?

Our members' experience with delivering ECO in Scotland is that a quality assurance framework needs to take into consideration the delivery of measures in rural, remote and island communities. Due to the distances involved, installers often carry out multiple installations at once to mitigate the additional costs associated with transporting personnel and materials to these areas. Any quality assurance work that involves pre, mid or post-installation inspection should be designed with these factors in mind, to minimise the costs of compliance for the supply chain.

Additionally, ensuring consistency wherever possible with other efforts to improve quality and consumer protection in the industry will help to minimise the cost of compliance for the supply chain.

12. What do you think the role of Scottish Government should be in ensuring the quality criteria are consistently met?

Energy UK supports a comprehensive quality and standards framework for energy efficiency measures that maintains public trust and confidence in the supply chain and sector. While the Scottish Government will have a strong interest in ensuring quality in the supply chain, we consider the best approach would be to support existing quality assurance frameworks wherever possible. Where Energy Efficiency Scotland does require independent quality assurance, care should be taken wherever possible to ensure that it does not create unnecessary duplication for the supply chain that adds to costs.

13. Taking the above into account, what further incentives could drive further heat demand onto networks?

Incentives in this area should be focused on projects that aid in reducing fuel poverty and further delivery towards Scotland's decarbonisation targets. The amount of change being proposed in Energy Efficient Scotland is significant, and time should be given for these to take effect before adding further frameworks.

The most important element for enabling heat network uptake at present is the development of a regulatory framework and licensing system, as these will increase confidence from investors and consumers alike.

14. Taking the above into account, what further assistance could support the growth of approximately-sited, low carbon heat networks?

Enhancing the amount of information available about the state of the existing energy networks will help local areas to target investment appropriately. Whether this information is only made available to local planning authorities or, in line with the recommendations of the Energy Data Taskforce, is made publicly available is a matter for further discussion, but Energy UK supports openness in regards to energy system data.