Energy Action Scotland response to

Heat in Buildings Strategy – Achieving New Zero Emissions in Scotland's Buildings Consultation

May 2021

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Energy Action Scotland is the Scottish charity dedicated to ending fuel poverty. Energy Action Scotland has been working with this remit since its inception in 1983 and has campaigned on the issue of ending fuel poverty and delivered many practical as well as research projects to tackle the problems of cold, damp homes.

Energy Action Scotland's response focuses primarily on those areas that it considers may impact most on fuel poor and vulnerable consumers. Energy Action Scotland is neither a housing organisation nor a health organisation, but we are concerned about the health impacts of living in fuel poverty and that respiratory conditions which are exacerbated by living in a cold, damp home make up a high proportion of Scotland's excess winter deaths, both of which are linked to living in fuel poverty.

Fuel poverty is driven by four main issues, these being high energy costs, low disposable incomes, poor energy efficiency of homes and how energy is used in the home.

We believe that because of the implementation of the Heat in Buildings Strategy there should be a prioritisation of support to vulnerable and fuel poor households that provides real and lasting benefits. This can be in conjunction with reducing Scotland's carbon emissions but needs to be delivered in a fair and equitable manner.

We welcome this opportunity to contribute our feedback.

Summary

Fuel poverty remains a critical issue in Scotland, affecting one quarter of all households in 2019 according to Scottish Government data. Fuel poverty is driven by four main issues: high energy costs, low disposable incomes, poor energy efficiency of homes and how energy is used in the home.

As the detail of our response makes clear, there is much we welcome in the draft strategy. The overall direction of travel, towards significantly accelerated improvement in the energy efficiency of both housing in Scotland, is one for which we have campaigned since our inception.

However, we have a number of reservations which we summarise below. In our view, addressing these issues as the strategy is finalised will make it stronger and more consistent with fuel poverty aims, and at the same time help ensure its delivery.

We would also like to emphasise our continued commitment to work with the Scottish Government and other stakeholders to identify and implement cost effective solutions which meet the aims of both reducing climate change emissions and addressing fuel poverty in ways which are consistent with a Just Transition approach.

Key Points

The draft strategy commits to avoid exacerbating fuel poverty through its delivery. While this commitment is clearly made with positive intent, we do not believe it goes far enough. There is widespread agreement that fuel poverty is already at unacceptably high levels, and a revised commitment that all actions taken forward through the strategy should help address fuel poverty would be welcome, stronger approach.

Related, we are disappointed that a revised Scottish Fuel Poverty Strategy has yet to be published. In the absence of the overview a Fuel Poverty Strategy would provide, it is harder for stakeholders to comment on the detail of energy efficiency and low carbon heating proposals in the consultation, as those relate to fuel poverty.

Chapter 2 – A 2045 Pathway for Scotland's Homes and Buildings

We agree completely with the initial direction of travel set out in the strategy, of focusing on a fabric first approach, coupled with installation of low carbon heating in off-gas areas. In particular, we welcome and endorse the focus on work which helps address fuel poverty among those using direct electric heating – the group which has consistently experienced the highest levels of fuel poverty of any heating type.

We do not, however, agree that low carbon heating should become the default option through fuel poverty programmes for homes with access to mains gas. Mains gas has for some years offered the greatest comfort and lowest cost heating where available. While we accept that combinations of low carbon heating with solar PV and / or battery storage can in theory provide heat at comparable running cost to mains gas, we would be concerned that the increase in capital costs associated with taking this approach would mean that far fewer fuel poor households were able to receive new heating systems within overall fixed budgets.

Our focus is, of course, on domestic households in or at risk of fuel poverty. However, we also recognise that relatively lower energy efficiency and higher prevalence of direct electrical heating use in the non-domestic building stock creates related needs and opportunities. In particular, improvements to these buildings can reduce emissions, provide locations for the demonstration of new technologies, and also create headroom on electricity networks by reducing demand.

Chapter 3 - People

We recognise that the majority of easy energy efficiency measures have already been carried out. Remaining challenges are in settings which present greater barriers, ranging from properties in which communal agreement for relatively simple improvements is needed, to older, detached, off gas properties in remote locations. Engagement with householders to support and encourage them to take up measures in these circumstances will necessarily be more complicated.

We believe that locally trusted, community based organisations have a critical role in facilitating this engagement. While promotion is certainly part of the required package, we do not believe that awareness alone would lead to a large-scale change of behaviours given the cost and scale of work required.

Experience suggests that householders will need – in addition to theoretical understanding:

- Practical examples around them, to show what can be achieved – as noted above, community and public buildings offer opportunities in this respect.
- A clear and attractive financial offer: new energy systems will need to provide at least the same or better level of service and convenience at certainly no greater, and preferably lower, cost than is now available.
- Impartial assistance through the process of change, including financial assistance with up-front costs as well as advice
- Support on standards and redress, should things go wrong – the experience of the Green Deal illustrates the need for this, and also highlights the risk of poor performance by some rogue businesses putting off householders from taking action.

Equally, it is critical to avoid imposition of new technologies or processes without clear explanation and engagement of the benefits, and opportunities for instruction on use.

We understand and sympathise with the use of standards, such as PAS 2030/2035 as a means of helping give confidence to consumers. A pragmatic approach to the use of these standards is necessary. Whilst these specifications and standards are a challenge to business across Scotland this is even more marked in remote, rural and island areas where fuel poverty has the highest rates of incidence. We already estimate that there are low levels of readiness to achieve the certifications necessary for the assurance of delivery against the specifications and to the standard approach prescribed by PAS 2035.

Chapter 4 Place

While we fully endorse the strategic aims of LHEES, we do not believe the timescales proposed will be deliverable. The Scottish Government's guidance sets out the steps required:

1. *An assessment of existing local and national strategies and data availability*
2. *Authority-wide assessment of the existing building stock's energy performance and heat supply*
3. *Authority-wide setting of aggregate targets for heat demand reduction and decarbonisation of buildings – short and long term*
4. *Socio-economic assessment of potential energy efficiency and heat decarbonisation solutions*
5. *Selection of areas/ prioritisation of opportunities leading to the designation of zones*
6. *Costing and phasing of delivery programmes*

Considerable research, consultation and engagement will be needed in each authority to achieve these aims, as well as clarity on options for how large scale decarbonisation of homes connected to the mains gas network will be delivered. In addition, for LHEES to be effective, we believe they should incorporate consultation and promotional aims.

While data gathering and planning can and should start now, given the complexity and importance of the task, it would be more reasonable for the strategies themselves to be produced by 2025.

Chapter 5 – Preparing our Energy Networks

We welcome the consideration of network issues within this draft strategy as a significant step forward in joining up what have at times seemed distinct sectors in the past.

While EAS has long standing partnerships with network companies, we have generally worked with them more in relation to specific projects delivering positive impacts on fuel poverty.

Our concerns about the impacts on energy affordability of (current) low carbon heating for those on the mains gas network are covered above. We appreciate, though, that plans for the electrification of heat – at the same time as electrification of transport is taking place – are likely to have cost as well as technological impacts for all households, as a result of network reinforcement requirements.

Scottish Government data already show that rates of fuel poverty in more energy efficient homes remain unacceptably high. Part of the reason for this is the cost of electricity – for homes using mains gas, electricity costs represent a higher proportion of the total bill now than was the case in the past.

We believe that phased, strategic approaches to network planning and the use of technology to minimise the need for network reinforcement offer the opportunity to minimise extra costs – and also to reduce the need for associated investment in generating capacity to meet peak demands. To make best use of capacity which already exists, we believe that energy efficiency and upgraded low carbon heating systems should be targeted towards those dependent on direct electric heating in the short term.

While the carbon savings are likely to be lower than for those using heating oil or mains gas, the distribution network capacity released will help avoid unnecessary expenditure, and thus facilitate roll out of heat pumps to replace higher carbon fuels in future years. At the same time, those dependent on traditional electric heating have for many years experienced the highest levels of fuel poverty of any heating fuel, and comprehensive approach to address their situation is long overdue.

For this approach to be effective, the smart meter rollout, with associated flexible but user-friendly tariffs, will need to accelerate.

Chapter 6 – Kick-starting the Investment in the Transition; and

Chapter 7 – Working Towards a Long Term Market Framework

Broadly, we support the direction of the draft strategy under this heading. We would, of course, prioritise funding in the short term towards fuel poor groups, given the clear need to improve their circumstances at present. Against that context, there is clearly no shortage of ways in which £1.6bn could be invested in line with low / no regret options. Overall sums needed to deliver fabric improvements and low carbon heating in off gas areas in the domestic sector alone are likely to far exceed that sum.

However, we also recognise the medium and longer term needs to improve the housing stock as a whole, to guard against households falling into fuel poverty in the future, as well as to address carbon emissions. We appreciate the need to use public funds in ways which bring in private investment.

In considering this question, we believe it is helpful to consider the ways in which the significant progress in energy efficiency and renewable electricity generation we have seen in the last decade has been driven. In our view, this has been by:

- provision of free measures - loft and cavity insulation, SWI through ABS more recently
- regulation - most notably, on the introduction of high efficiency condensing boilers
- subsidy which makes investments attractive to private investors - most obviously, renewable electricity from various sources, exemplified by take-up of solar PV at household level and the current boom in offshore wind at industrial scale

Scottish House Condition Survey data show that the number of unsubsidised installations of loft or wall insulation remains very limited, and progress in installation of low carbon heating is similarly slow, despite current available subsidies.

Our conclusion from this is that investment will follow profitable opportunities, and current markets for energy efficiency and low carbon heat do not yet meet either householder or industrial investor requirements. Given this evidence, the most significant challenge for the Scottish Government is to identify ways in which private investment by homeowners, non-domestic building owners or larger scale commercial investors can be brought forward, using the minimum public funds required to make those investments more attractive.

Cash back (partial grants) and loans are examples of where the Scottish Government is already taking this approach. It would be helpful for the final strategy to be clear about what those mechanisms have achieved in the past, and the cost of those achievements, to inform future approaches. As we note below, a commitment to publishing evaluation of all such interventions would be helpful.

In addition, regulation or the expectation of future regulation can also drive investment, and there is a role for public funds in smoothing the introduction of new regulation.

Chapter 8 – A Regulatory Framework

We welcome the direction of proposals for a regulatory framework. We have seen clear and measurable benefits from regulation in the social housing sector and the proposed extension of those benefits is strongly positive. We also appreciate that, from a climate change perspective, action is long overdue given the carbon emissions from heating.

Our concerns in this area are therefore much more around the practicalities and timescales than the principles; consideration must given to the capacities needed to ensure that new standards can be effectively delivered. As far as possible, we also believe that the dates for achievement of required standards should be the same across all sectors, to reduce the risk of confusion.

To take a specific example, EAS has long campaigned for the introduction of minimum standards of energy efficiency in the private rented sector, and has participated in various Scottish Government working groups and discussion fora on this topic. We continue to believe there is a strong case for regulation, but appreciate the complexity involved in administering and delivering the required action to sure that new standards become a reality on the ground, and therefore deliver benefit for tenants. For this to happen, we believe local authorities need to build both administrative and advice capacity to work effectively with landlords.

We would have been pleased to welcome the target of EPC C by 2028 for the PRS had more targeted standards been introduced earlier; in the absence of that experience and capacity, we are concerned that the timescales proposed may not be practical. In current

circumstances, we think that a date of 2030 for both the private rented and owner occupier sectors is more consistent with the 2040 fuel poverty target, and also with the practical arrangements which will be needed.

We also believe that the proposed timescales for action on tenements and flats lack ambition, and could and should be brought forward to 2030. Informal feedback from our members suggests that lack of communal agreement in this type of property creates barriers to installation of highly cost effective measures, including cavity wall insulation. Whether or not it is possible to accelerate the implementation of minimum standards in tenements and flats, it would be helpful to research the scale of the remaining opportunity for lower cost measures and examine ways in which measures could be taken forward in the short term.

Chapter 9 – The Economic Opportunity

We agree that there are significant economic opportunities associated with the delivery of the strategy. We have also noted that there is a high degree of consensus that delivery of energy efficiency measures should be a core part of any green recovery.

Our main concern is that delivery pathway for measures needs to be consistent, and that any necessary changes are made smoothly and with as much notice as possible. We have seen that rapidly changing public sector policy, uncertainty about budgets and artificial financial year constraints leads to pressure on managing organisations, boom and bust for businesses, and frustration and disengagement for householders. This is most recently demonstrated by the UK Government's poor management of grants (Green Homes Grant) for energy efficiency in England.

To avoid these issues and maximise benefits as discussed in this chapter, the Scottish Government should ensure that public sector contracts are managed with as much notice as possible, across financial years, and with a consistent annual increase in resource available. This will ensure all businesses in the supply chain have as much certainty as possible, which will in turn help control costs for public sector programmes and for individual private households. We agree that investment in public sector buildings and in workforce development are essential components of the overall approach.

Chapter 10 – Working with the UK Government

We agree that further action at UK Government level is needed to deliver progress on energy affordability, fuel poverty and climate change in Scotland.

In particular, we agree on the need for clarity on the role of hydrogen (and / or biogas) in decarbonising the mains gas network. We agree that there would be benefits of at least having the option for Ofgem to regulate heat network providers in Scotland, although we would of course want to ensure that any future regulation of that sort provided benefits for fuel poor consumers.

We appreciate the imbalance between gas and electricity prices, and the theoretical attraction of changing that by moving environmental and social levies between the two. In practice, we would prefer an approach which removed social levies entirely from bills, in favour of increased spending through the benefits system, funded by general taxation.

In addition to helping reduce the gap between the cost of the two fuels, this would also have the advantage of being fairer in two ways:

- Fuel poor and low-income households would not contribute to the levies.
- Key benefits are already devolved to Scotland. Direct delivery through the benefits system would be simpler for consumers, avoiding the uncertainty and hassle of annual applications, and would also reduce duplicate administrative costs incurred by energy suppliers.

We understand the logic of the Scottish Government proposal for levies to be used to support a single Scottish fuel poverty programme. However, this in effect means that energy bills are being used as a source of public funding revenue – a tax in all but name. There is ample evidence that general taxation is a more progressive way to raise funding than from energy bills, given that energy bills account for a far greater proportion of household spending for lower income households than for those who are better off.

Chapter 11 – Monitoring, Evaluation and Future Decision Making

We agree that the overall outcomes for the strategy are largely appropriate, with the reservation above that it is difficult to finalise these in the absence of an overarching Revised Fuel Poverty Strategy. Overall, a framework is needed which maximises carbon reduction, social and environmental benefits and value for money.

However, the outcomes themselves are not quantifiable in ways which can demonstrate this; we would suggest that headline quantifiable indicators should be included, such as:

- A decrease in the number and proportion of households in fuel poverty
- An increase in both renewable heat capacity and renewable heat generation within that overall decline in heat demand
- The equivalent figures and trends for non-domestic buildings

All indicators should be disaggregated to local authority level, to simplify monitoring of LHEES delivery.

While quantifiable these are medium-term indicators, and it will take some time for changes to appear within them. Short term output and results indicators will also be needed to drive progress, and these are likely to focus on areas which are easier to count and manage at programme level. These might include:

- Continuing progress in insulation measures, particularly walls
- Installation of low carbon heating systems, split by tenure and by location.
- A reduction in both modelled and real-world domestic heat demand because of improved energy efficiency
- A reduction in both modelled and real-world carbon emissions from buildings

The final strategy should also commit to regular evaluation, as a matter of course, of all publicly funded programmes against these indicators. As value for money is also critical given limited budgets, monitoring should include cost per tonne of carbon saved, and the ratio between public and private sector funding. We accept that some measures will be more expensive than others, that that unit costs will be higher at pilot stages, and that it is important not to be driven by cost alone. However, the lack of availability of such data on previous interventions creates barriers to discussions on how to improve future approaches.

Finally, it would be helpful to be clear about Ministerial responsibilities for delivery of the programme, and about the roles and architecture of advisory bodies which will be required. EAS and our members remain committed to working in partnership to deliver shared aims, but given our limited resources, we want to prioritise our involvement where it will have greatest benefit.

1. **To what extent do you support the pathway set out for achieving the 2045 net zero target and the interim 2030 target?**

We agree with the 2045 net zero target, and with the initial steps towards it, continuing the current focus: installing energy efficiency measures in all homes, coupled with a combination of energy efficiency and low carbon heating in off gas homes, where such heating systems are proven to help address fuel poverty.

While we agree with the need to address carbon emissions associated with mains gas, we are less convinced of the practicality, affordability or desirability of replacement of mains gas systems by heat pumps on the time scale set out, given their (currently) higher capital and running costs. We would strongly suggest that more focus and greater priority is given to the impacts on heating costs of consumers, especially those in or at risk of fuel poverty, before significant steps are taken in this direction.

2. **What are your views on any risks of unintended consequences from this pathway?**

Installation of energy efficiency measures in all buildings and of low carbon heating in off gas grid homes are low regrets approaches. However, the primary and highly likely risk under current circumstances is that installation of low carbon heating, where it replaces mains gas, will lead to increased energy costs for households and therefore higher rates of fuel poverty. This would be inconsistent with the targets already set for the reduction of fuel poverty to 5% of Scotland's households by 2040 in the Fuel Poverty (Targets, Definition and Strategy) Act 2019.

3. **What are your views on our assessment of strategic technologies in low and no regrets areas to 2030?**

We agree that energy efficiency measures are a proven, low regrets technology, and emphasis should continue on improvements to the fabric of buildings.

In addition, we note that there are significant short-term opportunities to reduce emissions in non-domestic buildings. We would, of course, always prefer that the bulk of available funding was directed towards addressing fuel poverty. However, we also recognise the opportunities for work in non-domestic buildings, especially those with high public visibility, to help demonstrate the positive impacts of new technologies to wider audiences and to build industry capacity, as well as reducing emissions directly.

We have wider concerns associated with the large scale roll out of low carbon heating:

- At the household level, heat pumps may not be the most cost-effective technology for all homes, depending on their level of insulation, or for all householders, depending on their needs. A wider menu of options and bespoke advice to help householders through the process will be required, particularly for individual houses in rural areas for whom a more complex combination of insulation and different technologies is more likely to be required.
- Advice will also be needed post-installation, until householders are generally more familiar with new heating systems, to ensure that the systems do indeed deliver greater comfort and warmth at lower cost.
- We also have concerns about impacts at the system level. With the exception of some sources of heat for district heating systems, the pathway implies a massive increase in electricity demand, and there may be cost implications for all consumers, where policy costs are embedded in electricity charges, as a result of investment needed.

4. **What function should a new heat target serve?**

A target in itself is not enough to drive action, as the failure to achieve the original 2016 target to address fuel poverty has clearly demonstrated.

To be effective, any new heat target needs to integrate energy affordability and carbon savings, and also emphasise the role of energy efficiency in reducing heat demand.

5. **How do you think a new heat target should account for the need to deliver against our statutory fuel poverty targets?**

There is widespread agreement that fuel poverty is at unacceptably high levels at present. Therefore, any new heat target has to do more than avoiding making the problem worse; a new target, and associated strategy, has to actively support actions to reduce fuel poverty, while at the same time reducing carbon emissions.

For this to happen, the current commitment in the consultation effectively 'to avoid making the problem worse' needs to be strengthened accordingly. It is notable that Scotland does not have a Fuel Poverty Strategy at this time which should be providing context for all other related strategies and other Government interventions. We would welcome the opportunity to discuss in more detail how this could be achieved.

6. **Do you agree that a new heat target should apply to heat in buildings, distinct from industrial heat?**

We agree with this distinction. Reduction of carbon from industrial uses of heat will require approaches bespoke to different businesses and sectors.

7. **What form should a new heat target take and why?**

Ultimately, we would – and we believe, in common with many other people and organisations across Scotland – like to see concurrently:

- A decrease in the number and proportion of households in fuel poverty
- An increase in both renewable heat capacity and renewable heat generation within that overall decline in heat demand
- The equivalent figures and trends for non-domestic buildings

All indicators should be disaggregated to local authority level, to simplify monitoring of LHEES delivery. However, these are long term outcome indicators, and it will take some years for changes to appear within them. Short term output and results indicators will also be needed to drive progress, and these are likely to focus on areas which are easier to count and manage at programme level. These might include:

- Continuing progress in insulation measures, particularly walls
- Installation of low carbon heating systems, split by tenure and by location
- A reduction in both modelled and real world domestic heat demand as a result of improved energy efficiency
- A reduction in both modelled and real world carbon emissions from buildings

8. **At what level should the target(s) be set and for what date?**

We agree that the science on climate change would push for emission reduction dates as soon as possible. We would also emphasise the need, in line with Just Transition aims, for any and all individual interventions affecting households in or at risk of fuel poverty to reduce energy costs, as well as carbon.

The Scottish Government's own evidence on reduced but still high fuel poverty levels among households living in energy efficient homes (EPC C) shows that energy efficiency alone will not address fuel poverty, and therefore demonstrates the need for action on incomes and energy prices as well as energy efficiency. We appreciate these areas are outside the scope of this consultation – but, the absence of an updated fuel poverty strategy makes it impossible to offer informed comment on the particular role of energy efficiency and low carbon heating.

Further, we appreciate that there will always be financial resource constraints in any government-led programme, and feedback from our members also makes clear that there are both physical and human constraints on capacity for work at household level. It also seems possible that there will be physical constraints at the (particularly) electricity network level.

The aim, across Scottish Government, must surely be to deliver the highest carbon savings at lowest cost, and with greatest co-benefits in terms of social and economic gains. To achieve this, all of these factors should be considered in detail before overall targets or dates are finalised for areas with higher costs and greater uncertainties.

More positively, we would also suggest that it may be easier to set dates and targets for the low-regrets areas than for others, to help drive progress on the ground.

9. **What are the most significant actions we can take to ensure that Scotland's people and organisations are meaningfully engaged in the net zero heat transition?**

The information presented in the consultation highlights the lack of connection made by the public in Scotland between heating and climate change. However, even were this to change, we do not believe that awareness alone would lead to a large scale change of behaviours given the cost and scale of work required. Otherwise, experience suggests that householders will need – in addition to theoretical understanding:

- Practical examples around them, to show what can be achieved – community and public buildings offer opportunities in this respect.
- A clear financial offer: new energy systems will need to provide at least the same level of service and convenience at no greater, and preferably lower, cost than is now available.
- Impartial assistance through the process of change, including financial assistance with up-front costs and advice
- Support on standards and redress, should things go wrong – the experience of the Green Deal illustrates this need

Equally, it is critical to avoid imposition of new technologies or processes without clear explanation and engagement of the benefits, and opportunities for instruction on use.

10. **What in your view are the opportunities, if any, available to key organisations, such as local government, businesses and trade associations and community or other non-government organisations, in supporting this public engagement activity?**

Following from our answer for q9, we do not believe that engagement alone would be effective.

From the wider range of necessary actions, we identify in that section: we believe that Local Government should have a leading role in co-ordinating engagement work as an integral part of the LHEES process, and also in hosting impartial advice services and overseeing implementation standards and redress. This role is likely to require a significant investment in the scale and depth of expertise in some authorities, either directly or through third parties.

Housing Associations, given their experience in both energy efficiency and low carbon heating, will also be important partners in their areas.

Community groups, particularly those trusted at local level, are well placed to help facilitate engagement.

To ensure consistency, all involved must be able to demonstrate progress in their own buildings.

Trade associations can also help with engagement but are perhaps more likely to have reach into certain business communities, particularly where their members will face common issues. This might be more the case for accommodation providers, for example, than for manufacturing businesses.

11. **In your opinion, could any of the proposals set out in this strategy unfairly discriminate against any person in Scotland who shares a protected characteristic? (age, disability, sex, gender reassignment, pregnancy and maternity, race, sexual orientation, religion or belief).**

It is difficult to answer this question given lack of current data at present. We would welcome a greater level of detail in the breakdown of fuel poor groups by protected characteristic, and a similar approach in relation to all Scottish Government energy efficiency support.

12. **In your opinion could any of the proposals set out in this strategy have an adverse impact on children's' rights and wellbeing?**

There is a strong trans-generational element to discussions on both climate change and fuel poverty; today's children and young people are more likely to experience more significant negative impacts from climate change than are today's adults and older people. In that sense, proposals which reduce emissions are positive in the long term.

More immediately, there is a clear connection between fuel poverty, poor housing and lower educational attainment. Action on fuel poverty is therefore one of the drivers for improving children's' wellbeing and supporting a reduction in children living in poverty. Scottish House Condition Survey data show that 100,000 households with children were in fuel poverty in 2019, representing 17% of all fuel poor households.

13. **What further action can we take to support people to make informed choices on the energy efficiency and heating options available to them?**

The most important point here is that information and support should be provided through routes which are already trusted by different households. The combination of need for energy efficiency and (longer term) replacement of fossil fuel heating systems means that the vast majority of households in Scotland will be required to take action at some point in the next two decades; this is not a strategy which can succeed by targeting only a significant minority.

As above, we believe that the local authority level is the most appropriate one to co-ordinate approaches, through LHEES.

14. **What is your view on the current level of support and advice provided through existing services such as Home Energy Scotland and the Energy Efficient Business' Support service?**

We support the provision of national services to all households and businesses in Scotland. The nature and scale of what is provided to support vulnerable and fuel poor households in supported by a range of other services funded by Scottish Government or funded independently and delivered by charities and other third sector organisations. The value of this local trusted support is often under-valued and under-represented yet reaches some of the most challenging communities and families in crisis.

A clear focus and purpose are essential for programmes/services including Home Energy Scotland and the Energy Efficient Business Support Services. Their impacts are often reduced where their objectivity to support their client is compromised by advocating a particular policy objective and target to which the client is not party.

Both services in their published information reach a considerable number of clients. The scale and changing nature of the challenge set out in this strategy would suggest that significant changes to the services will be required. A full and independent evaluation of the effectiveness of these programmes are required ahead of any new delivery contracts being issued.

15. **Are there any further suggestions that you could provide on how the customer journey through these delivery services could be improved, in light of the ambitions set out in this strategy?**

We would suggest testing the current system by its ability to respond to test cases likely to be encountered. For example, one of our members lives in a rural village of around 700 residents, within 20 miles of Stirling, but without access to mains gas.

Housing types in the village range from pre-1919 villas, terraced housing, and tenement flats above shops, through post war local authority and Forestry Commission terraced and semi-detached housing, some with room in roof construction and some of timber construction, to 1960s and 1970s blocks of flats and more modern social housing. There are also various non-domestic buildings, including a community hall which already has solar PV and is currently considering the installation of a heat pump.

Heating fuels used include LPG, coal, wood, heating oil, electric storage and ASHPs. Tenure is split between owner occupiers, private rented, local authority, and housing association properties. It seems likely that residents will be similarly diverse in their interests in climate change, energy efficiency and ability to pay.

To respond effectively to this type of challenge, a much more flexible, bespoke, and responsive approach with more specialist expertise required will be needed than has been the case in the past, when the priority was to encourage mass take-up of simpler measures.

16. **What are the most appropriate steps we can take within our powers to ensure sufficient consumer protection for supported energy efficiency or zero emissions heat installations?**

We believe that any work wholly or part funded by the Scottish or UK Governments should be carried out to accredited standards, or an appropriate equivalent in remote areas where accreditation would create a significant barrier.

A clear support mechanism in the event of miss-selling is needed. The best placed organisation to provide this assistance would probably be Trading Standards; however, it might be better for specialist teams working across local authorities to provide this function, rather than expecting all mainstream TS officers to have the expertise needed.

Finally, some form of industry-wide redress mechanism is needed, in the event that remedial work is required, and the initial installer is, for whatever reason, unable, unwilling or not trusted by the householder to carry out that work.

17. **Do you have views on whether we should adopt the use of the UK government's TrustMark quality assurance framework?**

We believe that there needs to a robust quality assurance in place to enable all households to have confidence that changes being brought about through Government's strategies are delivered to the highest standards. The UK government's TrustMark quality assurance framework has potential to provide this confidence in areas of retrofit not already covered by regulations on standards.

What is less clear in the consultation is what redress mechanisms will exist in the event of dispute or a failure to deliver to the standards being set. There needs to properly funded support to enable vulnerable and fuel poor households' recourse to support. It is worth noting that there are many notable examples of certified and accredited business which failed to deliver to standards expected. TrustMark quality assurance framework is unlikely to prevent rogue or fraudulent activity. It is also not clear what alternative quality assurance the Scottish Government is proposing if it does not accept the TrustMark quality assurance framework.

It feels rather late in the day to be raising this issue when installer companies are having to choose to align their delivery ahead of a 1 July deadline for GB and other UK work. It is also leaving Scottish households with uncertain quality standards being applied in contrast with those in England and Wales.

Further detail can be found in Appendix 1.

18. **In your view, is there any further action that we, or other key organisations (please specify), can take to protect those on lower incomes, and those in or at risk of falling into fuel poverty, from any negative cost impact as a result of the zero emissions buildings transition?**

By far the most significant risk of this type in the transition is associated with the move away from mains gas for domestic heating. At today's prices, a (standard) kWh of electricity is roughly five times as expensive as a kWh of mains gas and fuel poverty is lowest among households using mains gas and highest among those dependent on electricity. An ASHP with a CoP of 4 will still be more expensive to run than mains gas alone.

Dedicated heat pump tariffs and additional battery and solar PV panels can all help bridge the gap in running costs – but

a) as we have said above, the aim is to address fuel poverty, not just to avoid making it worse and
b) the combination of costs of technologies to achieve parity of running cost outcome is unlikely to be suitable for all homes, and will be considerably more expensive than installation of a mains gas boiler, meaning either that fewer households can be assisted for a given cost, the total cost for public sector support will rise significantly, or a combination of both.

Given this combination of circumstances at present, we do not support the removal of installation of mains gas boilers in favour of ASHPs under public sector fuel poverty programmes. This is not to deny the clear need to address carbon emissions from the mains gas network; it is simply to point out the, as proposed, the costs and benefits seem to us unjustifiable at present, when framed in terms of cost per tonne of carbon saved, with additional social and economic benefits considered.

In addition, as we have said in answer to other questions, it is difficult to respond to this question in the absence of a revised Scottish Fuel Poverty Strategy, which also covers incomes and energy prices.

19. **What are your views on our approach to phasing out funding for fossil fuel heating systems by 2024 where it is not detrimental to our fuel poverty objectives? Do you think that this could be achieved any sooner than 2024, and if so how?**

In relation to phasing out fossil fuel heating systems, the draft strategy proposes different end dates for retrofits (2023) and new builds (2024).

For retrofits, the arguments set out in our response to question 18 continue to apply on this timescale: even for lower income householders who are not currently in fuel poverty, there is a risk that increased heating costs associated with the transition away from mains gas will mean they will move into fuel poverty, in the absence of additional action on incomes and energy prices.

In contrast, we believe that action on new builds could and should be brought forward earlier than 2024. The social housing sector has shown that it is entirely possible – and has been for some years – to build new homes to standards which require only minimal heating, and new storage heaters or ASHPs can meet this demand. Buyers or renters of new homes are also in a different position from those dealing with retrofit.

20. **What changes can be made to the Strategy to help maximise positive impacts and minimise negative ones on people experiencing fuel poverty and other vulnerable groups?**

Our responses to questions 18 and 19 cover this question.

Chapter 4 Place

21. **What are your views on how we can support place-based deployment of zero emissions heat within our delivery programmes?**
22. **What is your view on how best to engage, and support, local communities in the planning and implementation of the heat transition in their area?**
23. **What role do you think community anchor organisations could play in supporting the heat transition?**

In our view, the area-based approach has demonstrably worked well in the past in terms of physical delivery, encouraging take-up among householders and offering economies of scale.

We believe this approach is likely to work best when it combines the security of local authority support and redress mechanisms (in line with LHEES and Trading Standards points above), alongside engagement processes involving trusted local partners. It is clear, though, that a wider menu of options will be needed to meet the differing needs of the greater variety of homes and households in off-gas areas – many of our members already provide this service, and we believe it would be helpful to have that role formalised.

24. **In your opinion, what steps can we take to ensure that policies set out in this strategy do not unfairly impact Island and other remote communities?**

Remote and Island communities clearly face a concentration of challenges in relation to low carbon heating, including:

- Lack of access to mains gas
- A higher proportion of housing unsuitable for simpler and cheaper types of insulation
- Higher delivery costs for contractors as a result of logistics – we have expressed our concerns, highlighted by our members, about the impact of PAS 2030 / 2035 requirements in remote areas on a number of occasions.

In combination, these factors will mean that costs will be greater. It should be possible, based on past experience, to quantify the additional resource needed and build the uplift in to budget allocations at the planning stage. At the same time, prevailing conditions mean that heating demand will typically be larger, and so the carbon savings also higher.

25. What is your view on the timescales proposed for LHEES?

While we fully endorse the strategic aims of LHEES, we do not believe the timescales proposed will be deliverable. The Scottish Government's guidance sets out the steps required:

1.An assessment of existing local and national strategies and data availability
2. Authority-wide assessment of the existing building stock's energy performance and heat supply
3. Authority-wide setting of aggregate targets for heat demand reduction and decarbonisation of buildings – short and long term
4. Socio-economic assessment of potential energy efficiency and heat decarbonisation solutions
5. Selection of areas/ prioritisation of opportunities leading to the designation of zones
6. Costing and phasing of delivery programmes

Considerable research, consultation and engagement will be needed to achieve these aims, as well as clarity on options for how large-scale decarbonisation of homes connected to the mains gas network will be delivered. While data gathering can and should start now, it would be more reasonable for the strategies themselves to be produced by 2025.

26. Do you agree with the approach to LHEES set out above? If not, please give reasons to support this.

As above, we agree with the technical approach to LHEES, but not the timescale. A slower pace would result in a better result and would also provide more opportunity for Local Authorities to learn from each other's experience and from external expert support.

In line with the discussion in questions 21-23 above, we would also suggest that community consultation and awareness raising should be a statutory part of the LHEES process at all stages.

27. What are your views on what Permitted Development Rights might help enable in the heat transition, in addition to those we have already included in the Permitted Development Rights review programme?

We believe that there should be a presumption in favour of supporting beneficial actions to support vulnerable and fuel poor households. This may or may not come under the scope of Permitted Development Rights but none-the-less there needs to be greater support provided to hard pressed households across all tenure and property types. It can take a very long time for improvements to be made where planning permission is sought or required which is also at costs and complexity that many families will find prohibitive.

Chapter 5 – Preparing our Energy Networks

We welcome the consideration of network issues within this draft strategy as a significant step forward in joining up what have at times seemed distinct sectors in the past.

While EAS has long standing partnerships with network companies, we have generally worked with them more in relation to specific projects delivering positive impacts on fuel poverty. We are therefore not able to offer detailed responses for questions 28-36, but provide our summary views here.

Our concerns about the impacts on energy affordability of (current) low carbon heating for those on the mains gas network are covered above. We appreciate, though, that plans for the electrification of heat – at the same time as electrification of transport is taking place – are likely to have cost as well as technological impacts for all households, as a result of network reinforcement requirements.

Scottish Government data already show that rates of fuel poverty in more energy efficient homes remain unacceptably high. Part of the reason for this is the cost of electricity – for homes using mains gas, electricity costs represent a higher proportion of the total bill now than was the case in the past.

We believe that phased, strategic approaches to network planning and the use of technology to minimise the need for network reinforcement offer the opportunity to minimise extra costs – and also to reduce the need for associated investment in generating capacity to meet peak demands. To make best use of capacity which already exists, we believe that energy efficiency and upgraded low carbon heating systems should be targeted towards those dependent on direct electric heating in the short term.

While the carbon savings are likely to be lower than for those using heating oil or mains gas, the distribution network capacity released will help avoid unnecessary expenditure, and thus facilitate roll out of heat pumps to replace higher carbon fuels in future years. At the same time, those dependent on traditional electric heating have for many years experienced the highest levels of fuel poverty of any heating fuel, and comprehensive approach to address their situation is long overdue.

For this approach to be effective, the smart meter rollout, with associated flexible but user-friendly tariffs, will need to accelerate.

Chapter 6 – Kick-starting the Investment in the Transition

28. **What are your views on the range of actions identified above to kick start the investment in the transition over the next 5 years?**

29. **Do you agree with the strategic funding priorities set out above?** We generally agree with the strategic priorities set out in the draft strategy, and comment on each of them below.

a) Supporting those least able to pay

EAS welcomes the commitment to eliminating poor energy efficiency as a driver of fuel poverty throughout the draft strategy. We agree that those who are least able to pay should receive full financial support to reach minimum standards of energy efficiency and adopt low carbon heating.

However, we do not believe there is a sharp dividing line between those 'officially' classed as fuel poor and those who are able to pay for improvements. In particular, we are concerned about households on lower incomes, not necessarily in receipt of passport benefits, but with limited resilience to financial shocks due to lack of savings. Further, there is increasing evidence that covid-19 responses have exacerbated divisions in wealth and income. A more detailed understanding of the range of household circumstances will be needed to design appropriate support programmes which reach these groups without unintended negative impacts.

The renewal of the Warmer Homes Scotland contract ioffers an opportunity to broaden the remit of the scheme to consider how best to respond to changed circumstances.

Finally, we would see this as an approach which should cut across all actions, rather than just a priority / budget heading on its own.

b) Investing in strategic technologies in low or no regrets areas

Broadly, we agree with the prioritisation proposed. However, we would reiterate that the approach needed at household level is much more complex than has been the case in the past: previous mass-market programmes have concentrated on delivery of loft and cavity wall insulation, accompanied by roll-out of more efficient fossil fuel boilers, with costs minimised by (relatively) simple advice on energy tariffs.

In contrast, individual assessment of houses of varying construction in rural areas will be needed, with solutions needing to take account of a much wider range of technologies and heating systems, to meet overall strategic aims of energy affordability as well as carbon reduction. For these aims to be delivered in practice, engagement and support for householders to make effective use of new systems for their circumstances will be needed, including advice on tariffs, which may in turn require access to smart meters, and on financial support; expertise based within community organisations can play a positive role in achieving all of this.

c) Showcasing Net Zero leadership and share learning through early adoption in key areas of focus

We agree that leadership through example is a high priority. As above, community buildings and buildings with a high public footfall – including Scottish Government building stock – offer opportunities for demonstration of this. Critically, promotion and interpretation of the technologies is needed, alongside the technologies themselves, and should be part of conditions of public sector grant.

d) Investing in innovation and demonstration to drive forward competitive advantage

We agree that this is essential, and will continue to be so. It would be helpful, though, for innovative projects to require at least an outline of their role in delivering the strategy aims, particularly in relation to issues such as:

- Role of the technology in terms of timing and scale of the relevant market
- Possible future cost relative to alternatives
- Implications for households or businesses using the technology

39. In your view, should equal funding be allocated across these priorities or should certain priorities be weighted in terms of impact for Scotland?

Funding for low / no regrets actions should be targeted towards those least able to pay, to maximise benefits in terms of fuel poverty. To achieve this in remote areas, additional investment may be required.

To reinforce this and help take up, early adoption should be encouraged in locations and building types which help showcase the technologies being promoted.

We are less convinced that the Scottish Government, rather than the private sector, should be a first source of funding for innovative technologies. However, there will remain a role for public funding in helping test technologies in the real world, while safeguarding householders involved.

40. What are the opportunities and challenges we face in maximising our £1.6 billion investment?

There is clearly no shortage of ways in which £1.6bn could be invested in line with low / no regret options. The overall sums needed to deliver even the fabric improvements and low carbon heating in off gas areas in the domestic sector are likely to far exceed that sum.

To frame this question, it may be helpful to consider the ways in which the significant progress in energy efficiency and renewable electricity generation we have seen in the last decade has been driven. In our view, this has been by:

- provision of free measures (loft and cavity insulation, SWI more recently)
- regulation (most notably, on the introduction of high efficiency condensing boilers)
- subsidy which makes investments attractive to private investors (most notably, renewable electricity from various sources, currently the boom in offshore wind development)

Scottish House Condition Survey data show that the number of unsubsidised installations of loft or wall insulation remains very limited. Conversely, there is ample data to show the influence of subsidy levels on take up electricity generation technologies. Patterns of installation of solar PV, for example, are clearly linked to subsidy changes.

Our conclusion from this is that investment will follow profitable opportunities. Given this evidence, the most significant challenge for the Scottish Government is to identify ways in which private investment by homeowners, non-domestic building owners or larger scale commercial investors can be brought forward, using public funds to make those investments more attractive.

Cash back (partial grants) and loans are examples of where the Scottish Government is already taking this approach. It would be helpful for the final strategy to be clear about what those mechanisms have achieved in the past, and the cost of those achievements, to inform future approaches.

In addition, regulation or the expectation of future regulation can also drive investment, and there is a role for public funds in smoothing the introduction of new regulation.

For the avoidance of doubt, however, we consider that the bulk of available public funds should continue to be targeted towards households in fuel poverty. Consumer engagement, advice and support and redress and public sector capacity in relation to these and to the development of LHEES are also high priorities.

Although beyond the bounds of this question and consultation, we would highlight that a pan-Scottish Government approach on prioritising carbon savings is needed, set within the framework of a Just Transition. The existing commitment to a 75% reduction in carbon emissions by 2030 is based on 1990 baseline, and our understanding is that the target implies a cut of around 50% in emissions from current levels.

This sets the scale of the challenge very clearly: we have achieved one-third of the progress needed over a 40-year period (and likely, the easiest third), in three-quarters of the time available.

41. **What are your views on the role of government funding over the next five years? For example, should it be focused towards significant increases in the volume of renewable heat and energy efficiency measures installed or more targeted at specific priority groups or technologies?**

The consultation sets out a fabric-first approach to retrofit, which necessarily implies a greater focus on upgrading the energy efficiency of buildings before (or at least alongside) installing renewable heat.

More specifically, we would suggest that:

- Signalling a steady increase in available funds towards existing programmes over the next few years would help delivery organisations involved to grow capacity in a sustainable way
- Increasing funding available for local authorities to help them implement new standards, particularly in the private rented sector, would be helpful.

42. What are your views on how we can use our funding to leverage and encourage private sector and other forms of investment?

There are different forms of private investment; individual house and building owners with an interest in their own properties, and the institutional private sector, with an interest in investment at larger scale.

Concentrating on the former, as for q40 above, we believe that householders will need:

- A recognition of need to engage in the first place
- Understanding of what is involved and the costs and benefits for their circumstances
- Trust in all aspects of the process.

In relation to the last of these points, it is important to emphasise that poor experiences with the Green Deal have, at least for some, damaged consumer trust and created barriers to engaging with energy efficiency and home renewables. Overcoming these barriers will require a range of actions, but a critical element will be a clear and simple to access redress process.

43. What are your views on the effectiveness of our existing delivery programmes in supporting different client journeys, including for those in or at risk of fuel poverty? (for example, landlords, home owners, nondomestic building owners – public and private, domestic and nondomestic tenants). In your opinion, are there any gaps in support?

There are several elements to this question, and we believe it requires fuller discussion than is possible based on the information provided in the consultation. We would welcome a full and independent review of existing delivery programmes in aggregate, in relation to the extent which they meet the needs of this programme and the revised Fuel Poverty Strategy.

In the interim, our main comment is that the future will necessarily be different from the past, and delivery programmes will need to reflect this. There will be an increasing need for mass provision of bespoke advice for hard to insulate and off gas homes and households (and landlords), along with non-domestic building owners and managers. Advice and support of this type has to date been available only at local level through small scale projects; it is critical for success of the delivery of this strategy that capacity is in place to support the demand which will be generated.

44. **Is there any action we can take to further tailor our support to meet the ambitions set out in this strategy, including in relation to fuel poverty? (Please include any evidence you may have to show what this might achieve.)**

As we have mentioned in several earlier questions, we believe it is difficult to answer this question in isolation from a revised Fuel Poverty Strategy which integrates energy efficiency alongside actions on energy pricing and household incomes.

Scottish Government data shows that rates of fuel poverty remain relatively high (albeit lower than otherwise) among households living in EPC C+ homes. While we welcome the aim of removing poor energy efficiency as a cause of fuel poverty, it is clear from available evidence that additional action will be needed.

45. What are your views on the approach outlined above to take action towards a long-term market framework for net zero emissions in buildings?

We agree that the development of a long-term market framework is essential. This will help understand how and to what extent public sector intervention is likely to be necessary to engage households and institutional investors, to ensure delivery at minimum cost, and should be an explicit requirement of the Green Heat Taskforce. It is critical that, in addition to technical experts, representatives of consumer and fuel poverty organisations are involved in those discussions. The involvement of the UK Government would also be helpful, given current structures of incentives.

We participated in discussions of the role of a publicly owned energy company in 2017, and we are aware that the idea of such a company providing heat as a service was raised at that time. Given the large-scale investment and long term commitment needed, we agree this should be considered further.

We are also aware that the idea of using Council Tax rebates to encourage energy efficiency take-up has been around (and in some cases used) for some time. While this is attractive to householders in theory, we would like to know if evidence of its success in practice exists.

46. What are your views on how we can achieve a fair and equitable cost distribution for the net zero transition, including ensuring we tackle fuel poverty?

We agree that the net zero transition requires a fair and equitable cost distribution. While the repeated reassurance throughout the consultation that no action will be taken that risks exacerbating fuel poverty as an unintended consequence, we do not believe this goes far enough. Fuel poverty is already at unacceptably high levels, although we recognise it would have been even higher in the absence of Scottish Government work.

We also agree with the need to prioritise households using (conventional) electric heating; SHCS data[1] shows that these households have consistently experienced the highest rates of fuel poverty of any heating fuel type.

We consider that the aim ought to be establishment of a cost distribution which both delivers net zero ambitions and helps address fuel poverty – although this will be challenging to put into practice.

[1] https://www.gov.scot/publications/scottish-house-condition-survey-2019-key-findings/pages/2/

We appreciate the theoretical logic of moving some social and (particularly) environmental obligations onto fossil fuels. In practice, however, it would be simpler and cleaner to remove social obligations entirely, in favour of more targeted interventions funded through general taxation. This would also avoid the annual application process for these households, especially given that eligibility in theory for the broader group of Warm Homes Discount claimants is no guarantee of receipt of funding.

47. What financing mechanisms are needed to encourage investment from householders, businesses and the private sector?

The consultation outlines some of the mechanisms which have been used to support take up of energy efficiency measures in the past among able to pay groups. It would be helpful for the Scottish Government to publish performance data on those, to demonstrate which grants / loans / cash back schemes have proven most effective.

It is however likely that a wider range of finance mechanisms will be needed to meet the needs and aspirations of all households. We would, of course, want and expect that improvements will continue to be provided by the public sector for fuel poor households on (at least) the current basis.

There will need to be support available for those who, even if not classified as fuel poor, will not be able to take on even interest free loans, loan repayments or pay up-front costs for improvements.

To help smooth the introduction of regulatory standards, there may be value in a system which makes a greater public sector contribution in early years, and which then progressively declines, as compliance dates for standards draw closer.

48. What are your views on the regulatory actions set out in the proposed regulatory framework?

We appreciate that different housing sectors / tenures require different approaches to meet the same standards. However, we believe strongly that it would be better to avoid differences in the level of standards required in private sector housing (PRS) at different times, to avoid the risk of confusion among householders and the linked risk of low efficiency homes being bounced between sectors. Overall, we would suggest that 2030 is an appropriate regulatory date for all sectors, balancing practicality and need, including the need to make significant progress towards the 2040 Fuel Poverty target.

We do not agree that 2028 is a realistic timescale for the Private Rented Sector (PRS) to meet EPC band C. We recognise that the PRS is the least energy efficient housing sector, with the highest proportion of properties in EPC bands E, F, or G, and that this creates severe problems for tenants. However, we also appreciate that landlords, support agencies and local authorities (assuming the latter are responsible for enforcement) will all need time to adjust to the new regulatory regime – this was the reason for the previously agreed approach of focusing first on the least energy efficient housing when regulating the sector.

While we have long called for regulation of the PRS, we also believe there is a high risk that introduction of standards at EPC C on the timescale proposed will not be effective, as it would likely overwhelm the system.

Rather, we believe the PRS and owner-occupied sectors should both meet EPC band C by 2030, with an intermediate target of EPC D for the PRS. This would align the PRS and owner occupier sectors, ensuring properties that move between the two do not fall through gaps in enforcement, while providing both a long-term signal for landlords and supporting organisations, as well as a more immediate requirement for the sector to act on the poorest performing houses.

Further, we do not agree with change of tenancy as the point at which regulatory standards for the PRS should be set. A more natural point of assessment would be the registration (or 3 yearly re-registration) of the landlord. At that point, landlords are asked to confirm (but not yet provide evidence) of various safety checks, including an EPC. Relying on change of tenancy would involve the creation of a new system. In areas (or properties) with a high turnover, that could result in frequent review of the same property, while in areas of low turnover, individual properties could avoid having to meet standards for longer periods.

Whatever method is chosen, it would be helpful for processes within local authorities to capture the EPC data provided, to aid both national statistics and LHEES development.

Regulation of the Owner Occupier Sector

As with the PRS, we believe that 2030 is an appropriate date for regulation of the owner-occupied sector: the date is close enough to encourage action, while being far enough away to allow for delivery. Again, while much work has been carried out on the mechanisms which can be used for the regulation itself, we would want to be re-assured that financial assistance to meet standards was available. 43%[2] of households in fuel poverty are either owned outright or are mortgaged. This is the largest proportion of all tenure types of households in fuel poverty.

Regulation of communal buildings

Administrative difficulties in delivery of communal energy efficiency measures in buildings where such work requires the consent of all parties have long been recognised, and independent of the discussion on standards, we would like to see bespoke strands of energy efficiency delivery work developed which target communal properties.

Related, informal feedback from our members suggests that lack of communal agreement still remains a block even on the installation of low-cost measures such as cavity wall insulation. Given the cost effectiveness of this measure, this suggests there is a strong case for investigating this issue more rigorously.

However, given the high proportion of Scotland's housing stock formed by tenements and flats, the proposed date for regulation of 2040 is much too late, as well as being out of step with other sectors. To avoid confusion, the same 2030 date should ideally apply.

Additional Area-based Triggers

We believe it might be better to avoid the confusion additional triggers of this type could create, where those would involve different dates than applied to similar properties in other areas.

More positively though, it would be helpful for local authorities (or housing associations) to offer the chance for private owners to buy into larger contracts those organisations are in any case procuring for energy efficiency measures. This would help individuals access measures while benefiting from economies of scale and would also help address quality control issues.

[2] Scottish Housing Condition Survey 2019

Chapter 9 – The Economic Opportunity

As with Chapter 5 on networks, we provide a summary comment here rather than individual answers to questions 52-59.

We agree that there are significant economic opportunities associated with the delivery of the strategy and have noted that there is a high degree of consensus that delivery of energy efficiency measures should be a core part of any green recovery.

Our main concern is that delivery of measures to address fuel poverty and to reduce the risk of fuel poverty needs to be consistent, and that any necessary changes are made smoothly and with as much notice as possible. We have seen that rapidly changing public sector policy, uncertainty about budgets and artificial financial year constraints lead to pressure on managing organisations, boom and bust for businesses, and frustration and disengagement for householders. This is most recently demonstrated by the UK Government's poor management of grants for energy efficiency in England.

To avoid these issues and maximise benefits as discussed in this chapter, the Scottish Government should ensure that public sector contracts are managed with as much notice as possible, across financial years, and with a consistent annual increase in resource available, to ensure all businesses in the supply chain have as much certainty as possible. We also agree that investment in public sector buildings and in workforce development will help deliver better outcomes for all involved.

Chapter 10 – Working with the UK Government

60. To what extent do you agree that the issues identified must be addressed jointly by the UK and Scottish governments to unlock delivery in Scotland?

61. Are there any further areas where joint action is required, for example to ensure no one is left behind in the transition and fuel poverty is addressed?

We agree that the issues highlighted in this chapter require action at UK Government level in order to deliver progress on energy affordability, fuel poverty and climate change in Scotland.

In particular, we agree on the need for clarity on the expected role of hydrogen (and / or biogas) in decarbonising the mains gas network. We also agree that there would be benefits of at least having the option for Ofgem to regulate heat network providers, although we would of course want to ensure that any future regulation of that sort provided benefits for energy consumers.

We also appreciate the imbalance between gas and electricity prices, and the theoretical attraction of changing that by moving environmental and social levies between the two. In practice, we would prefer an approach which removed social levies entirely from bills, in favour of increased spending through the benefits system, funded by general taxation.

In addition to helping reduce the gap between the cost of the two fuels, this would also have the advantage of being fairer in two ways:

- Fuel poor and low income households would not contribute to the levies
- Key benefits are already devolved to Scotland. Direct delivery through the benefits system would be simpler for consumers, avoiding the uncertainty and hassle of annual applications, and would also reduce duplicate administrative costs incurred by energy suppliers.

We also understand the logic of the Scottish Government proposal for levies to be used to support a single Scottish fuel poverty programme. However, this in effect means that energy bills are being used as a source of public funding revenue – a tax in all but name. There is ample evidence that general taxation is a more progressive way to raise funding than from energy bills, given that energy bills account for a far greater proportion of household spending for lower income households than for those who are better off.

Chapter 11 – Monitoring, Evaluation and Future Decision Making

62. Do you agree with our proposals for a monitoring and evaluation framework? If not, please state your reasons and suggested improvements.

63. What are your views on how lessons learned from heat and energy efficiency policy and programmes should be shared with the sector and key stakeholders to ensure that Scotland benefits from the public investment outlined above?

We agree that the overall outcomes for the strategy are largely appropriate, with the reservation above that it is difficult to finalise these in the absence of an overarching Revised Fuel Poverty Strategy. Overall, a framework is needed which maximises carbon reduction, social and environmental benefits, and value for money.

However, the outcomes themselves are not quantifiable in ways which can demonstrate this; we would suggest that headline quantifiable indicators should be included, such as:

- A decrease in the number and proportion of households in fuel poverty
- An increase in both renewable heat capacity and renewable heat generation within that overall decline in heat demand
- The equivalent figures and trends for non-domestic buildings

All indicators should be disaggregated by local authority to facilitate monitoring of LHEES delivery.

While quantifiable these are medium-term indicators, and it will take some time for changes to appear within them. Short term output and results indicators will also be needed to drive progress, and these are likely to focus on areas which are easier to count and manage at programme level. These might include:

- Continuing progress in insulation measures, particularly walls
- Installation of low carbon heating systems, split by tenure and by location
- A reduction in both modelled and real world domestic heat demand as a result of improved energy efficiency
- A reduction in both modelled and real world carbon emissions from buildings

The final strategy should also commit to regular evaluation, as a matter of course, of all publicly funded programmes against these indicators. As value for money is also critical given limited budgets, monitoring should include cost per tonne of carbon saved, and the ratio between public and private sector funding. We accept that some measures will be more expensive than others, that that unit costs will be higher at pilot stages, and that it is important not to be driven by cost alone. However, the lack of availability of such data on previous interventions creates barriers to discussions on how to improve future approaches.

Finally, it would be helpful to be clear about Ministerial responsibilities for delivery of the programme, and about the roles and architecture of advisory bodies which will be required. EAS and our members remain committed to working in partnership to deliver shared aims, but given our limited staff resource, we want to prioritise our involvement where it will have greatest benefit.

Appendix 1 – Energy Action Scotland paper on the impact of PAS 2030:2019 specification and PAS 2035 standard

Concerns about the impact of the introduction of PAS 2035 & PAS 2030:2019

About

Energy Action Scotland is the Scottish charity dedicated to ending **fuel poverty**. Energy Action Scotland has been working with this remit since its inception in 1983 and has campaigned on the issue of ending fuel poverty and delivered many practical as well as research projects to tackle the problems of cold, damp homes.

Whilst we recognise the role that **quality standards** have been playing in trying to remove rogue activity and low-quality work, we are **seriously concerned** that the introduction of the **new** and updated **standards** at this time, following a year of limited opportunity to meet certification standards for businesses and individual trades people, will have a **serious impact for installers**, their supply chain, government energy efficiency programmes and ultimately **vulnerable** and **fuel poor households**. Installer business have themselves been impacted by COVID-19 with many experiencing **reductions in turnover**, strained cashflow and **loss of staff**.

We are **supportive** of a practical introduction of **new standards** where this drives quality, provides confidence for the public and accelerate support to vulnerable and fuel poor households. There needs to be **greater sensitivity** to the challenges of delivery in Scotland and clarity over the role that PAS standards will play in the retrofit of Scotland's homes.

These concerns were raised through our **membership** which includes a number of installers and others involved in the specification of improvements to homes. Those consulted include **AC Whyte**, **BCA, the Energy Agency, Tighean Innse Gall, Shetland Heatwise, and Warmworks.**

Concerns

We project that, without a **Scotland sensitive** solution, **100's of job losses or job displacement** to other sectors will result seriously undermining any energy efficiency target delivery profiles, **millions of £'s of ECO** investment will be **lost** as both urban and rural supply chains struggle to satisfy accreditation bodies, **cost increases of anywhere between +20% to +120%** where the new PAS is operated, all leading to **significant delays, milestones missed and strategic collapse** of the Scottish Government's Fuel Poverty, Heat in Buildings and Carbon Reduction strategies particularly in the rural context.

In the rural areas we are **facing a cliff edge scenario** for the sector as a result.

The threat which the transition to these PAS standards **poses** and the associated impacts their processes will have, can be categorised as follows:

- Immediate & Critical
- Mid term & Chronic
- Long Term & Strategic

From a recent National Insulation Association poll[3] we believe that in Scotland in general and in the rural areas particularly, the retrofit industry has **insufficient skills capacity** to meet the requirement of the of the new PAS 2030/2035 standards for retrofit, currently required to deliver measures through ECO3. With Scottish Government Schemes linked to the Energy Company Obligation (ECO) this is immediately **threatening the viability** of installers, whom if lost, reduces Scotland's ability to improve homes to the standards required. We believe that the **additional roles, processes and associated costs** of compliance with the new standards will add significantly to the costs of measures resulting in a **reduction in the quantity** of homes improved which will either require additional investment or Scotland will **miss strategic targets**.

The Immediate & Critical Situation

Immediate Requirements for PAS Transition -Risk: Programmes stop & supply chain lost.

There is a drop-dead date of 1 July 2021 for all PAS 2030:2017 transitions to the new 2030:2019/2035 certifications in Great Britain where the works are to be funded either fully or in part by ECO monies. However, **the reality** is that the current **PAS accreditation** for many organisations involved in the installation of ECO supported measures to improve the quality and energy efficiency of homes in the Great Britain **ends on 31 May 2021**. This means that PAS audits are taking place prior to May 31st against the new standards and companies are now in possession of their audit reports detailing the significant steps required to enable a new accreditation to be issued. If these steps cannot be met because the supply chain is not accredited, accordingly all ECO funded work – or the work requiring an element of ECO funding - will cease overnight. From discussions with the certification/accreditation bodies it appears the situation of qualified/certified installers is widespread and the sector is not ready for this drop-off on May 31st/1st July.

Immediate ASK: Make representation to BEIS to suspend the current requirements for 12 months to allow the industry sector to recover and provide a window to achieve accreditations/certifications.

Immediate ASK: Seek exemptions for aspects of works that delivered in Scotland that could meet the highest quality standards that delivering to the detail of PAS2035 would not be practicable.

[3] Below are the results of a recent poll carried out of NIA members operatives needing upskilling. This gives a quick snapshot of the NIA portion of the workforce of those who responded. (LI:46, UF:31,CWI:54, EWI (boarding):361, EWI (Rendering):348, IWI (Boarding):36, IWI (Finishing):27, RIR (Boarding):42, RIR (Finishing):23, Flat Roof:19 & DP:17.

Immediate Requirements for PAS Roles & Skills Risk: No access to certified personnel

Scottish Government HEEPS:ABS funded schemes have had a **direct relationship** with the **ECO** programmes. Delivery the adoption of the new PAS standard will mean that all activity carried out by those contractors will be required to meet the PAS standard. This poses an **existential threat** to the programmes as installers immediately struggle to achieve the accreditations due to a lack of accredited operatives as well as professionals to fulfil the various roles imposed by PAS2035. This situation is more acute in remote rural areas where accessing such a skills pool, within the transition period set out for ECO, is unachievable.

Ofgem regulated programmes delivered through the **Energy Company Obligation (ECO) require** all installer companies and indeed now other parts of the improvement supply chain to meet **PAS2030:2019/2035** certification. These introduce several new roles with the aim of underpinning the quality of installations.

Scotland generally and rural Scotland in particular has a **low level** of certified people in the key roles to deliver to the new PAS standards. In **England** there has been government **investment** that has increased the number of people in certified roles (although even there the Green Homes Grant scheme has since been abandoned -in part due to lack of accredited installers and role holders). This funding was also limited to new entrant contractors. In the GB it is estimated that only 300 people have achieved the Retrofit Assessor standard per the new PAS standards. We believe that less than 15[4] are registered for Scotland delivery, albeit many in England will have identified Scotland as a market for delivery. However, it remains to be seen how many will be willing to service remote rural areas at an affordable level if at all.

Immediate ASK: Uncouple HEEPS:ABS and ECO temporarily whilst the supply chain transitions.

Immediate ASK: Support training now for existing supply chain for Installer & Professional Development

Lack of Access to PAS Systems & Warranties Risk: Monopoly situation and higher cost

In addition, ECO energy efficiency installation **requirements** demand **Trustmark certified systems** be utilised and/or manufacturer **warranties** of up to **25years** provided. For some rural areas such 'certified systems' are simply not reasonably accessible and wholesale changes to the supply chain logistics, training and evaluation services- all at significant extra- cost would be required. (Some of the largest UK insulation suppliers simply have not engaged with the new PAS system due to its heavily bureaucratic system). Engaged manufacturers insist that all materials are purchased via their suppliers and all materials down to the very screws are

[4] As of 8th April 2021, 11 Retrofit Co-ordinators are registered as based in Scotland. Based on an average of 6hrs per measures and a forty hour week, this equates to app 73 measures capacity per week.

procured that way. In addition, only one warranty provider exists for Internal Wall Insulation (IWI) with a limited number of accredited systems.

"It must be said that the principle that any install must be a 'manufacturers accredited system' is one which to a large degree negates the Retrofit Designer role and has led to higher cost and, at the same time for some measures such as IWI, resulted in poorer thermal improvements." Tighean Innse Gall

Immediate ASK: Lobby BEIS, Trustmark & BSI to review how warranties are granted where the Retrofit Designer has designed a solution.

HEEPS:ABS, Accruals, Surveys & PAS Pre-Approvals Risk: Time critical impact on accruals

The **Scottish Government** through the delivery of its programmes including its energy efficiency programmes led centrally or through local government has an implied position on PAS. HEEPS:ABS demands ECO leverage and therefore must comply with the ECO rules. It is noted that the Scottish Government's **Heat in Buildings Strategy** makes explicit reference to **PAS 2030:2019/2035** which by inference suggests a **predisposition** towards that standard. The current **Consultation on Skills** requirements for the energy efficiency etc sector clearly supports alignment with the PAS standards.

This brings immediate short term issues in relation to the continuity of HEEPS:ABS works. If any works are to proceed beyond the 31st May (or latest 30th June) and attract ECO then such works must be surveyed and processed under the new criteria set down in the new PAS or will not attract any ECO payment.

So, after this date, failure to follow the new PAS front end procedure for client interaction and pre-approval of works will eliminate the ability to draw down ECO for those jobs. If the accruals period is to be extended due to COVID 19 issues such jobs will have to be entirely re-processed if ECO is to be levered in. Without ECO the work can continue immediately if other arrangements were put in place.

Members identified they are delivering **ECO projects** that **straddle** the **transition** deadline and have been delayed due to COVID. There will be a gap in funding from 1st July equivalent to the ECO contribution as they will be unable to claim under PAS 2030:2017. In these instances, it is out of the scope of the tender and **cost prohibitive** to transfer to PAS 2035. Without movement on the transition to the new standard there will be a significant economic impact on contractors.

Immediate ASK: Uncouple HEEPS:ABS and ECO temporarily whilst supply chain transitions and aim for 31st Dec 2021 or 31st March 2022 as an extended transition timeframe.

Immediate Unintended Consequences of PAS Risk: Quality contractors penalised.

Many **Scottish Government** funded schemes have a **direct relationship** with **ECO** programme delivery which with the adoption of the new PAS standard will mean that all activity carried out by those contractors will be required to meet the PAS standard.

When tendering for other non-PAS required work this standard will apply to certified contractors whilst not being applicable to non-certified contractors, thereby creating a uneven playing field.

Immediate ASK: Advise procurement teams in LA's to recognise in assessment criteria scoring for retrofit works, PAS 2035/ 2030:2019 accredited tenderers.

Mid Term & Chronic

PAS required Qualifications Risk: Existing supply chain exits retrofit sector

It is **unclear** when the Scottish Government will determine what the **standards** are for its publicly funded works. It is our understanding that the skills report covering the sector may only be published in the Autumn. Meanwhile given the desire to lever ECO alongside HEEPS:ABS, the ECO rules will become the default position.

As contractors embrace the new PAS standard there will be immediate and **significant shortages of suitably qualified persons.**

PAS 2030:2019 demands that installers operatives meet the training requirement of NVQ2 or 3 (or the Scottish equivalent) depending on what and where the measure is being installed. It also requires 1 in every 4 operatives onsite installing the workstream measure to be accredited. For small **rural contractors** the reality is this means the **same personnel** must be carded for each workstream.

Most of the existing supply chain do not have the requested NVQ accreditations for the insulation work specified in the PAS. (Many have joinery/carpentry qualifications if they are newer to trades but **longer served trades persons don't have the SVQ** apprenticeship qualification as it was only introduced in 1997). The PAS introduces requirements that very few of the supply chain have because they are unaware due to a lack of marketing and/or have no access to a course or funding support to undertake that course.

Midterm Ask: Undertake an awareness campaign during 2021/22 for expectations of retrofit standards.

Access to Training, NVQ/ SVQ Courses & Recognised Prior Learning (RPL) Risk: RPL process is unclear and the Existing supply chain exits retrofit sector

The Recognised Prior Learning (RPL) route whilst proposed by the Scottish Government's short life working group to attain the NVQ/SVQ 2 or 3 **is a sensible approach**. However, the reality when contacting colleges in Scotland is that there are **virtually no colleges ready** to offer courses[5] and there is a complete lack of clarity around RPL and how it might reduce any course length when engaging training providers. Rural areas are particularly affected. Whilst the skills matrix appended to the **Skills consultation** suggests certain course lengths the reality seems to be quite different. Where colleges have a course, at least on paper, the length is substantially greater than the matrix suggests (e.g. EWI est30 days vs actual 1year).

Midterm Ask: Clarify how RPL is assessed and Promote and co-ordinate local learning centres in Scotland to achieve the standards expected in Scotland.

Funding & Training Risk: Jobs and supply chain lost

The training funding is currently focussed on new entrants to the industry and not the current workforce.

The funding available for training is not suitable for small contractors and thus **rural contractors will be disproportionately affected**. The funding sources referred to in the Skills consultation are not geared to smaller existing contractors that operate in the rural geographies. The National Transition Training fund is pointed at those under threat of redundancy or redundant, the Flexible Workforce Development Fund is for bigger contractors who pay the apprenticeship levy and the Young Person's Guarantee is for new entrants to apprenticeship.

We need funding which will **support the existing small self-employed or small contractor** to undertake the necessary upskilling. **Upskilling** must be pitched at an appropriate level and the hours of input to achieve this practical and be workable in conjunction with RPL to allow the **existing workforce** to take advantage, take part and remain in the retrofit supply chain.[6]

For a full NVQ level 2 including one measure (e.g. IWI internal wall insulation) the cost per trainee is circa £1250 any with other measures at £375 per measure (If the installer has eight measures on their PAS certificate this becomes a substantial cost). The training involves 120 hours online for the certificate including one measure with any additional measure taking a further 40 hours each (other measures are e.g. Room in Roof Insulation, Pitched Roof Insulation, Underfloor Insulation, Loft Insulation, Cavity Wall Insulation, Under Floor Insulation, Energy Efficient Glazing & Doors and

[5] Currently, the SQA have not published the updated SVQ's and as such no college in the country is geared up to deliver. There are at the most two colleges that were delivering EWI training, but we believe these were to the old qualification and did not offer the on site assessment element and were just new entry courses.

[6] No funding is available for On Site Assessment, only new entry training.

Draughtproofing). Costs for one operative to be trained in eight measures are £1250 + 7 x £375 + 400 hrs @ £30/hour downtime per man giving a total cost per operative of £15,875 including training and downtime.

Upskilling therefore needs to be supported by funding and accessible locally. But local colleges are not yet ready to deliver these courses and as a result the supply chain remains largely unaccredited/uncertified to the PAS standard.

Funding support is also required for the **professional roles** associated with PAS; Retrofit Adviser, Designer, Assessor, Co-ordinator & Evaluator. These courses carry substantial cost and time commitment (more than 150hrs for RC) but this is necessary if we are to avoid scarce professional resource from distorting the market.

"… independent RC's quoting £1,000 per address and RA's being recruited on salaries of £50k per year" BCA.

Mid term Ask: Review funding support for existing contractors and in particular small and rural contractors - to ensure engagement with training whilst remaining viable.

Costs of PAS Risk: Financial failure of schemes with missed targets and supply chain loss

The **new PAS processes and roles** bring significant additional time input from the installation companies and their professional supply chain. There are **real question marks** over the **deliverability** of some of these areas due to the imposed cost.

Even for a basic measure its Medium Term Plan and house condition report will now easily take circa 6hrs to gather the necessary information. This simply brings additional cost which has to be funded. **ECO offers a 20% uplift** to installers for PAS 2030:2019 accredited installs. Where for IWI £1500 would be drawn down under the previous PAS, this will increase to £1800 under the new regime. **However, costs associated with achieving a compliant install under the new PAS will far outstrip this small uplift** with the Retrofit Co-ordinator alone costing an estimated additional £500-£1500 depending on the job.[7] Compounded with all the other aspects of the process there will be significant extra cost even on 'simple' loft measures.[8]

[7] The question of whether you could continue to leave kitchens and bathrooms un-insulated or reveals undone if window frames are too shallow, or if you will need to replace all three raises prohibitive extra cost implications. There are also additional costs of trimming doors, significant ventilation improvements and question over periodic features like cornicing (if in the unlikely event that clients even accept this as an option).

[8] We understand a recent survey by INCA and passed on already to SG, found that installers on average reckoned their costs will increase by around 120%

One aspect which the previous flawed **GB Green Deal** scheme suffered from was how pre-instal attrition was paid for. With such intensive pre-instal requirements the same risk remains true for the new PAS as they are introduced.

Midterm Ask: Review how HEEPS:ABS links to ECO and re-consider grant ceilings

Long Term & strategic

Risk of ECO leverage loss Risk: Historic ECO leverage to Scotland impacted severely.

If contractors struggle to access the PAS accredited work for the various reasons outlined above or as a result choose not to invest in the new PAS standard, then **ECO funding leverage** is likely to be **reduced** in Scotland.

Whilst Energy companies have **no geographical imperative** aside from a reputational one, to discharge their obligation in Scotland, they will naturally seek out the route of least resistance. If English cavity wall work is easier to accredit and target, then this is where their obligation spend will be focussed. In England we have seen the recent **failure** of the **Green Homes Grant** where there was a link to PAS and difficulties in securing accredited installers. Energy Companies can discharge their obligations across Great Britain will be under real pressure to meet those obligations and any difficulty in Scotland related to PAS puts at **risk £millions** per annum and **reduces** measures to reduce our **climate change impacts**.

Long term Ask: Lobby for an extended transition for the new PAS to enable the supply chain to engage or take control of ECO in Scotland.

Long Term Cost Risk: Higher costs and lower outputs place strategy milestones at risk

Trustmark certified systems which offer an industry backed guarantee, are required for PAS certification and ECO. It is anticipated that the **adoption** of these systems will **add over £2000** to the costs of an average EWI/IWI install. This is likely to **reduce** the rate at which **progress** can be made towards Scottish Government targets.

The Insulated Render and Cladding Association (INCA) previously reported in March 21 that the impact on costs of a typical EWI job in a potentially fuel poor area was predicted to be **120% greater** than under the previous standard.

HEEPS accruals are potentially affected where the current PAS certifications fall prior to the accrued work being completed. If a new certification to the higher standard is achieved, then accruals will be held to the higher PAS standard. This will increase the time taken and increase costs for those accruals or lead to financial and contractual difficulties.

The Department of Business Economy and Industrial Strategy (**BEIS**) is widely reported as accepting that the new standards will **add to the costs** of delivery and will **reduce the rate** at which homes can be improved.

Rural and Island proofing to PAS Risk: Worst fuel poverty areas become a programme desert.

In **rural Scotland**, small and even medium sized contractors are unprepared for these changes. They are also then **disadvantaged** should larger contractors receive funding support and achieve desired standards ahead of them. It should be noted that many of the shared elements of previous PAS standards have been removed. This prevents smaller contractors working within the standards of a larger contractor.

A lack of clarity over the standards required are potentially disastrous for retrofit programmes driving contractors to deliver in areas where there are no requirements such as new build or in the installation of private self-funded measures. This could create an **unhelpful cost differential** for public funded works (grants/loans) and self-funded.

"..this is the biggest challenge to delivery we have faced to date" Shetland HeatWise

If the rural supply chain senses a lack of support, it will be very reluctant to engage and will be lost to the other markets which do not carry such onerous requirements, the non-accredited retrofit market via other government funding, new build and private in more urban areas.

Long term Ask: Shape funding support to assist small Rural contractors and implement longer term funding programmes to give assurance and secure supply chain engagement.

Scottish Government Fuel Poverty Targets Missed Risk: Households left in fuel poverty and jobs lost throughout the supply chain

The rural and island areas have some of the **highest** rates of **fuel poverty** and greatest challenges in improving the quality of homes. This is not isolated to rural areas as there are real and immediate challenges in urban areas too.

If larger contractors in more urban areas who are undertaking External Wall Insulation as a primary measure **struggle to incorporate the lengthy lead in, process and evaluation timelines** or to obtain training for their 1 in 4 operatives then the major part of the **Scot Gov programme** will be in **jeopardy**.

The Scottish Government will then be **unlikely** to meet its stated **targets** for the achievement of EPC C by 2030. **Extreme fuel poverty targets will be missed**.

Fuel Poverty rates, which are estimated to have risen significantly during COVID, will remain. Tackling energy efficiency as a driver of fuel poverty will have been undermined by the 2021 transition to PAS and alignment of HEEPS:ABS will mean programmes are reduced and targets **not met**.

Programme delivery during 2021/22 will suffer as the combination of elections, budgets, PAS uncertainty and the ability of contractors to recover, will cause the installation of measures to **slow**.

"In the Western Isles there is a supply chain of contractors of approximately 30-40 operatives none of which will currently meet the new PAS standard. This puts work immediately at risk across all workstreams whilst we try to engage and upskill. The managing agent also has 30 FTE's now at risk due to the interdependent nature of deliver across HEEPS and ECO." Tighean Innse Gall

Long term Ask: Extend the transition period for PAS and decouple ECO from HEEPS:ABS while the transition is achieved.

Shortage of skills for long term Risk: Supply chains are disengaged, and SG schemes are significantly impaired or fail.

The transition period to the new PAS is placing an **unachievable burden** on rural supply chains and will be counterproductive. Rather than securing quality work via the accredited schemes the timescales for transition coupled with the lack of funding, lack of certified professions and lack of access to training will place many contractors outside of the desired upskilling thus perpetuating the cycle.

Long term Ask: Engage with rural agents when reviewing the Skills Consultation response.

Priority Asks

Priority 1 Asks:

1. Seek a **12mnth suspension** of the introduction of **PAS 2035** for the delivery of ECO programme works
2. Apply an **exemption in Scotland** from the full aspects of **PAS 2035** for **12mnths** to allow organisation to meet the requirement of the standard
3. Immediate recognition of **PAS as a barrier** to fulfilling HEEPS:ABS in rural areas
4. Scottish Government to **temporarily decouple** the **PAS 2030/2035** requirements **from HEEPS:ABS**, due to COVID impacting on training etc, to 2022 until such a time as it is clear that there is confidence that capacity exists.
5. **Interim** provision of **gap funding**- utilising underspent HEEPS:ABS to fill the ECO gap. (i.e. in effect Extend the PAS Transition period by meeting the cost of ECO within HEEPS:ABS programmes until the supply chain has had the opportunity to become accredited/certified)
6. Support, **targeted grant funding**, for colleges and the sector to **upskill** its existing workforce to meet PAS accreditation/certification standards.

Priority 2 Asks:

1. **Review** how HEEPS:ABS links to ECO and re-consider grant ceilings in light of additional costs.
2. **Information campaign** to ensure that all contractors, Local Authority and Housing Association clients are fully aware of the implications of the PAS 2030:2019/2035 standards.
3. **Clarity** over the **quality standards** required for public funded programmes (grants/loans)
4. **Increased capacity** at colleges and other **training** organisations
5. **Locally** provided courses.
6. Scottish equivalent qualifications are identified and supported including the **importance** of ensuring that time served people and **Recognised Prior Learning** within the contractor base are supported to achieve standards.
7. **Review** funding support for existing contractors. In particular support is required for small and rural contractors - to ensure engagement with training whilst remaining viable.
8. **Ask** BEIS, Trustmark, BSI & GDGC to review how warranties are granted where the Retrofit Designer has designed a solution.
9. **Advise** procurement teams in LA's to recognise PAS 2035/ 2030:2019 accredited tenderers in assessment criteria scoring for retrofit works.
10. **Engage** with rural agents when reviewing the Skills Consultation response.