



# **EAS Response to Scottish Government Consultation on Energy Efficient Scotland**

**June 2019**

Energy Action Scotland (EAS) is the Scottish charity with the remit of ending fuel poverty. EAS has been working with this remit since its inception in 1983 and has campaigned on the issue of fuel poverty and delivered many practical and research projects to tackle the problems of cold, damp homes. EAS works with both the Scottish and the UK Governments on energy efficiency programme design and implementation.

The following is only concerned with the domestic sector. EAS has no comment to make in the non-domestic areas of the consultation as this is out with the scope and purpose of the organisation.

EAS believes that the target date of 2040 is too far away to be meaningful. It condemns a further generation of Scottish households to a life of fuel poverty. To set this as a target date for meeting a minimum threshold takes a 'business as usual' approach and will in effect allow landlords and Government to slow the progress already being made to address fuel poverty. Those households in the greatest need will continue to pay for this prolonged policy year on year. Action needs to be taken sooner and at a higher level of aspiration than set in the consultation.

## **Consultation Questions**

### **Part 2**

#### **Pace of Delivery**

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

EAS is concerned regarding mandatory action for owner occupiers, especially those who are fuel poor. Future policy must not force action onto people who cannot afford it. For households on a low income, there needs to be solutions which don't exacerbate an already stressed financial situation e.g. an abeyance or punitive action based on income status or qualification for access to assistance for energy efficiency measures. If someone doesn't have the means to achieve a higher energy efficiency rate for their property, then they should be eligible for help through the Warmer Homes Scotland scheme (WHS). However, at present there are households who fall out with that scheme and the threshold for work done under Warmer Homes Scotland (SAP 64) doesn't meet the proposed EPC threshold under EES for households in fuel poverty (SAP69). If the Scottish Government is setting different targets for fuel poor homes e.g. everyone to be a band 'C' by 2030, then the national scheme delivering improvements for fuel poor homes needs to be aiming for SAP69, there needs to be a consistent approach and alignment between policies and programmes. Whilst band 'C' would align with the interim policy aim under EES in the short term, there is a strong argument that WHS should really be aiming for band

'B' (SAP81). It is crucial that policies themselves should align now rather than requiring further action after 2030 for fuel poor homes.

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

Potential trigger points could include point of sale and any major repair or renovation works, such as replacing a boiler, internal wall insulation, and window replacement and roofing repairs. At present, only external wall insulation requires a building warrant, however there are a number of ways in which other energy efficiency improvements could also trigger a requirement to assess the need for additional works to meet performance standards. This may require a change in building standards, e.g. changing the purpose of works which don't require a warrant. These works are described in section 2.4 of the Building Standards Handbook (Scottish Government, The Scottish Building Standards PROCEDURAL HANDBOOK, 2017).

If all works where energy performance standards are defined in building regulations, regardless of the requirement for a building warrant, are required to lodge a new EPC post completion of these works this could allow a point of policy assessment determining whether or not it met the proposed EES standard.

We need to extend the purpose of notifiable work in building standards. For example, a new boiler, while not requiring a building warrant, does need to meet minimum energy efficiency standards. All work that affects energy performance of a building is a trigger. A key question is how does anyone know when energy efficiency work has been carried out? In building standards there are performance standards. We need to use the building standards system to require an EPC and then use that opportunity to determine if the current performance of the building post completion of the works meets the EES standard or not.

This approach to enabling policy assessment only works with measures that are explicitly covered by building regulation. Other opportunities exist where an EPC assessment would make logical sense alongside any work that might affect the energy performance of a dwelling. Trigger points could be anything major, such as when properties are identified as "Below Tolerable Standard" and in the PRS as failing to meet the "Repairing Standard". The "Scheme of Assistance" operated by Local Authorities in Scotland could then become the vehicle to enable EES assessment from a new EPC.

The other area where there could be a trigger point is via a "Tenement Management Scheme" (those that fall under the Tenement Act 2004). At present, this is restricted to works defined as essential repairs only, explicitly not improvement works therefore there is an opportunity for an EPC to be triggered here as the necessary works may affect the building energy performance and to ask the question of the building, does it meet the minimum EPC?

There is an opportunity here to make something visible that wasn't before, to expand the purpose of the requirement for an EPC beyond just a static process for the sale and rent of property. A requirement to have a new EPC at any point where works to a dwelling could affect its energy performance would mean that the EPC would enable a more frequent EES assessment and lead to a decision on whether the building meets the current energy efficiency standards and assist in designing improvement plans to ensure that building owners have plenty of time to invest in improvements.

A point to consider is how can these standards be improved in conservation areas and listed buildings without significantly disadvantaging the building owners and occupiers? This will be a fundamental question for organisations such as Historic Environment Scotland. We would encourage the Scottish Government to adopt many of the recommendations in our research work on EPCs in Scotland ([A Review of Domestic and Non-Domestic Energy Performance Certificates in Scotland](#), February 2019) to ensure that we can fully reflect the impact of energy efficiency works to buildings over 100 years old and those of a non-traditional nature.

A policy vehicle which could be used to make visible when something is happening to a building could be the new Scottish Land and Buildings Transaction Tax (LBTT). This could provide a viewpoint into the system and would be a way of both knowing when buildings are changing ownership and as a fiscal vehicle to impose actions that are requiring energy efficiency works. This would also be an opportune point to intervene and ask does this building meet the standard.

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

In order to avoid the potential for inflation of the ownership market post 2025 from the movement of rental (social and private), we need to align the policy thresholds for dwelling energy performance. There are two key considerations in this:

- *all privately rented properties will need to be at least EPC D by the end of March 2025.*
- *no social housing should be let after 2025 if the energy efficiency rating is lower than EPC D.*

Property not meeting these two standards by 2025 could be pressured into moving from the rental sector to the private ownership market. This has the effect of removing rental properties from the market which play a vital role in allowing agility and mobility in growing new labour markets and maintaining the pool of low-cost rental property for families who find themselves in less affluent circumstances. Delaying the introduction of energy efficiency standards into the ownership market will only serve to create a space for poor performing property to exist in the Scottish market, perhaps also encouraging low valuations that disrupt existing local markets. This can falsely incentivise families to consider home ownership without the real

means to sustain this type of tenure, additionally being exposed to the day to day costs of the amenity of energy which will be higher due to the poor efficiency of these stranded property assets.

Bringing forward the owner occupied standard under EES will require front loading the private sector assistance programmes e.g. WHS and interest free loans schemes. For the WHS scheme which is aimed at low income households, this probably means extending its end date beyond 2022, and increasing the budget in the 5 years running up to 2025 to ensure that support is available up to the commencement of the EES policy implementation point for this sector.

Households at risk of fuel poverty could be considered as exempt from this accelerated owner occupied 2025 policy mechanism, with a backstop of 2030. This would need to be a cautiously applied exemption perhaps only being applicable for those families who have been in occupation of the same property for 3 or more years?

### **Impact of Pace on Supply Chain**

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

The Energy Efficient Scotland programme gives us the opportunity to invest in apprenticeship programmes and to begin to build capacity for these activities with access to vocational skills development from secondary school age upwards. Work on this needs to begin now regardless of whether the timescales are changed, as the investment in Modern Apprenticeship Programmes needs to be upscaled in a sustainable fashion – young people need to see this type of work as a viable future career opportunity which is not at risk from the growing automation now emergent in other traditional career pathways.

With regards to consumer protection, the Energy Company Obligation (ECO) is essentially driving the development of the Trust Mark (<https://www.trustmark.org.uk/>) and underpinning this is the strengthening of the role of the consumer being informed from the “Each Home Counts” review process (<http://www.eachhomecounts.com/>). There should be a process standard, work should be done to reach a specific standard, and if a delivery agent ceases trading, then measures will be in place to protect consumer interests and mitigate the worst effects. The Scottish Government needs to engage with this wider UK drive to re-focus the delivery of the energy efficiency retrofit to place the consumer at its heart.

The process cannot and should not be different in one country, a variance in the consumer and process standards between Scotland and other areas of the UK will only serve to create a space for poor delivery and/or poor service to grow, in short

where there are different standards, Scotland could end up with the “cowboys”. The delivery and consumer processes need to agree on a common baseline standard for operation across the UK. Scotland could, if it so chooses, create differentiation by requiring those standards to go further, the so called “gold plating” of minimum process and consumer standards.

There are many examples where policy and practice between Scotland and the rest of the UK align e.g. the building standards/regulatory policies which don't create a rush to the bottom between the devolved administrations. We have also observed what happens through this policy area when standards are not aligned e.g. where the introduction of mandatory glazing standards 2002-03 or boiler standards 2007 created an increased market shift in the lower performing products being available in the country with the lower standard.

The high cost of accreditation for process and consumer protection mechanisms may put small businesses out of the running. The cost of accreditation in rural areas is a particular concern as rural areas do not have the level of business to make up those front ended costs and the throughput of work to sustain the on-going costs of independent quality assurance employed to rightly scrutinise work delivered. A way must be found that does not compromise standards, but which enables small companies to participate.

The Scottish Government already invests in the Low Carbon Skills programme for SME's; this programme is a valuable source of funding for increasing the skill base of Scotland's labour market. We need to ensure that the mandatory nature of qualifications brought in to support quality assurance in the market does not exclude SME's from taking advantage of this funding route for skills development.

#### Value of Local Delivery

Integrated local schemes can provide a trusted brand approach to delivery of national objectives. They provide a valuable service alongside the market-led national schemes. A mix of delivery methods means that often a solution for most householders' circumstances can be arranged i.e. if they are not eligible for one scheme; they might get support from another. Having a local supply chain is very important offering both a different mix of measures and also a different engagement/delivery strategy.

We would encourage mechanisms to develop the local supply chain where possible. Poor energy efficiency and fuel poverty is felt within our communities; the solutions to this must involve those same communities. Whilst economies of scale can be brought to bear to help manage the public purse, we should not ignore the true social value of investment in the local economy; this brings benefits beyond the delivery of energy efficiency measures. This is particularly critical in the local rural economies across Scotland where local investment, jobs and support services rely on a sustainable job market.

## **Impact on Fuel Poverty & Climate Change**

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

EAS wants the worst homes treated as quickly as possible, programmes should be front-loaded to identify and incentivise treatment of the worst performing properties first, in a long term strategy; there is little point to achieving attractive deliver volumes in properties with measures that provide a modest improvement to homes. We need to be pushing our ambition in the first 3-5 years of this long-term strategy to levels of impact beyond the current average of £6 per week saved (Scottish Government, Home Energy Efficiency Programmes for Scotland Delivery Report 2017/18, May 2019). People who experience the worst of fuel poverty should be reached first.

In non-gas areas, there is no consumer protection for those on private heat networks, so these people are paying one entity/agent a fee with no competitive pressure to act as an effective price control. Most energy efficiency measures do both – mitigate climate change and help tackle fuel poverty. For example, the work of the Just Transition Commission is to investigate how to achieve decarbonisation of energy without disproportionately impacting on those less able to afford the impact on the price of that energy. There is the potential for discrete heat networks operating as private entities to deliver a low carbon heat source but at a price which does not recognise the vulnerabilities of the households that it serves

Accelerating Energy Efficient Scotland would remove poor energy efficiency as a driver for fuel poverty sooner. Looking at this from a systems perspective, fuel poverty is not a discrete annual problem which resets each year, it is a problem which becomes more of a problem over time and as such tackling poor energy efficiency as the driver for this experience of fuel poverty should be accelerated.

EAS's view is that we should aim to eradicate fuel poverty however, even under the minimum threshold target proposed by our future Scottish fuel poverty strategy our own projections suggest that the pace of change must increase. At current population growth estimates this means a minimum of 20,000 homes per year out of fuel poverty to 2030 rising to 25,000 homes per year till 2040. This would meet the proposed interim targets, however rather than a linear growth projection like this, it is for fuel poor homes more desirable to front load this delivery to avoid the societal costs of fuel poverty which rebound on us all. Fuel poverty is not just a problem for those experiencing it, it is a problem of social inequality which comes with a cost burden to society in general.

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

Yes, there should be energy efficiency improvements alongside changes to heating systems. The biggest driver to date for occupants engaging with national or local schemes to tackle poor energy efficiency has been the potential for the measures to reduce the cost of energy. The impact on climate is a growing concern for consumers but it has so far been a secondary matter. The drivers for Governments, delivery agents and enabling organisations are for the most part a consequence of policies and politics for Governments and contracts and obligations for the others. For consumers, a high energy cost drives the requirement to reduce. As such, there still needs to be some sort of incentive to reduce energy. However, this is not a steady state system; the decarbonisation of energy can act to increase the cost of energy for the consumer. Therefore, energy reduction must remain as a primary goal for EES, low carbon heating is desirable but focus must be kept on reducing the consumption of energy, even when it is low or zero carbon.

Reflecting the section from the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill on energy which is required for all households needs not just warmth

*(1) A household is in fuel poverty if—*

*(a) the fuel costs necessary for the home in which members of the household live to meet the conditions set out in subsection (2) are more than 10% of the household's adjusted net income, and*

*(2) For the purpose of subsection (1)(a), the conditions are that—*

*(a) the requisite temperatures are met for the requisite number of hours, and  
(b) the household's other reasonable fuel needs within the home are met.*

It is important that we recognise that from both a carbon and a cost impact that the energy amenities covered under (2) (b) in the forthcoming Fuel Poverty Act (Scotland) 2019 have a real impact on the risk of fuel poverty and climate change. Much of this current consultation focusses attention on the achievement of 2(a) within the terms laid in 1(a). It is correct that the focus of EES is on producing homes that are "heating efficient" i.e. that they can provide space and water heating as cheaply as possible with the least carbon burden. However, this is not the full picture for Scotland's 2.4 million homes and our current 613,000 fuel poor within that.

What can the Energy Efficient Scotland programme do to tackle the cost requirement for these "other reasonable fuel needs within the home"? If we are to view EES as both the primary policy for Scotland's climate change ambition and the principal mechanism for ensuring that poor energy efficiency is not a significant driver for fuel poverty, then we should expect the provision of other energy amenities being tackled alongside the provision of heating efficiency.



The big challenge for measuring success of EES therefore is that many of the energy amenities that would be considered as “reasonable” will not have an impact on the EPC. They can have an impact on the assessment of fuel poverty risk as the definition of this in the Scottish House Condition Survey (SHCS) will change to match the new definition of fuel poverty in the forthcoming Fuel Poverty Strategy. The Scottish Government will need new metrics to measure the impact of energy efficiency measures alongside the basic EPC letter scale. All “reasonable” energy use at home needs to be assessed for its contribution to both fuel poverty and climate change.

## **Part 3**

### **Private Rented Sector**

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

Yes, using change of tenancy as a trigger here is a good idea; however, what will be the mechanism to know that this has change has happened? There may be a need to expand the function of the Landlord Registration Scheme (LRS) which will provide a check point (trigger) for EES compliance. The LRS process only provides a point every 3 years and could be a useful backstop however this length of time could be critical in terms of low-income households avoiding the accumulation of fuel debt and also experiencing the ill effects of fuel poverty.

Another option may be an adaption of the Scottish short assured tenancy (SAT), this is renewed every 6 months, and it could include a self-declaration from the landlord/agency added which asks – “is the property energy efficient?”, the measure of energy efficiency would be that defined within the agreed EES policy and would change over time to reflect the differences in EPC banding from 2020 through to 2025. In addition, there could be questions to identify the risk of fuel poverty for the new tenant as this would require higher standards to be applied to the property where it is occupied by residents who because of their income levels, would be at risk of fuel poverty in the property considering the modelled cost of energy to meet the legal thresholds defined in the Fuel Poverty Act (Scotland) 2019.

Note that for a SAT, a change of tenancy would in effect be triggered every 6 months irrespective of whether it was the same tenant, this is important in terms of the EPC banding required at each stage to 2025. The other important point about this mechanism would be that the SAT is countersigned by the tenant and so any consumer issues relating to the condition of the property reported on the EPC and the reality of what the tenant is verifying by signing the SAT can be resolved at that point. There is no onus on people to undertake a re-assessment of the EPC for 10 years, so however the EES incorporates the EPC as a policy instrument needs to reflect that. The route into taking action would need to come from the tenant, therefore there would need to be an awareness campaign alongside this. The tenant would need to make a complaint – is this EPC reflective of the place they are living in? Checks and balances are needed here if the expectation is that the EES policy is in some ways self-policing.

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

EAS has no particular views on this issue, as long as the private rented sector receives enough of a lead in that this is going to happen. Bringing forward this ‘C’ banding by 2025 would in effect meet the current proposal for all fuel poor

households early in this sector. For some properties, this will be a significant challenge. Meeting SAP 69 or better will require a significant investment in certain property types and we would advise against considering the end point of this policy journey as being the exemption of work on the basis of an excessive cost concession built into the policy for the private sector. A safety net needs to be in place for vulnerable families to ensure that continued occupation of the home is not predicated on the cost thresholds defined for it in a cost/benefit analysis. The Scottish Government may want to consider a supplementary approach where preferential loans could be offered to landlords to bridge any shortfall between the acceptable threshold for energy efficiency works and the actual delivery cost. The continued energy pressure on the fuel poor occupant should not be the end result of an abeyance or exemption which disadvantages them whilst maintaining the rental income for the landlord.

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

There should be a requirement for a cap however, enforcing this blindly just increases demolition rates, which would be an unintended consequence and reduce serviceable housing stock, we don't want that. However, we must accept that some assistance needs to be targeted at properties which have technical challenges and occupants who may already be income pressured. Need to be careful about how such caps/thresholds are applied as inequalities could occur depending on location, the cost to deliver certain measures is not uniformly the same across all areas of Scotland. There may be a need to consider the cap/thresholds applied more generally to those that would be applicable for work needing carried out to historic buildings that are in conservation areas, national parks and/or which are listed with Historic Environment Scotland. The costs to deliver energy efficient work to properties which are designated as "listed" may be prohibitively high for some budgets. In addition, some of the solutions to improving the energy efficiency sympathetically to the historic style and materials may not perform as well as some of the more modern systems and solutions to improving energy efficiency. In these cases, it may be enough to confer compliance on such buildings if a certain proportion of the building fabric and/or heating system has been made more efficient than it was previously and not to focus so much in these cases on the technical performance and determined by the EPC (i.e. SAP).

Once applied for, the assessment of the threshold or "cap" needs to be reviewed regularly (perhaps 3-year review) as the cost to carry out the works and the improvement to the EPC will change over time, additionally technical barriers to improvement may be removed by the development of new technology or new ways of arranging and financing necessary works.

## Part 4

### Impact on Supply Chain: skills and capacity

Considering the recommendations made by the Quality Assurance Short Life Working Group:

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

EAS welcomes the report published by the Quality Assurance Short Life Working Group and agrees with the recommendations made however the Working Group's discussions were mainly focussed on the self-funding market (householders not in receipt of any public grant support), and there needs to be consistency of approach across all residential sectors. In addition, we support the creation of a new Consumer Scotland body however we would be keen to see some parity with processes under development in other parts of the UK, in particular programmes such as ECO. This would ensure that we don't have two assurance burdens operating on the same single measure. There needs to be a single assurance process and a concordat which confers that approval on one scheme meets the core standards of another.

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

EAS notes that Scotland needs to be smarter in the way it dovetails its programmes with GB ECO programmes, and other support mechanisms need to be complementary. There are many approaches to improve energy efficiency and these need to work together to make the landscape as easy to navigate as possible, to encourage businesses to engage with it.

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

EAS feels that there does need to be an entirely distinct Scottish perspective, in effect at the cost of ignoring the UK operational landscape. In this, there needs to be parity across the UK on a fundamental core level. It shouldn't have to depend which side of the border you are on for what works can get carried out, and to what quality and assurance. We have to be mindful of driving this with the householder at the heart of the process and consumer standards. There should be a virtuous balance between achieving a robust assurance backbone to the systems that deliver retrofit to the 2.4 million homes in Scotland which ensures that Scotland is still a good place to do business, but also one that considers the consumer as the most important part of the drive to deliver better more efficient places to call our homes.

## Part 5

### Heat Networks

#### Questions

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

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

Answering both of the above questions together. EAS feels that this is a good idea, however there needs to be consumer protection in the heat networks sector. The Heat Trust does have a voluntary code of practice, but there needs to be something statutory, a mandated code. To date there are only three schemes registered with the Heat Trust (<https://www.heattrust.org/>) in Scotland:

- Glasgow City Council      Wyndford
- Highland Council      Deshar Road and Sluggan Drive

There should also be public funding to make this happen and a specific role for the new Consumer Scotland body. If there are problems, and a person is locked into a single supplier, they can't change, there is no switching.

In non-gas areas, offer up opportunities to have a lower carbon heat supply, but need to make sure that vulnerable customers are not unfairly disadvantaged by predatory seasonal pricing from an unregulated fuel supply market.