

ENERGY EFFICIENT SCOTLAND CONSULTATION

RESPONSE FROM THE ENERGY POVERTY RESEARCH INITIATIVE AND COMMON WEAL

JUNE 2019

RESPONSES TO QUESTIONS

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

In principle, we support the introduction of mandatory actions for owner-occupiers and private landlords, as required under Residential Energy Conservation Ordinances¹, which we recommended the Scottish Government adopt as far back as 2012². It is clear that at current rates of delivering energy efficiency upgrades, and with no significant change in that rate, we would fail to meet the proposed targets.

However, there are a number of over-riding problems with the proposals covered by this consultation which mean we cannot support the package as it stands, and therefore could not support the introduction of mandatory actions under this proposed policy regime.

Our concerns here fall broadly under two categories:

Energy Performance Certificates

The use of Energy Performance Certificates (as they stand) as the primary indicator of energy performance, the validity of EPCs as a measure of energy performance, and the validity and appropriateness of the

measures recommended by EPC assessments. If EPCs (as they stand) continue to be produced using the current approach and used in this way we have no choice but to strongly oppose all policies that use them as indicators. Furthermore, should these proposals become legislation without addressing this elephant in the living room, we are of the view that the Scottish Government would soon be facing legal action from householders being mandated to take actions recommended by EPCs that will have negligible or negative impacts on their energy use and internal comfort.

In December 2018 we published a full critique of EPCs and our proposals for an alternative approach to producing them which is better aligned with the aims of the EU's Energy Performance of Buildings Directive (EPBD), largely removes the need for using modelled 'data', and improves the appropriateness of actions recommended by them³. Our most recent report on decarbonising off-gas grid households, produced as part of our submission for the associated consultation, contains further evidence of how the proposed use of EPCs further exacerbates the inequities between households in urban and rural areas⁴.

Resourcing

Mandatory actions will require assessments and enforcement which requires adequately resourced delivery teams. Currently these teams do not exist within local authorities, nor do the finances to cover these costs, yet there is a clear case for the Scottish Government to provide the finance and resources necessary for local authorities to employ staff to deliver these services, and to improve the quality and cost-effectiveness of existing services by insourcing contracts. In particular, we note a key finding from a recent report by the Association for Public Service Excellence (APSE):

"Insourced contracts provide service flexibility and the ability to allocate resources where they are needed; they are supporting local council endeavours to buy locally and to influence employment and environmental standards in the local area."^{5,6}

2 Insourcing also improves cost-effectiveness

through removing the costs of overheads charged by external organisations, builds and retains capacity and tacit/organisational knowledge and expertise, and removes the risks associated with external organisations/companies failing financially (e.g. Carillion). Going further, we are of the view that these in-house teams should form part of a publicly-owned Scottish National Energy Service. This is covered briefly in our recent policy papers, in particular how it would mutually support the Scottish National Energy Company and our proposed Scottish Energy Development Agency⁷, and will be fully developed in a new policy paper to be published later this year.

As the current proposals stand, we are of the view that they insufficiently resourced and will fail to meet their objectives.

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

Learning from the successes of Residential Energy Conservation Ordinances (see answer to Q1) we support the issuing of improvement notices at point of sale, point of change of tenancy, and where a property is to be extended by more than 25% of its floor area (the latter might be amended to any change requiring consent or planning permission). Furthermore, once an improvement notice has been triggered a period of one year should be allowed to upgrade the property and, critically, this clock should not be reset if the property subsequently changes ownership or tenancy. Should the property not have been upgraded by the end of this period then the owner should be banned from selling, renting or extending it until the conditions of the improvement notice have been met.

However, again, we stress that we cannot support any proposals of this nature under EES whilst EPCs (as they stand) are to be used as the method for assessing energy performance and recommending improvements, and without a commitment from the Scottish Government that local authorities will be sufficiently resourced to deliver these services.

Furthermore, the Scottish Government should not under-estimate the difficulties, and indeed dangers, staff will encounter as part of enforcing these proposals, and therefore resource allocations will need to allow for empowering enforcement teams with right of access and funding for multiple staff to attend visits to these householders.

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

Whilst, in principle, we support the introduction of these targets we have significant concerns that the Scottish Government has failed to conduct a sufficient assessment of the necessary resources needed to deliver these proposals. Any targets are meaningless without a fully-costed assessment of the costs and resources necessary to deliver them, and a commitment to ensure these will be met and ring-fenced in sufficient time to enable local authorities to build the necessary operational capacities. We share the concerns of other stakeholders with experience of managing housing that the proposals, as they stand, are undeliverable.

Again, we stress that, should EPCs be used as the mechanism for delivering those targets we are strongly of the view that the Scottish Government should expect to also need to allow for financing the costs of legal challenges from householders. These will come from householders whose EPCs do not accurately reflect the actual (measurable) energy performance of their properties, those for whom upgrading causes undesirable consequences such as over-heating, and those for whom EPC-recommended upgrades are inappropriate and/or do not deliver the modelled energy savings and payback periods.

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.

This is ultimately dependent on how the proposals will be delivered, financed and resourced, and whether EPCs as they stand are to be used as proposed.

Our proposals for an alternative approach to EPCs are designed to be cost-effective, and so could form part of a viable trajectory to enable the timescales to be brought forward⁸. A key benefit of our proposals is that they largely remove the need for (and costs of) modelling, as well as providing a lever to improve existing models and model-based reporting, whilst also presenting more accurate, reliable, and better-quality information to the public.

However, we reiterate our concerns over the lack of sufficient resources to be committed to meeting them as they stand. If enforcement officer teams cannot be sufficiently funded and resourced, it would at least be beneficial to empower them with the right of access to properties, and guarantee that they will gain access to serve enforcements. Progress under this scenario could then be monitored to assess how realistic the timescales are in practice.

Unless these concerns are addressed, any discussions about the supply chain are academic distractions.

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

The proposals for Energy Efficient Scotland are fundamentally 'fabric first' measures that will benefit those aware of and able to improve the energy efficiency of their properties. Tackling fuel poverty requires 'folk first' holistic householder-centred approaches^{9,10} that emphasise the delivery of face-to-face and in-home support by trusted frontline staff based locally at local authorities, housing associations, Citizens Advice Bureau, and community-based support organisations. Our recent research has found that over two thirds of fuel poor and

otherwise vulnerable householders seeking such support in Renfrewshire required face-to-face or in-home support¹¹, and has highlighted the value of the support provided by South Seeds in Glasgow as an exemplar of a community-based energy advocacy service¹².

Furthermore, we are strongly of the view that the proposals for EES as they stand will serve to further exacerbate the significant inequity gap between households in urban areas and those in rural and island areas^{13,14,15,16}. Accelerating these proposals would, therefore, accelerate the widening of this divide.

We are strongly of the view that the proposals as they stand will lead to the Scottish Government again missing its targets to address fuel poverty, and in many cases will serve to further disadvantage fuel poor householders.

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?

Our submission to the call for evidence on off-gas grid households includes a full review of the technological options for decarbonising domestic heating, and so we would refer the Scottish Government to this report¹⁷.

Installing energy efficiency improvements alongside changing heating systems means less energy will be wasted and systems can be sized to be smaller and less costly to install and run. Therefore, we are somewhat surprised that this consultation is even asking this question.

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

Change of tenancy is one of the three triggers used by RECOs, and so we support this proposal with the caveat that we have to oppose the

whole package of proposals under EES as they stand (see our answers to Q1 and 2).

As regards private landlords, we are of the view that the poor energy performance of this stock justifies introducing mandatory standards earlier than for owner-occupiers, and would bring the additional benefit of forcing some landlords to sell off inefficient and / or unoccupied properties that they cannot afford to, or do not wish to, maintain to these standards.

However, as per our previous answers, we have significant concerns over both the use of EPCs and the funding and resources that will be made available to deliver and enforce this proposal. As regards socially-rented properties, upgrading and certifying/validating large numbers of properties in the proposed timescales will require significant funding and resources, committed to now and ring-fenced for over a decade. Tackling the privately-rented sector poses more significant problems as assessors and inspectors will need to be empowered to gain access to properties and enforce mandatory upgrading (or sale) where landlords are absent and/or actively resisting compliance. In order to give us any confidence in these proposals their financial, resource and staffing needs should be fully assessed and committed to prior to ESS becoming legislation.

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?

See previous answers. The use of EPC ratings in this way means that the Scottish Government is completely failing to understand their limitations, and the impact their proposed uses will have on reducing emissions from housing and tackling fuel poverty.

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?

See previous answers. If cost-effectiveness and technical feasibility are to be defined by EPC-based assessments then this question is meaningless.

However, it is important to note that it is technically feasible to significantly improve the energy performance of any property if the costs of doing so are affordable to the owner. The Scottish Government's 'Evidence on Hard to Treat Properties' report shows this, and was never intended to define away a large proportion of Scottish housing as technically unfeasible to tackle, indeed quite the opposite. As discussed in the report, 'hard to treat' properties are those where the costs of upgrading are unaffordable (with whatever subsidies are available) and those where social barriers exist, e.g. in mixed-tenure tenements and flats¹⁸.

The technical feasibility of any measures, but particularly new heating systems and low carbon and renewable energy technologies, should be assessed by a household survey conducted by a suitably qualified professional, i.e. a chartered engineer. They cannot be conducted by staff whose technical expertise extends little further than passing the City & Guilds Energy Awareness training and where this may be justifiable, e.g. where an assessor with specific technical knowledge is needed, they should be verified by an engineer chartered by the appropriate professional institute (RICS, CIBSE, etc).

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?

Please also see our previous answers in relation to the use of EPCs and resourcing, to which we would add a number of points.

We are strongly of the view that the findings of the Short Life Working Group place far too much faith, that is not supported by evidence, in the validity of using modelled data to deliver the objectives of EES, or any other energy efficiency or fuel poverty programme. We do not believe that it is likely that EES, or Home Energy Scotland, will achieve 'trusted' status amongst the majority of the public, and particularly the hardest to reach, in anywhere near the time required, and we are strongly of the view that existing, trusted, organisations are better-placed to deliver on EES's objectives (see our answer to Q5).

Furthermore, we note that the SLWG was chaired by the Energy Saving Trust and included Warmworks (in which the EST is a partner), and that these two organisations currently deliver Home Energy Scotland and would be expected to tender to deliver services covered by EES. We also note that the EST maintains the Home Energy Efficiency 'Database' (HEED) which is heavily reliant on modelled and abstracted 'data', and so has a vested interest in securing further funding to maintain and promote it. In the private sector this would be deemed anti-competitive, and so we are strongly of the view that the EST's membership of the group, let alone its chairing of it (as opposed to providing evidence to it), represents a significant conflict of interest, and therefore the findings of the group have to be interpreted accordingly.

Finally, the energy efficiency sector does not have a strong reputation which has, in the recent past, been undermined by the mis-selling of Green Deal packages. Maintaining a high standard of quality is important, as is the strength of the processes to support and rectify any failures. The Scottish Government's lack of progress on tackling mis-sellers has shown it to be fairly powerless in bringing the worst of the offenders under Green Deal to account. We would therefore advocate as strong as possible level of control and monitoring to ensure that customer protection is maintained at the highest levels possible, and that this degree of scrutiny and transparency is applied to all contracting and delivery arrangements under EES.

Our proposals for tackling these problems will be

outlined in full in our forthcoming policy paper on the case for a Scottish National Energy Service.

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?

The findings of the review of the Scottish Government's Energy Assistance Package¹⁹ show that the needs and limitations of householders and suppliers in rural and island areas are not adequately accounted for, and the proposals under ESS give us little confidence that these problems have been addressed in current Scottish Government thinking.

As regards the particular problems facing householders and suppliers in rural and remote areas, and the many benefits that could be unlocked by tackling them, we would refer the Scottish Government to our recent policy papers on the Scottish National Energy Company²⁰, developing sustainable and equitable district heating²¹, and decarbonising off-gas households²².

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

The Scottish Government should ensure that all assessments are validated against actual (measured) energy performance data (consumption, costs, internal temperatures and humidity, etc), using a sufficient sampling size and sufficiently representative sampling strategy. It should also ensure that the costs and resources required to deliver these assessments and validation are assessed and fully funded, and that the difficult decisions and actions this may result in are not forced onto insufficiently resourced and empowered local authorities and social landlords.

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

For more detailed evidence on this question please refer to our recent policy papers on the Scottish National Energy Company²³, developing sustainable and equitable district heating²⁴, and decarbonising off-gas households²⁵.

Heat networks do not currently appear to be economically viable without significant external funding. Most commonly this funding has come through the Energy Company Obligation which purports to reduce carbon and address fuel poverty. It is apparent that there is a need for a rethinking of how heat networks are supported and delivered. Local authorities typically will work on short term financial planning of less than ten years, yet a heat network is a long-term investment that may well pay for itself over a period of decades. Local authorities need to be enabled and directed to consider these investment time scales or, preferably, the Scottish Government could consider heat networks as a national infrastructure issue and could develop and deliver new heat networks through the Scottish National Energy Company (SNEC) and a Scottish Energy Development Agency (SEDA), supported by financing from the Scottish National Investment Bank (SNIB)²⁶.

Currently the majority of district heating networks in Scotland are economically unviable with only a few exceptions. This could be driven by increasing fuel costs, particularly gas, but this would have significant impacts on the levels of fuel poverty and is also outwith the competence of the Scottish Government. Without recourse to the cost of fuel as leverage the Scottish Government is limited to developing the grant assistance and commissioning and the installation of networks through the SNEC and SNIB. This would lead us to two, non-mutually exclusive support mechanisms: providing 100% funding for networks and/or the installation (and ownership) of infrastructure and generation technologies by a Government body.

The Scottish Government must assess the successes and more importantly the failures of developing district heating systems (DHS)

in Scotland and learn from them. There are common problems, for example billing issues with registered social landlords (RSLs), and the specifications and models used to estimate to operational performance. We should focus on developing DHS that meet real needs, and not those that are built on idealism, and based on misunderstood and misinterpreted modelled data derived from inappropriate proxies and assumptions.

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

Please refer to our recent policy papers on the Scottish National Energy Company²⁷, developing sustainable and equitable district heating²⁸, and decarbonising off-gas households²⁹.

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