



# Identifying opportunities and barriers to Energy Efficiency in the Private Rented Housing sector

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## Who we are

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Scotland's Citizens Advice Network empowers people in every corner of Scotland through our local bureaux and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

Citizens Advice Scotland (CAS), our 59-member Citizen Advice Bureaux (CAB) and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website Advice for Scotland provides information on rights and helps people solve their problems. During 2019-20, the entire Citizens Advice network provided advice and assistance to over 188,000 individuals; this equates to one in every 24 adults living in Scotland. The network put a little over £170 million back into people's pockets during this time, with every £1 invested in core advice funding returning £16 in gains for people. Our extensive footprint is important in helping us understand how issues impact locally and nationally across the country and the different impacts that policies can have in different areas.

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<sup>1</sup> Citizens Advice Scotland (2020) Advice in Scotland [https://www.cas.org.uk/system/files/publications/advice\\_in\\_scotland\\_2019-20\\_0.pdf](https://www.cas.org.uk/system/files/publications/advice_in_scotland_2019-20_0.pdf)

# Executive Summary

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In Scotland, 14% of all homes are privately-rented<sup>2</sup>. The private rented sector has below average standards of repair and energy efficiency, having both the greatest proportion of properties with low Energy Performance Certificates and those failing to meet the Scottish Housing Quality Standard<sup>3</sup>.

Informed by a review of recent literature and engagement with Scottish Land and Estates (SLE) and the Scottish Association of Landlords (SAL), CAS asked landlords, letting agents and estate managers questions on the following related to energy efficiency:

- > understanding and opinion of proposed regulation for the sector
- > what is being done already to engage with tenants and landlords
- > how decisions about energy efficiency are being made by landlords and organisations
- > what information or support is currently available in the sector
- > how the sector can be supported to improve energy efficiency

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## Key Findings

### Landlords, letting agents and estate managers have a mixed view of proposed sector regulation

Most support additional regulation of the private rented sector, however there are several concerns which are likely to constrict meaningful engagement and action. The proposed timings for the introduction of regulation and the perceived lack of financial and technical support and information available to help landlords to make prompt and informed decisions for their property/ies were highlighted as the main barriers.

### Landlords, letting agents and estate managers have a poor view of Energy Performance Certificates and the assessment process

Most felt that Energy Performance Certificate grades and accompanying recommendations were not fit for purpose, and shared examples of poor experiences with the assessment process and the people employed to carry them out.

### There are a variety of energy efficiency measures being installed in the private rented sector across Scotland

The majority had installed at least one energy efficiency measure in their property/ies and were motivated by a variety of reasons ranging from tenant wellbeing, incoming government regulation, and climate change.

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<sup>2</sup> Scottish Government (2019) Housing statistics: stock by tenure <https://www.gov.scot/publications/housing-statistics-stock-by-tenure/>

<sup>3</sup> Scottish Housing Condition Survey (2019)

# Executive Summary

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## There are several barriers discouraging landlords from completing energy efficiency retrofit in their properties

While there is clearly appetite in the sector to install energy efficiency measures, those surveyed provided a range of barriers preventing or disincentivising them from doing more in this area. The key barrier identified was cost; participants felt there was a high initial cost to installation yet a slow and small return on investment; they also noted that they perceive there to be a lack of clear and useful information about financial support available to the sector.

Time, unfit standards, and lack of information are also preventing the private rented sector from completing energy efficiency retrofit

## Not all housing stock in the private rented sector is suitable for current energy efficiency retrofit activity

Some landlords noted that mixed tenure properties and owning hard-to-treat properties create additional barriers to achieving greater energy efficiency in homes.

## Landlords prefer communication via landlord associations and the landlord register

Based on the key findings, we make the following recommendations

### Our Recommendations

- > The Scottish Government amend proposals for future regulation of the private rented sector to ensure that: the cost of energy efficiency installation is not passed on to tenants; there are appropriate exemptions in place for tenants too vulnerable to accept renovations in their home; advice, support, protection and redress available to tenants and landlords is expanded upon; there is greater consideration given to appropriate financial support for landlords improving their properties; and engagement, education, incentives and investment programmes begin in good time prior to regulation coming into effect. The Scottish Government undertake a wide campaign to improve energy efficiency literacy, and EPC literacy, directed toward landlords and tenants in the private-rented sector.
- > The private rented sector adopts a 'Fabric First' approach to retrofit activities and is suitably supported by the Scottish Government and other agents to understand and implement this approach.
- > The Scottish Government work closely with its delivery partners to increase awareness in the private rented sector of additional support available for landlords undertaking assessments in their properties.
- > The Scottish Government and/or sector representatives undertake research to ensure financial and technical support available to the private rented sector is practicable, scalable and sustainable.
- > The Scottish Government ensure quality assurance is properly built-in to the energy efficiency assessment process for privately-rented homes.
- > The Scottish Government work to make the point of landlord registration a focus point for informing and engaging the private rented sector with energy efficiency.

# Background

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The private rented sector (PRS) faces unique barriers to energy efficiency improvements, namely that the person making the financial investment is not the person who reaps the benefits of it<sup>4</sup>. This disconnect between cost and benefit can create or worsen other barriers such as lack of engagement between tenants and landlords, low levels of energy efficiency literacy among consumers, poor understanding of landlord attitudes and behaviours with respect to energy efficiency, and the fragmented nature of the private rented sector<sup>5 6 7 8</sup>.

Improving the energy efficiency of the sector is essential to meet the country's carbon and fuel poverty targets, as energy efficient housing uses less energy to heat and light; producing fewer carbon emissions and saving on fuel bills. Homes that have poor energy efficiency are more likely to be in fuel poverty. Around 39% of tenants in the PRS live in fuel poverty<sup>9</sup>, which causes detriment not only to tenants' fuel costs, but to the development or worsening of respiratory and cardiovascular problems due to living in houses with damp and mould<sup>10</sup>.

Currently, 14% of all homes are privately-rented in Scotland<sup>11</sup>. The private-rented sector has below average standards of repair and energy efficiency, having both the greatest proportion of properties with low Energy Performance Certificates and failing to meet the Scottish Housing Quality Standard<sup>12</sup>.

## What are Energy Performance Certificates?

Energy Performance Certificates (EPC) are issued by domestic energy assessors (DEA). The certificates rate the energy efficiency and environmental impact of a home from A (most efficient) to G (least efficient).

DEAs use a reduced data standard assessment procedure (RdSAP) methodology to calculate a score and assign an EPC rating. RdSAP records size and layout of the building, how and when it was constructed, and the way it is insulated, heated, ventilated and lighted, and assigns a numerical score from 1-120, where 100 is the most efficient, and scores over 100 denote negative energy use (e.g. a home with solar panels can export energy back into the grid). To achieve EPC band C a property must achieve a minimum numerical score of 69.

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<sup>4</sup> Hope A, Booth A (2014) Attitudes and behaviours of private sector landlords towards the energy efficiency of tenanted homes Energy Policy 75 pp.369-378 <https://doi.org/10.1016/j.enpol.2014.09.018>

<sup>5</sup> *Ibid*

<sup>6</sup> Liu N, Zhao Y, Ge J (2018) Do renters skimp on energy efficiency during economic recessions? Evidence from Northeast Scotland. Energy 165 (Part A) pp.164-175 <https://doi.org/10.1016/j.energy.2018.09.078>

<sup>7</sup> Maerz S (2018) Beyond economics—understanding the decision-making of German small private landlords in terms of energy efficiency investment Energy Efficiency 11 <https://doi.org/10.1007/s12053-017-9567-7>

<sup>8</sup> Mui I, Hawkes A (2020) Private landlords and energy efficiency: Evidence for policy makers from a large-scale study in the United Kingdom Energy Policy 142 <https://doi.org/10.1016/j.enpol.2020.111446>

<sup>9</sup> Scottish Housing Condition Survey (2019)

<sup>10</sup> According to NHS Guidance, homes should ideally be heated to between 18 and 21 degrees

<sup>11</sup> Scottish Government (2019) Housing statistics: stock by tenure <https://www.gov.scot/publications/housing-statistics-stock-by-tenure/>

<sup>12</sup> Scottish Housing Condition Survey (2019)

## Background

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Conversations with organisations such as Scottish Land and Estates (SLE) and the Scottish Association of Landlords (SAL) indicate that members do not trust or understand EPCs and are hesitant to invest in energy efficiency measures because of this. There is a clear gap in communication about energy efficiency standards and the related activities among private landlords, and this is also true of communication between landlords and tenants. For example, Shelter surveyed private tenants in 2017 and found that 60% felt uncomfortable asking their landlord to make energy efficiency upgrades<sup>13</sup>, whereas 47% of UK landlords surveyed in 2014 gave “tenants seem perfectly happy with the energy efficiency of their home” as a deterrent to making energy efficient improvements<sup>14</sup>.

Consumer energy efficiency literacy and awareness is currently low. A 2019 survey on the topic of energy efficiency consumer awareness found that:

- 47% of private tenants had prior knowledge of EPCs
- 46% of private tenants had seen an EPC in the paperwork when renting their current property - including the EPC at this stage is a legal requirement

The Scottish Government’s 2018 Energy Efficient Scotland Route Map committed to using EPCs as the foundation for new efficiency standards for the housing stock in Scotland. However, the suitability of EPCs as the basis for reducing emissions is questionable, as the methodology sometimes rewards fossil fuel systems that are cheaper to run over zero-emissions systems that are more efficient and does not take occupancy (how people live in the property) into account when assigning its rating.

Several organisations have recommended that the EPC framework be reformed and improved upon to ensure it drives the energy efficiency measures needed, as well as the proper installation and use of zero emissions heating<sup>15 16</sup>. The Scottish Government is expected to launch a consultation in 2021 exploring issues and potential solutions to the existing problems with EPCs<sup>17</sup> and has committed to reforming them, which will in turn inform the new regulatory framework for PRS and other housing stock in Scotland<sup>18</sup>.

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<sup>13</sup> Shelter, Scotland (2017) Scottish Government consultation on energy efficiency: the views of private tenants [https://scotland.shelter.org.uk/professional\\_resources/policy\\_library/policy\\_library\\_folder/scottish\\_government\\_consultation\\_on\\_energy\\_efficiency\\_the\\_views\\_of\\_private\\_tenants](https://scotland.shelter.org.uk/professional_resources/policy_library/policy_library_folder/scottish_government_consultation_on_energy_efficiency_the_views_of_private_tenants)

<sup>14</sup> Hope A, Booth A (2014)

<sup>15</sup> The UK Climate Change Committee (2019) Reducing Emissions in Scotland – 2019 Progress Report to Parliament <https://www.theccc.org.uk/publication/reducing-emissions-in-scotland-2019-progress-report-to-parliament/>

<sup>16</sup> Energy Efficient Scotland: short-life working group on assessment (2019) Improving energy efficiency in owner occupied homes: consultation <https://www.gov.scot/publications/energy-efficient-scotland-improving-energy-efficiency-owner-occupied-homes/>

<sup>17</sup> Scottish Government (2019) Review of Domestic and Non-Domestic Energy Performance Certificates in Scotland <https://www.gov.scot/publications/review-domestic-non-domestic-energy-performance-certificates-scotland/>

<sup>18</sup> Scottish Government (2021) Draft Heat in Building Strategy

## Background

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The policy and regulatory landscape for the housing stock in Scotland in relation to energy efficiency requirements and climate change ambitions is set to continue to develop and evolve in the upcoming years, yet the PRS is the least prepared to act on these developments and apply them in a way that ensures the greatest value for both landlords and tenants is achieved, and that activities are properly aligned to government ambitions.

The Scottish Government is committed to the introduction of regulation to ensure PRS properties also reach energy efficiency targets<sup>19</sup>. However, it was decided that, given the considerable pressure the PRS have encountered due to the ongoing COVID-19 pandemic, the introduction of these regulations would be paused. These regulations were due to have become law in April 2021 and would have required all new tenancies to meet EPC band D, where technically feasible and cost effective, from April 2022.

CAS expect that our findings and recommendations will contribute positively toward the establishment of reasonable, obtainable and valuable regulations and standards for the PRS sector, as well as to the recent Scottish Government announcement to undertake a review and reform of the EPC measures, accounting for concerns that the measurement is not in fact fit for purpose<sup>20</sup>.

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<sup>19</sup> Scottish Government (2021) Draft Heat in Building Strategy <https://www.gov.scot/publications/heat-buildings-strategy-achieving-net-zero-emissions-scotlands-buildings-consultation/p108>

<sup>20</sup> The UK Climate Change Committee (2019) Reducing Emissions in Scotland – 2019 Progress Report to Parliament <https://www.theccc.org.uk/publication/reducing-emissions-in-scotland-2019-progress-report-to-parliament/>



# Methodology

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CAS have represented consumers in several forums, including the Scottish Government's Regulation of Energy Efficiency in Private Sector Houses Working Group (REEPS) , and the Short Life Working Group on Assessment , producing independent research to inform the Government's understanding of homeowners' and private rented tenants' attitudes and awareness of energy efficiency measures .

The decision to pause regulations for minimum standards for energy efficiency in the PRS offered us the opportunity to re-engage with the sector and related stakeholders to explore the current state of the market ahead of proposed regulation coming into effect. CAS will seek to use the data and insights gathered to influence stakeholders when activity to introduce regulations to establish minimum standards of energy efficiency in the PRS recommences.

Informed by our previous engagement on the issue, a review of recent literature, and engagement with the Scottish Land and Estates (SLE) and Scottish Association of Landlords (SAL), CAS developed a series of questions which sought to identify: what is being done already to engage with tenants and landlords, how decisions about energy efficiency are being made by landlords and organisations, what information or support is currently lacking in the sector, and how the sector can be supported to improve energy efficiency. These questions were shared in an online survey as well as through structured interviews with landlords, letting agents and estate managers. While this was not a systematic survey sample, it has provided a valuable temperature check on the current state of the PRS and useful initial findings on the potential future of the sector.

CAS received 16 online survey responses and interviewed an additional ten landlords, letting agents and estate managers. Both rural and urban areas were represented. Most participants own/manage under ten properties, but a variety of property portfolio sizes were represented in the responses, as well as a range of property types and locations. The main reasons given for owning property were a means to supplement pension, and properties were largely bought buy-to-let or inherited.

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<sup>21</sup> <https://www.gov.scot/groups/reeps-working-group/>

<sup>22</sup> <https://www.gov.scot/groups/energy-efficient-scotland-short-life-working-group-on-assessment/>

<sup>23</sup> Citizens Advice Scotland (2015) Coming in from the Cold [https://www.cas.org.uk/system/files/publications/coming\\_in\\_from\\_the\\_cold\\_final\\_combined.pdf](https://www.cas.org.uk/system/files/publications/coming_in_from_the_cold_final_combined.pdf)



# Findings

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## 1. Landlords, letting agents and estate managers have a mixed view of proposed sector regulation

- 1.1 When asked if new regulation requirements for minimum energy efficiency standards for private rented properties were to be introduced, 58% of participants were positive, and 38% were negative.
- 1.2 Those who were positive about the proposed regulations felt this would help support better ethical business practice among landlords in Scotland, with one participant noting that  
**“If you are renting property, it should be nearly or better than what you live in yourself because you are renting it out to people, renters ‘should get their money’s worth’.”**
- 1.3 While most participants were generally positive, some highlighted a number of conditions they would like to see included in the proposed regulation, largely calling for any regulation to provide appropriate exemptions for the housing stock in Scotland where it would not be appropriate or valuable to make changes.
- 1.4 They also noted that they would want the Government to provide adequate financial support alongside regulation to make the process viable for landlords, to prevent landlords from having to recoup costs by increasing tenants’ rent.
- 1.5 Those who felt negatively about the introduction of new regulation for the PRS felt that landlords should not have to be ‘first in the queue’ for enhanced regulations and standards of this kind, noting that the proposed timeline for PRS to reach EPC targets (at the time of surveying the targets were for the PRS to reach EPC E by 2022, D by 2025) was too ambitious and did not reflect the fact that PRS was the least efficient housing stock type and so would take the longest to improve<sup>24</sup>.
- 1.6 Other participants felt the Scottish Government was providing the wrong kind of incentive with regulation and should put more focus and resource into providing financial support and clear information for energy efficiency measures in the PRS.
- 1.7 Many of those who felt negatively about the introduction of legislation did so out of a lack of trust that the government would develop these with the necessary caveats and exemptions required, as they felt it would not be not useful nor valuable to introduce recommended EE measures into several property types in Scotland.

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<sup>24</sup> Presently, the draft Heat in Building Strategy proposes that the standard of EPC C should be met by the PRS by 2028 p. 111

# Findings

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## 2. Landlords, letting agents and estate managers have a poor view of EPCs and the assessment process

2.1 Most participants responded that, prior to participating in this research, they were ‘somewhat’ to ‘very’ familiar with EPCs, and most participants were able to provide us with the EPC band of their property/ies. The EPC bands of properties in the sample were:

Table 1: EPC bands of properties owned by participants

EPC Grade	Number of times chosen by participants
A-B	1
C	11
D	16
E-F	13
G	6
Didn't know/preferred not to say	4

- 2.2 Most respondents felt that EPCs were not useful. Many participants had a poor view of the accuracy of EPC grades and accompanying recommendations for their property/ies, due to the perception that the underlying software used to determine EPC grades was not suitable or applicable to several property types, as well as sharing examples of poor experiences of domestic energy assessments.
- 2.3 Participants provided several examples of EPCs making unsuitable recommendations for their properties, particularly those who own hard-to-treat<sup>25</sup> properties. They also noted the methodology ignored ‘hidden’ energy efficiency measures such as wall or underfloor insulation, and occasions where the recommendations incentivised activity which was dis-aligned to other government policies concerning net-zero emissions. For example, a well-insulated property heated by electricity is EPC F, whereas it would be categorised as EPC D if heated by gas.
- 2.4 Participants also noted experiences of receiving widely different EPC ratings for the same property depending on the DEA used. Overall, reported customer experience of DEAs was poor.

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<sup>25</sup> These include properties which are rural and/or historic, more information about these properties is available on page 17

# Findings

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## 3. There are a variety of energy efficiency measures being installed in the PRS across Scotland

- 3.1 Most participants responded that they had installed at least one energy efficiency measure in their rental property/ies. Interestingly, many of those who responded that they did not know, or did not answer this question at all, went on to share details of retrofit activities in their property/ies which are energy efficiency measures. This may suggest a lack of knowledge and understanding among landlords and their representatives about what energy efficiency is, and the actions they can take to improve it<sup>26</sup>.
- 3.2 Participants noted government regulation and tenant wellbeing/request as the most compelling reasons to install energy efficiency measures. For those who chose 'other', the majority noted climate change, and reducing their contributions toward it, as the reasoning behind installation of such measures.
- 3.3 Additional comments from landlord representatives highlighted that landlords often prefer investing in visible changes like double glazing and central heating to improve the rental value; as these are noticeable when tenants are looking to rent the property.

Table 2: EPC Energy Efficiency measures installed in homes, by most to least popular

Type of measure	Number of times selected by participants
Loft insulation	15
Low energy lightbulbs	14
Double or Triple glazing	14
Central gas heating	10
Draft-proofing	10
Underfloor insulation	9
Other <sup>27</sup>	9
Cavity wall insulation	8
Electric storage heaters	6
Solid wall insulation	5
Solar panels	1
Heat pump	0

<sup>26</sup> However, this disparity may also be due to the design of the survey, as user feedback indicated some participants had difficulty transitioning smoothly from question to question

<sup>27</sup> For those who had installed 'other' measures, these included new boilers, including biomass boilers, and a replacement to a flat-roof extension

# Findings

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3.4 Most to least popular energy efficiency measures installed by participants were as follows:

Table 3: What would participants like to install in property/ies (if cost was not a factor) by most to least popular

Type of measure	Number of times selected by participants
Double or Triple glazing	11
Underfloor insulation	10
Solid wall insulation	10
Draft proofing	8
Solar panels	8
Other <sup>28</sup>	8
Heat pump	6
Central gas heating	5
Cavity wall insulation	4
Low energy lightbulbs	4
Loft insulation	4
Electric storage heaters	0

- 3.5 Participants were asked what other measures they would like to install in their property/ies, if there were no factors preventing or disincentivising them from doing so.
- 3.6 Many participants who chose one or more measures noted they felt it would have the biggest impact on heat retention and energy bill reduction, which would make the property more marketable to, and comfortable for, tenants.
- 3.7 Participants who chose a measure/s also highlighted they felt this would help them to meet legislative standards and contribute to reducing carbon emissions as factors.
- 3.8 While the table shows there is clearly appetite within the sector to install more energy efficiency measures, barriers are preventing them from doing so.

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<sup>28</sup> Participants who gave further specification as to what 'other' measures they would install gave; biomass boilers, waste-water retrieval, and new roofs, as examples.

# Findings

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## 4. There are barriers discouraging landlords from completing energy efficiency retrofit in their properties, the key disincentive being cost

4.1 While there are financial support options available to the PRS to improve properties, generally and in relation to energy efficiency standards, the perceived cost of energy efficiency retrofit remains a key barrier to undertaking the work. This was found to be the key barrier highlighted by our participants and was two-fold:

- > **High cost - low benefit perceptions:** Participants felt there was a high initial cost to installing many of the recommended measures and felt there was a slow and small return on investment once installed, particularly for landlords who noted they were trying not to place additional costs incurred from energy efficiency work onto tenants by raising rents.
- > **No external financial support:** They also noted a lack of clear and useful information shared with landlords and their representatives regarding available financial support for the PRS, to help incentivise and support work. Landlords perceived there to be a lack of clear and useful information about financial support available to the sector

### 4.2 High cost - low benefit perceptions

- > Interestingly, whether in measures installed or measures wanting to install, landlords generally favoured expensive and intensive works compared to measures which are cheaper and easier to install. It may be that this is because these produce changes to the property one can see, and landlords feel these visible improvements make the space more marketable to tenants<sup>29</sup>.
- > However, landlords also shared that they felt the cost of installation of energy efficiency measures were too high compared to the benefits created. We cannot be sure from the evidence collected what order the measures were installed in at the property, but this poor cost-benefit perception may indicate that a fabric-first approach to the retrofit of properties in the PRS is not taking place.

Fabric First seeks to maximise the performance of the components and materials that make up the building **fabric** itself, before considering the use of mechanical or electrical building services systems, to improve thermal and energy efficiency in the home.

- > Some landlords reported negative experiences with dampness which they perceived to be a result of lack of ventilation, this has resulted in scepticism about the benefits of insulation and likely the fabric first approach.

**“People don’t open windows in insulated properties because they don’t want to let the heat out. We’ve had students living in well insulated properties, and not running extractor fans and opening windows, which causes condensation and moulds. Then the tenant comes back and complains about condensation. I tell them they need to ventilate their house.”**

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<sup>29</sup> Hope A, Booth A (2014) Attitudes and behaviours of private sector landlords towards the energy efficiency of tenanted homes Energy Policy 75 pp.369-378 <https://doi.org/10.1016/j.enpol.2014.09.018>

# Findings

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- However, failure to make buildings as energy efficient as possible before or alongside the installation of low carbon heating risks creating outcomes that do not benefit the home as expected<sup>30</sup>.
- In addition to summarising energy performance-related features in a property and estimating energy costs, EPC certificates also include a list of recommendations for further improvements to the property, along with estimated costs for implementing the changes and the potential savings made. The recommendations list is culminative and prioritises a fabric-first approach to further enhance energy efficiency work done.
- However, CAS research found that EPCs are poorly designed<sup>31</sup> for what they are used for, and do not support increased consumer understanding of energy efficiency measures and their value. Low levels of consumer recognition, engagement with, and trust of EPCs likely leads to misinterpretation of the recommendations.
- Energy efficiency advice accompanying an EPC would support consumers to understand the document and the reasoning behind the order of the recommendations listed, to support a more targeted and strategic approach to undertaking energy efficiency work in a property.

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<sup>30</sup> *In relation to the ability of the home to reach and sustain a reasonable level of warmth and how expensive this is for the occupier*

<sup>31</sup> Citizens Advice Scotland (2020) A-B-C? Easy as EPC: Improving consumer understanding of Energy Performance Certificates <https://www.cas.org.uk/publications/b-c-easy-epc-improving-consumer-understanding-energy-performance-certificates-epcs>



# Findings

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## 4.3 Financial investment and support

- Participants gave examples of a range of financial incentives which would encourage them to install energy efficiency measures in their property/ies, with tax rebates (28%) and cash-back (21%) more popular choices than interest-free loans (10%), and no-one selecting improved mortgage rates. Overwhelmingly participants noted grants of all kinds as the most helpful way to support the PRS to undertake energy efficiency work.
- There are financial incentives to support energy efficiency measures available to privately rented homes. Home Energy Scotland (HES) offers interest free loans of up to £15,000 per property to cover the cost of energy efficiency upgrades like insulation, draft proofing, or replacing heating systems or boilers. They can also provide a further £18,100 per property for renewable systems and energy storage<sup>32</sup>. However, HES loans have historically had low uptake. In 2017/2018 the scheme funded only 845 households<sup>33</sup>. Our research has found that loans are not a particularly popular option which contributes to low uptake of this type of incentive<sup>34</sup>.
- Warmer Homes Scotland (WHS) offers similar services for free to tenants who are recipients of an eligible benefit and are living in fuel poverty. While WHS does not charge for its services, landlords must give their consent for works to be carried out even when tenants are eligible, which may be a barrier for tenants who are nervous about approaching their landlord<sup>35</sup>. Financial support through the Energy Company Obligation (ECO)<sup>36</sup>, which is administered by Ofgem, operates similarly.
- A few participants noted that they were able to complete EE work on their properties at no cost due to having a vulnerable tenant. This is likely to have supported by WHS or ECO.
- However, tenants in the PRS face additional barriers to accessing support from WHS due to requirements such as having to have lived in the property for at least a year prior to applying, and recent changes to qualifying criteria<sup>37</sup>.

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<sup>32</sup> Home Energy Scotland <https://www.homeenergyscotland.org/find-funding-grants-and-loans/>

<sup>33</sup> Scottish Government. (2019, May). Home Energy Efficiency Programs for Scotland Delivery Report 2017/2018 (No. 978-1-78781-800-2). <https://www.gov.scot/publications/home-energy-efficiency-programs-scotland-delivery-report-2017-18/>

<sup>34</sup> <https://www.cas.org.uk/publications/warming-scotland-energy-efficiency-putting-consumers-first> p.14

<sup>35</sup> Greener Scotland – Your one-stop shop website for greener living. <https://www.greenerScotland.org/home-energy/advice-and-grants/warmer-homes-scotland>

<sup>36</sup> ofgem (2018) ECO3 Private housing FTCH declaration & private rented sector landlord permission <https://www.ofgem.gov.uk/publications-and-updates/eco3-private-housing-ftch-declaration-private-rented-sector-landlord-permission>

<sup>37</sup> Scottish Government (2019) Warmer Homes Scotland: annual review 2018-19 <https://www.gov.scot/publications/warmer-homes-scotland-programme-annual-review-2018-19/>

# Findings

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## 5. Time, unfit standards, and lack of information are also preventing the PRS from completing energy efficiency retrofit

5.1 In addition to cost, landlords also shared the following insights as to other barriers to energy efficiency work:

### 5.2 Time and disruption

- Participants were concerned about the disruption these measures would cause to their existing tenants in the property.
- Participants were also concerned about disruption to their income if they were not able to let their property while work was ongoing.
- Some participants noted a lack of available tradesmen in their area prolonging the time needed to complete the work.
- Poor quality tradesmen were also a concern, with examples given of work done that had damaged the property and required additional work to fix.

### 5.3 Unfit standards driving energy efficiency measures

- Participants' poor views of EPC outcomes, recommendations, and assessors, were again raised here as a factor disincentivising the PRS.
- How future-proof current recommended energy efficiency measures are was also raised, with landlords concerned that future regulation may bring changes to the list of measures; and they would either be penalised under the regulation or expected to take on additional costs to refit homes a second time.

### 5.4 Lack of information

- Following on from concerns as to whether EPC standards are fit for purpose, and distrust arising from this as to suitability of the recommendations provided after assessment, participants noted they felt unsure of where else to turn to in order to get good advice and information about improving their property/ies.
- There is a general hesitancy among landlords to undertake energy efficiency work, in part due to a lack of understanding/perceived lack of information, advice and support available to make the right decisions for their property/ies; this hesitancy is further exacerbated by problems with EPC assessments and the lack of trust in their accuracy. Landlords are concerned that actions they take on energy efficiency will not have value in the property, or even lead to them being penalised in upcoming regulation for making the wrong decisions.
- For energy efficiency measures installed in Scotland, so long as you do what is right/advised to be right for your property type and this has been correctly installed, it is a no regrets system<sup>38</sup>. This is clearly not common knowledge among landlords and their representatives.

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<sup>38</sup> Excluding heat system installation, as this issue is not devolved

# Findings

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## 6. Current Energy Efficiency measures are not applicable to all properties in Scotland

6.1 Those who had not installed and did not plan to install energy efficiency measures in their property/ies generally gave the same reason why: that the provided measures were unsuitable to install. Reasons given for this related to mix-tenure buildings and owning hard-to-treat properties. These concerns are explored in more detail below:

### 6.1.1 Restrictions in mixed tenure buildings

- > A few participants highlighted that additional difficulties installing energy efficiency measures in mixed tenure properties are discouraging them from doing so, with one participant noting that

**“Agencies often do not work together and end up working against the common good... Installing solar panels on the south facing roof of the tenement where our flat is would be a great way to harness energy. However, the building is a listed property and it may just not be possible. It would require all owners and the housing association who share the substantial block to come together. For many years we and the housing association have been trying to get approval for installation of double glazing in this block and it has yet to be approved, again because of its listed status.”**

- > Just over one third of Scottish households live in flats, which are often found in mixed-tenure where residents include owner occupiers and private and social renters, and commercial premises occupy the ground floor. As such, it is more difficult and time-consuming to install many energy efficiency measures in these types of properties.
- > The draft Heat in Buildings Strategy recognises the additional difficulties faced by those in mixed tenure to reaching minimum energy efficiency standards and is looking to accommodate for this with extended timelines for regulating this housing stock<sup>39</sup>. However, this does not help those who are looking to make improvements ahead of regulation.

### 6.1.2 Hard to treat properties

- > Additional difficulties are faced when seeking to retrofit listed buildings, buildings in conservation areas, or where planning permission is required. Properties in remote, rural and island locations, where buildings are often of traditional construction types and off-gas grid, have higher installation costs, as well as higher costs associated with completing the work such as finding available and suitable technicians.

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<sup>39</sup> According to the Draft Heat in Buildings Strategy (Feb 2021) “Multi-tenure or mixed-use buildings under certain circumstances may be given until 2040-45 to improve both their energy efficiency and install a zero emissions heat supply, depending on the complexity involved in coordinating works and recovering costs between multiple owners, which may necessitate a ‘whole building intervention’ simultaneously covering energy efficiency and heat supply improvements”.

# Findings

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- > Hard-to-treat buildings may be unable to achieve minimum standards in a timely and cost-effective manner. Participants with these types of properties were concerned that the high costs and technical difficulties to improving them would not be properly reflected in proposed minimum standards and regulation, and as such, support and, where necessary, exemptions, would not be provided. For example, one participant noted that

**“I have a 150-year-old, rural stone cottage with original windows. Conservation and the modern EPC standards are not compatible in many cases...Historic Scotland was very helpful and made sure the property was breathing. Buildings should not be sealed up and unable to breathe, that causes damp and mould.”**

- > **Home Energy Scotland** provide a range of energy efficiency support for private sector landlords, including for hard-to-treat properties.
- > **Changeworks** provide practical support and advice for organisations and home-owners on energy efficiency and fuel poverty<sup>40</sup> as well as carbon and waste reduction. They are experienced in supporting energy efficiency works in mixed tenure and hard-to-treat<sup>41</sup> properties and deliver a range of services on behalf of the Scottish Government including Home Energy Efficiency Programmes, **Home Energy Scotland advice centres** and **Local Energy Scotland** programmes.

## 7. Landlords prefer communication via landlord associations and the register

- 7.1 65% of participants reported that they had not engaged with any kind of landlord-specific support regarding energy efficiency measures. Of those that had done so, the majority were generally positive about the ease of access, however some reported it was difficult. All participants who had not engaged in support reported they found it ‘somewhat’ to ‘very’ difficult to find and access.
- 7.2 Most respondents would prefer to receive information about energy efficiency measures and regulation via email, and for communications to originate from professional organisations, with most people also noting that local authorities and the councils landlord register would be a good way to communicate information about energy efficiency. However, it was emphasised that changes would need to be made to their operation for this to work well across all local authorities, with participants noting that different levels of resource between councils was causing differences in levels of enforcement and regulation across Scotland. The Glasgow authority was highlighted as an example of good practice.

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<sup>40</sup> Warmworks Scotland is a joint venture between Changeworks, Energy Saving Trust and Everwarm. Warmworks Scotland delivers Warmer Homes Scotland, a national fuel poverty scheme funded by the Scottish Government. The scheme aims to help vulnerable, fuel poor and lower income families by providing step-by-step advice on energy efficiency and start-to-finish support to install improvements such as better insulation, new or repaired heating or domestic renewables, like solar panels.

<sup>41</sup> [https://www.changeworks.org.uk/sites/default/files/Guide\\_to\\_Insulating\\_Hard\\_to\\_Treat\\_Cavities\\_2014.pdf](https://www.changeworks.org.uk/sites/default/files/Guide_to_Insulating_Hard_to_Treat_Cavities_2014.pdf)

# Conclusion

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Improving the energy efficiency of Scotland's housing stock is an essential part of meeting the country's carbon and fuel poverty targets. While there is certainly appetite among landlords and their representatives to support these ambitions in the private-rented sector, the current support available and proposed regulation of the sector does not yet fully reflect and account for the concerns and constraints in the sector.

## Regulation

The policy and regulatory landscape for housing stock in Scotland in relation to energy efficiency requirements and climate change ambitions is set to continue to develop and evolve in the upcoming years. A consistent target across all tenures in Scotland – to achieve EPC by 2030 – is likely to be better received, adopted and acted upon. The current proposal by the Scottish Government for different tenures to reach EPC C at different points does not work for tenants, landlords or homeowners. It also goes against the spirit of the proposed Housing Standard, which sets out to equalise standards across all housing stock, regardless of tenure.

## Information and support

Greater investment and support from the Scottish Government and its partners is needed to achieve greater energy efficiency knowledge and activity in Scotland. CAS has modelled estimates of the investment required to achieve the required standard of energy efficiency, and current support provision presently falls short of this estimated need<sup>42</sup>. Insufficient investment threatens the likelihood of reaching Scotland's net zero goals, as well as wider fuel poverty and Just Transition targets.

Barriers like cost, time, and poor experiences with those providing services to the sector, such as EPC assessors, are worsened by the perceived lack of information and advice available to the sector to support them to engage and invest in improving their properties' environmental footprint, and to access a clear, consumer-focused representation and redress system when issues arise.

A clear education and awareness-raising campaign that covers energy efficiency and the value of a fabric first approach, and highlights the availability of advice, financial support, and redress services to the sector, will be an integral and valuable activity to support improvements in the sector. Any such activities should make good use of the preferred communication channels in the sector.

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<sup>42</sup> CAS (2019) The Estimated Costs of Improving the Energy Efficiency of Scotland's Homes <https://www.cas.org.uk/publications/estimated-costs-improving-energy-efficiency-scotlands-homes>

# Recommendations

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Based on the research findings and previous work done on energy efficiency, CAS recommend that:

## The Scottish Government apply the following conditions to any future regulation of the Private Rented Sector

CAS supports the introduction of mandatory standards of energy efficiency in the Private Rented Sector, provided that:

- > There are no rent increases above the cost of the energy efficiency measure per month over the lifetime of the measure, and that no improvements that are funded by public grants result in rent increases for tenants.
- > There are technical, cost, and compassionate exemptions for tenants that are too vulnerable to cope with renovations in their home. The compassionate exemption should be attached to the tenant, not the property.
- > There is a robust framework of consumer advice, support, protection and redress for tenants. Landlords will also require a framework of this kind, the available programme of consumer advice, support, protection and redress for tenants and landlords, such as that available via Home Energy Scotland<sup>43</sup> is expanded upon and strengthened to ensure it meets growing need for this type of service in the sector. General consumer principles should be applied to the design of any frameworks and schemes of regulation and enforcement which are introduced. There should be a clear, independent route for tenants to raise comments and complaints about their landlords and seek redress against any adverse impacts suffered as a result of energy efficiency measures taken by their landlords. A similar route should be made available for landlords for adverse impacts related to activities to improve energy efficiency in their property/ies e.g. rogue traders or low-quality assessors.
- > There is a continuation of interest free loans or other financial mechanisms for landlords seeking to make improvements. However, to increase the appeal CAS would welcome activities to model alternative incentives which would seek to support the early adoption of new minimum standards. This could involve the creation of a phased-out incentive system which rewards early adopters of new standards, gradually decreasing aid available the closer the sector becomes to the point of regulation<sup>44</sup>. This type of incentive may be more likely to motivate behaviour change and foster greater consumer buy-in.
- > The move to additional regulation should be supported by an in-depth programme of public information and guidance that encourages and supports early engagement with proposed regulations and provides appropriate financial and technical advice to support landlords and their representatives to retrofit their property/ies in the most appropriate and valuable way.

CAS support minimum standards to be required by 2030. However, property owners should be encouraged to reach the standards as early as possible, not to wait until it is mandatory. Engagement, education, incentives, and investment programmes need to begin now in order to allow enough time for all parties to be well-positioned and well-resourced before requirements commence.

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<sup>43</sup> <https://www.homeenergyscotland.org/energy-efficiency-support-for-landlords/>

<sup>44</sup> With conditions to ensure landlords who, for example, bought their property only a year prior to regulation, are not penalised under this scheme

## Recommendations

### The Scottish Government undertake a wide campaign to improve energy efficiency literacy, and EPC literacy especially.

This could include awareness raising and education on the relationships between energy efficiency ratings, lowering bills, and how affordable/easy a home is to heat, directed toward landlords and tenants in the private-rented sector. Currently, these concepts are thought about in isolation by consumers. Proper signposting to the wide variety of financial and technical aid available should also be a cornerstone in this campaign.

Greater facilitation of structural changes, such as installing retrofit energy efficiency measures, will support progress on EE targets in Scotland. Despite programmes to support this type of activity being relatively well-established, they are not achieving their maximum potential impact due to the lack of consumer buy-in and trust.

Fostering habitual changes to consumer consumption of energy is important to helping achieve climate targets in Scotland generally, and in relation to improving energy efficiency of housing stock specifically. However, in order to change behaviour, consumers must be properly bought-in to the positive outcomes such changes can have for them. This is particularly difficult to progress in the PRS because the person making the financial investment (the landlord) is not the person who reaps the benefits of it (the tenant)<sup>45</sup>.

The Government should seek to place consumers' behaviour at the heart of policy wherever possible, and solutions need to consider the numerous factors that influence any behaviour or choice<sup>46</sup>: campaigns and other public engagement activities are needed to secure support and buy-in for Scotland's climate targets and the changes required to meet them.

These public engagement activities should also be co-designed by sector partners such as the Scottish Association of Landlords (SAL) and Scottish Land and Estates (SLE), as well as tenant groups such as Scotland's tenant union Living Rent<sup>47</sup> and the national tenant and landlord participation advisory service, TPAS<sup>48</sup>, to ensure meaningful community engagement and buy-in.

Any campaign and education activities undertaken by the Government should properly advertise and adapt to the evolving state of the new regulatory landscape and any developments with reforming EPC methodology and use. Any regulatory requirements should be clear and consistent across all housing types.

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<sup>45</sup> Hope A, Booth A (2014) Attitudes and behaviours of private sector landlords towards the energy efficiency of tenanted homes Energy Policy 75 pp.369-378 <https://doi.org/10.1016/j.enpol.2014.09.018>

<sup>46</sup> Citizens Advice Scotland (2018) Changing behaviour in a changing climate: consumers and Scottish climate change policy <https://www.cas.org.uk/publications/changing-behaviour-changing-climate>

<sup>47</sup> [https://www.livingrent.org/about\\_us](https://www.livingrent.org/about_us)

<sup>48</sup> <https://tpasscotland.org.uk/>

## Recommendations

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### **The private rented sector adopts a ‘Fabric First’ approach to retrofit activities and is suitably supported by Scottish Government and other agents to understand and implement this approach**

With some landlords concerned that actions they take on energy efficiency are not actually resulting in warmer, cheaper to heat properties; leading to poor cost-benefit perceptions of investing in such measures, more needs to be done to secure a fabric-first approach to retrofit in the PRS.

In Scotland, much of the housing stock moves through different tenures throughout its lifetime. As such, property passports could prove a useful tool in creating greater consistency and understanding of work done, ensuring retrofit activities throughout the property’s lifetime are culminative and aligned to best value.

CAS recommend that home energy efficiency advice should be expanded and improved upon, and domestic energy assessors receive soft skills training and are better equipped to sign-post homeowners to organisations that can provide unbiased and holistic advice.

### **The Scottish Government work closely with its delivery partners to increase awareness in the Private Rented Sector of additional support available for landlords undertaking assessments in their properties.**

The EPC methodology currently reflects only the existing fabric of a building, with no consideration of how occupiers use the property, which can result in the recommended measures being unsuitable for a hard-to-treat property. A more thorough assessment of a home is available via Home Energy Scotland (HES)<sup>49</sup>. Which, while still EPC based, does include consideration of occupancy as well as offering more tailored recommendations. CAS recommend that the profile of the HES assessment programme be raised among landlords and their networks to increase uptake. Additionally, engagement with HES can also support landlords to increase their knowledge of energy efficiency generally, as well as increase awareness of other financial support packages available to them.

As with any information campaigns undertaken, financial support and incentives should also be advertised and made available to landlords well before regulation or increased standards are in effect and should be sustained well after they come into force.

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<sup>49</sup> <https://www.homeenergyscotland.org/energy-efficiency-support-for-landlords/>

## Recommendations

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### **The Scottish Government and/or sector representatives undertake research to ensure financial and technical support available to the private rented sector is practicable, scalable and sustainable.**

Information and awareness raising activities will promote financial and technical support options available to the private rented sector, as such CAS would expect to see the uptake of these services to increase. The Scottish Government and/or sector representatives should seek to collect and examine data on the current and future use of support options available to ensure they remain accessible and valuable to the whole PRS.

### **The Scottish Government ensure quality assurance is properly built-in to the energy efficiency assessment process for privately-rented homes.**

CAS promotes the seven consumer principles<sup>50</sup> and sees a key role for these in ensuring robust consumer protections are in place in the energy efficiency and retrofit sector. Consumers, including landlords, needing to access redress on this issue are often required to navigate complex routes that can ultimately leave them with poor consumer experiences and sometimes no resolution. These processes can be improved.

It will be essential to build quality assurance into all aspects of the supply chain. This can be achieved by following the recommendations identified in Scottish Government's Quality Assurance Short Life Working Group recommendations report to deliver a competent and appropriately trained workforce of Domestic Energy Assessors (DEA). This includes ensuring the quality of accreditation bodies, with training, monitoring and evaluation. The standards for who can become an EPC assessor need to be more stringent, for example, requiring some prior knowledge of building fabric and energy efficiency.

In line with the recommendations from the Short-Life Working Group on Assessment, a Quality Mark for Energy Efficiency Scotland should be developed to ensure that assessors are subject to vetting and verification processes, operating with ID cards, and listed in a publicly available directory. Qualified individuals should also be expected to undertake periodic testing throughout their career. These activities will also support the private rented sector to access proper redress in cases where the quality of the assessment service falls short.

Landlords need to be satisfied that the system for EPC assessment and the network of assessors is robust, independent and not open to abuse – ensuring a high-level quality assurance and audit. This level of assurance will be of even greater importance if associated with financial incentives for energy efficiency improvements and/or regulation to minimum standards. As such CAS support the development of an improved EPC<sup>51</sup>, which should be delivered at no or low cost to consumers, provide more detailed guidance to landlords to maximise the benefit of the EPC and advisory recommendations, be delivered by trained and audited assessors and signpost landlords and their agents to organisations who can provide unbiased, holistic advice.

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<sup>50</sup> See appendix

<sup>51</sup> For more information on improving EPC layout and content, see our previous report (2020) A-B-C? Easy as EPC: Improving Consumer Understanding of Energy Performance Certificates <https://www.cas.org.uk/publications/b-c-easy-epc-improving-consumer-understanding-energy-performance-certificates-epcs>.

## Recommendations

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### The Scottish Government work to make the point of landlord registration a focus point for informing and engaging the private rented sector with energy efficiency

Almost all private landlords who let properties in Scotland must register with the local authority. Landlords can register via the Scottish Landlord Register<sup>52</sup> or through their local authority. Based on the evidence that landlords would prefer and value communication about energy efficiency to originate from these sources, CAS recommend that the Scottish Government consider where additional value can be added to the landlord registration process. For example, at point of registration landlords must provide several documents, yet presently this does not include an up to date EPC.

CAS believe that the best trigger point for regulation is landlord registration<sup>53</sup> and recommend that this point of engagement also be used to share advice, signposting, and support with landlords on energy efficiency measures and upcoming standards and regulations.

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<sup>52</sup> <https://www.landlordregistrationscotland.gov.uk/>

<sup>53</sup> CAS (2019) Energy Efficiency Scotland consultation response



# Appendix

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## Consumer Principles



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