Emily Rice / March 2020

# Citizens Advice Scotland Response to 'Improving energy efficiency in owner occupied homes'

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.

## Section 1 – Summary

CAS welcomes the ambition of the Scottish Government to bring every owner-occupied home in Scotland to Energy Performance Certificate (EPC) band C. This will not only increase the energy efficiency of Scotland's housing stock, but also reduce carbon emissions and alleviate fuel poverty. We believe a warm, dry, energy efficient home that is affordable to heat should be the standard in Scotland, not a privilege.

To this end, we cautiously support mandatory regulation for all owner occupiers. This is likely to be a crucial part of national efforts to reduce harmful greenhouse gas emissions, in line with the Scottish Government's commitment to reach 'net zero' by 2045. However, regulation works best when it works with people. Any mandatory standard should therefore be accompanied by:

- an energetic campaign of energy efficiency education
- clear information that is easy to access
- a robust consumer protection framework
- an enforcement body with teeth

We believe that the mandatory standard should be implemented in 2030, not 2024, so that the above have time to be developed and implemented across Scotland. However, homeowners should be educated, supported and incentivised to upgrade their property in advance of this deadline, and the Scottish Government should make their goals clear so homeowners can plan their investment efficiently.

Mandating the standard before consumer protection frameworks are fully developed and awareness is widespread will make the standards difficult to enforce and is likely to cause consumers more harm than good. Any mandatory standard should be enforced by local authorities, who should be adequately staffed and resourced to do so.

Lastly, the cost of upgrading every home in Scotland to EPC band C will be incredibly high. The poorest and most vulnerable should not shoulder the burden; low income households already spend 6% more of total household expenditure on energy[1]. The Scottish Government should cover 100% of the cost to EPC band C for the fuel poor and offer a wide range of financial incentives for those able to pay.

[1] National Energy Agency (2017) Available at: https://www.nea.org.uk/wp-content/uploads/2017/11/Bridging-the-Gap-NEA.pdf

# Section 2 – Answer to consultation questions

## Response to Question 1: Do you agree or disagree that there should be a legally-binding energy efficiency standard for owner-occupied housing?

1.1 CAS supports the ambition of Energy Efficient Scotland (EES) to upgrade the energy efficiency of Scotland's housing stock, reduce carbon emissions, and alleviate fuel poverty. In the past, we have taken a cautious view of regulation in the owner-occupied sector, but we believe that mandatory regulation for all owner occupiers is a crucial part of achieving the ambitious climate targets set by the Scottish Government. More detail about our reservations surrounding a legally binding standard can be found in our response to Energy Efficient Scotland: Consultation on further development of the programme[2].

1.2 Any legally binding standard should incorporate and prioritise the seven consumer principles of access, choice, safety, information, fairness, representation, and redress (see below).


**1.3 It is important, should the government choose to implement legally-binding energy efficiency standards, that such standards are accompanied by a robust consumer education campaign, clear information that is easy to access, and a robust consumer**

2 Available at: https://www.cas.org.uk/publications/cas-response-energy-efficient-scotland-consultation-further-development-programme

**protection framework implemented by an enforcement body with enough teeth to ensure quick and fair redress.**

1.4 Meeting the ambitious carbon targets set by the Scottish Government will come at a significant cost. We estimate that the cost of bringing the energy efficiency of Scotland's owner-occupied homes to EPC band C by 2040 will be about £5.70 billion. We expect the Scottish Government to contribute 100% of the cost for fuel poor households and 10% of the cost to those able to pay – which we estimate will cost at least £2.65 billion. over the lifetime of the program (to 2040). This should be accompanied by at least £19 million per year (for the lifetime of the program) for national energy efficiency and fuel poverty advice. These cost estimates were based on a mandatory standard for owner occupiers being introduced in 2030; should the Scottish Government choose to move regulation forward to 2024, costs are likely to increase, and the Government contribution should increase as well[3].

1.5 Research conducted by CAS in 2019 found that the majority of owner occupiers surveyed were in favour of regulation of minimum home energy efficiency standards by 2032[4]. While this is not a representative figure, it is a useful indicator of opinion. Most were in support of regulation for environmental reasons, to reduce fuel bills, or to make their home warmer and more comfortable.

1.6 Legally binding standards should be accompanied by a range of financial incentives to encourage owner occupiers to act early and take a holistic fabric-first approach. In our report *Warming Up Scotland to Energy Efficiency: Putting Consumers First*, we found that the most popular and motivating incentive system for consumers was a prompt Council Tax rebate for homeowners that installed energy efficiency measures[5].

1.7 While we are supportive of a mandatory standard being introduced as soon as possible, we feel that 2024 is too early to begin enforcing it. We feel that 2030 is a more reasonable date to begin imposing penalties as it will allow the supply chain time to prepare, allow development, implementation and testing of consumer protection frameworks, and allow the Scottish Government time to identify gaps in the financial incentives and products available to homeowners.

[3] Economists at the Scottish Government have reviewed our cost estimates and methodology for accuracy. While our methodology is limited by the data we have access to, they have confirmed that our lower cost estimate very broadly matches their own SAP-based modelling of cost figures in consideration of meeting EPC Band C for the owner occupied and social housing sector. Their figure is £6m as outlined in the consultation: https://www.gov.scot/publications/energy-efficient-scotland-consultation

[4] Citizens Advice Scotland (2019) Scottish consumer attitudes to Energy Performance Certificates and regulation of energy efficiency. Available at: https://www.cas.org.uk/publications/cas-response-energy-efficient-scotland-consultation-further-development-programme

[5] Available at: https://www.cas.org.uk/system/files/publications/warming_scotland_up_to_energy_efficiency_-_cfu_insight_report_-_2017-10-10.pdf

1.8 The analysis of responses to the Energy Efficient Scotland consultation on further development of the program indicated some hesitation from academic and trade body respondents about implementing a minimum standard before 2030. As one academic respondent noted,

*"[…] if the supply chain is not immediately ready to respond, then the work and associated economic benefits would go to companies outside of Scotland."*[6]

1.9 Other concerns about the readiness of distribution networks, resources for enforcement, and time for effective support schemes to develop should be taken into account.

## Response to Question 2: Do you agree or disagree that EPC Energy Efficiency Rating band C is the appropriate standard to use? Please explain.

2.1 We agree that EPCs are the most appropriate standard to use but with the caveat that we understand the limitations of the Standard Assessment Procedure (SAP) and the reduced data Standard Assessment Procedure (RdSAP) methodology and by no means are calling them the best standard or most robust standard that could be used.

2.2 We believe that EPCs are the most appropriate standard to use for regulation for the following reasons:

- EPCs are already a standard part of a home report, making them a recognisable and familiar tool for consumers.
- Given the stage of development of the overall EES program, and the Scottish Government's commitment to using EPCs as the standard, changing the standard at this point will delay regulation and make it more difficult for Scotland to meet its carbon reduction targets.
- EPCs are the current standard for energy efficiency programs run by Scottish local authorities and are or will be used to set minimum energy efficiency standards in the private rented and social rented housing sectors. Given that housing stock can move between sectors, setting different standards for different sectors would be confusing, difficult to administer, and likely detrimental to Scotland's property market.

2.3 CAS is currently carrying out research on how to improve consumer understanding of and engagement with EPCs, making them more accessible and clearer more meaningful for consumers. We participated in the Assessment Short Life Working Group (ASLWG), whose

6 Energy Efficient Scotland development: consultation analysis, 2019.

recommendations are part of this consultation, and sit on the current Assessment Industry Focus Group, which aims to build on the recommendations of the ASLWG.

2.4 We recognise that using the Environmental Impact Rating (EIR) on the EPC emphasises carbon savings over energy efficiency and may be a better metric to use to meet the Scottish Government's ambitious climate targets. However, for the reasons outlined above, changing the standard for the owner-occupied sector seems confusing. Modifying the presentation of the EPC to emphasise carbon savings would preserve the consumer principle of choice as far as is possible with a mandatory standard and would allow easier enforcement of the standards and fluidity of stock between sectors.

## Response to Question 3: What are your views on the "fabric first" approach as described section 1.1?

3.1 CAS strongly supports a fabric first approach to retrofit. Improving the insulation and overall efficiency of a property before changing the heating system avoids wasted heat and carbon emissions and future proofs a property. Fabric first should always include proper ventilation to avoid problems like rising humidity, dampness, mould, and associated respiratory problems.

3.2 It is important that assessors and those giving impartial advice encourage a fabric first approach, focusing on energy efficiency before heating. Low carbon heating solutions, such as heat pumps, only work to best effect in well insulated homes and if used inappropriately can result in significantly higher fuel bills. As we described in our previous consultation response[7],

*"Heat pumps work on the basis of low-temperature ambient heat […]. They are therefore sensitive to fluctuations in heat loss e.g. a window left open or draughts, or sudden demands for heating where the back-up immersion heater kicks in[…], or the number of heat compressor cycles increases. Both of these will use more electricity in the process and thus risk raising heating costs significantly if not used properly"*

3.3 Installing heat pumps in properties that cannot meet EPC band C, as proposed in the consultation, runs a significant risk of creating the scenario described above. Significantly higher electricity bills caused by an unsuitable heat pump could drive homeowners into fuel poverty. Heat pumps should only ever be installed in properties that have adequate levels of insulation and draft proofing and should not in our view be considered for homes below EPC band C.

[7] Citizens Advice Scotland (2019) CAS Response to Energy Efficient Scotland consultation

3.4 For EES to achieve a fabric first approach, it is important that:

- Heat pumps and electric heating systems are installed in well insulated, suitable properties, and that District Network Operators (DNO) are included as early as possible in local heat and energy efficiency strategies to allow them to invest in reinforcing network capacity ahead of need
- EES installers are required to advise householders on the correct use of heat pump controls to ensure the system is used effectively. Best practice should include an easy-to-follow guide in plain language, signposting to energy suppliers or organisations like Home Energy Scotland or Citizens Advice Bureau for advice about what tariff type and meter is most appropriate, and a follow-up-call to check the consumer's understanding.
- Heat loss calculations that are used to determine the size of a heat pump are accurate at the point of quotation. We have previously suggested that the Scottish Government consider extra quality controls at this point. This could be achieved by undertaking an inspection of a certain percentage of each installer's heat pump installations.

3.5 A fabric first approach is a no regrets approach. Improving the overall thermal efficiency of Scotland's housing stock does not have any downsides; it will make domestic heat more affordable and less carbon intensive, improve the quality of life for people who live in homes that are currently cold and draughty, and reduce the cost to the NHS of treating illness caused or exacerbated by living in a cold and/or damp home.

## Response to Question 4: In your view, how can we ensure that when EPCs are used to determine compliance with the standard they are robust and not easily open to misuse?

4.1 DEA assessors must be qualified and accredited by a recognised accreditation scheme to produce a legally binding EPC. We suggest that any DEA assessor producing Scottish Assessments should be accredited by a recognised scheme and by the Scottish Quality Mark.

4.2 Scottish Quality Mark should carry out regular and random audits of EPCs produced by Scottish Quality Mark certified assessors. Assessors should regularly participate in up skilling activities and trainings, both in technical and soft skills. Recertification by the Scottish Quality Mark should be contingent on achieving a number of hours of ongoing training and experience, and a high standard of excellence in audits.

4.3 If government funding is used for a project, the EPC involved should be carried out or at the very least reviewed by a Scottish Quality Mark accredited assessor. This will help protect consumers from poor quality assessments.

## Response to Question 5: Do you think the standard should be fixed, or should it be subject to periodic review and change over time? Please explain your view.

5.1 Consumer buy-in is essential to the success of regulation, and clear consistent standards are essential to consumer buy-in. For this reason, we believe that standards should stay the same throughout the program, or at least have a set schedule of escalation like the mandatory energy efficiency standards for the private rented sector.

5.2 We recognise that energy efficiency upgrades alone will not meet the carbon emissions reduction targets set by the Scottish Government. However, for the reasons outlined in our response to Question 3, it is important that moves to low carbon heat solutions is installed after investment in energy efficiency. Minimum standards in for low carbon heating systems should follow a large-scale upgrade of Scotland's housing stock and should not be set until the future of low carbon heat in Scotland has been clarified through the further development of Scotland's Local Heat and Energy Efficiency Strategies (LHEES). Consumers should not be encouraged to install a heat pump at great personal expense if hydrogen gas or a district or communal heat network will be available in the near future for a lower cost and less inconvenience.

## Response to Question 6: Do you agree or disagree that 2024 is the right start date for the mandatory standard to start operating? Please give your reasons, whether you agree or disagree.

6.1 We disagree that 2024 is the right start date for the mandatory standard. We believe that a 2024 starting date would place an undue burden on the supply chain, overstretch resources, and jeopardise fuel poverty targets. Householders will require sufficient lead- in time to prepare for the regulations, prioritise investments and home improvements, save money to fund the required measures, and consider how and if the standards would impact on their decision to buy or sell a property. Existing financial incentives, such as HES loans, have had low uptake from owner occupiers and have not been sufficient to generate a rate of installation that would meet the required targets by 2030 or 2040[8].

6.2 LHEES are still to mature and are not statutory for local authorities; while funding and resourcing these schemes adequately can help to avoid an urban bias and under- serving of remote and rural areas, incentives are still needed to encourage installers to work in remote and rural areas. Allowing time for local authority frameworks to mature and develop before mandatory standards come in could guarantee work in these areas and prevent rogue traders from exploiting homeowners who need to meet the standard quickly.

6.3 A mandatory standard should start operating in 2030. This would allow the supply chain time to mature, and the Scottish Government time to develop a robust framework of consumer

[8] Energy Savings Trust (2019)

protection, adequately staffed and operating within an EES delivery body. It would also allow a grace period of 10 years during which owner occupiers could be encouraged and incentivised to make changes to their properties that achieve EPC band C or better.

## Response to Question 7: Do you agree or disagree with point of sale as an appropriate trigger point for a property to meet the legally-binding standard?

7.1 We do not disagree with point of sale as a trigger. Any trigger point will need to be followed by a clear timeline for carrying out the improvements and reaching compliance and equally clear guidelines for accessing support or applying for an abeyance/exemption.

7.2 Another natural trigger point for a property to meet the legally binding standard would be end of boiler life. This trigger point has several advantages; the homeowner is carrying out repairs to their home, are replacing an element of the heating system, and are more likely to be thinking about energy efficiency if replacing a boiler. It offers a natural point to plan the replacement of carbon intensive heating systems with low carbon or carbon neutral heating and prevents the waste of usable boilers being taken to landfill[9].

7.3 EPC expiration could also serve as a trigger point. EPCs last ten 10 years and should be updated to ensure the most accurate recent iteration of SAP is used. EPCs must be logged on the EPC register – at the point of EPC renewal the Scottish Government could require a property to be treated as meeting EPC band C to login order for a new EPC to be logged on the register. Any EPC lodged below C would be a trigger for advice and financial services.

[9] For further information about regulating the decarbonization of heat and boiler life, please refer to the Existing Home Alliance's response Sustainable Energy Association policy paper: Achieving Net-Zero: Regulating the Decarbonization of heat

## Response to Question 8: Do you agree or disagree that responsibility for meeting the standard should pass to the buyer if the standard is not already met at point of sale, as described above? Please explain your views and give any evidence you have, whether you agree or disagree.

8.1 While we do not disagree with the point of sale as a trigger, we believe that in such as scenario, the responsibility for bringing the home up to standard should fall on the buyer. We suggest this for the following reasons:

- The buyer may be able to recoup some of the upgrade costs by negotiating a lower price for any property that does not meet the standard.
- The buyer is more likely to take a fabric first holistic approach than the seller, who will be vacating the property. The buyer will therefore have a stronger incentive to carry out measures which may be higher in cost and/or more disruptive to install.
- If something is installed incorrectly and/or if the material used is of poor quality, the resident of the home (which will be the buyer) will be better able to claim redress and have remedial work done as they will have a direct contractual relationship with the installer.

8.2 Buyers who are settling into a home that they intend to live in for years, if not decades, may be more likely to go above and beyond EPC band C, especially if the Scottish Government gives clear signals about the future of low carbon heat and their future expectations of homeowners in regard to reducing domestic carbon emissions.

8.3 We propose the systems Frameworks illustrated in the process flows below, in which the responsibility for carrying out the works would be on the buyer

### Framework 1

8.4 In our first proposed Framework, sellers (or their solicitor) would notify the local council when selling a home below EPC band C. The council would place a charge on the property, equal to any cost cap for required works. The charge would begin to accrue interest at a level set by local authorities after one year. If, within one year, the new homeowner carried out the work and lodged an EPC at band C on the EPC register, the charge would be removed. Should the homeowner carry out all technically feasible works and still not meet EPC band C, they should still lodge an EPC on the register and apply for an abeyance from the local authority. If an abeyance is granted, the homeowner would not face any interest charges.

8.5 If homeowners did not want to carry out any works, they would be liable for the interest on the charge after the first year and for every year thereafter. Interest levels could be set high enough to cover administrative costs for local authorities and help fund LHEES or HEEPS-ABS (or any successor program). If the homeowner sold their home without a compliant EPC or valid

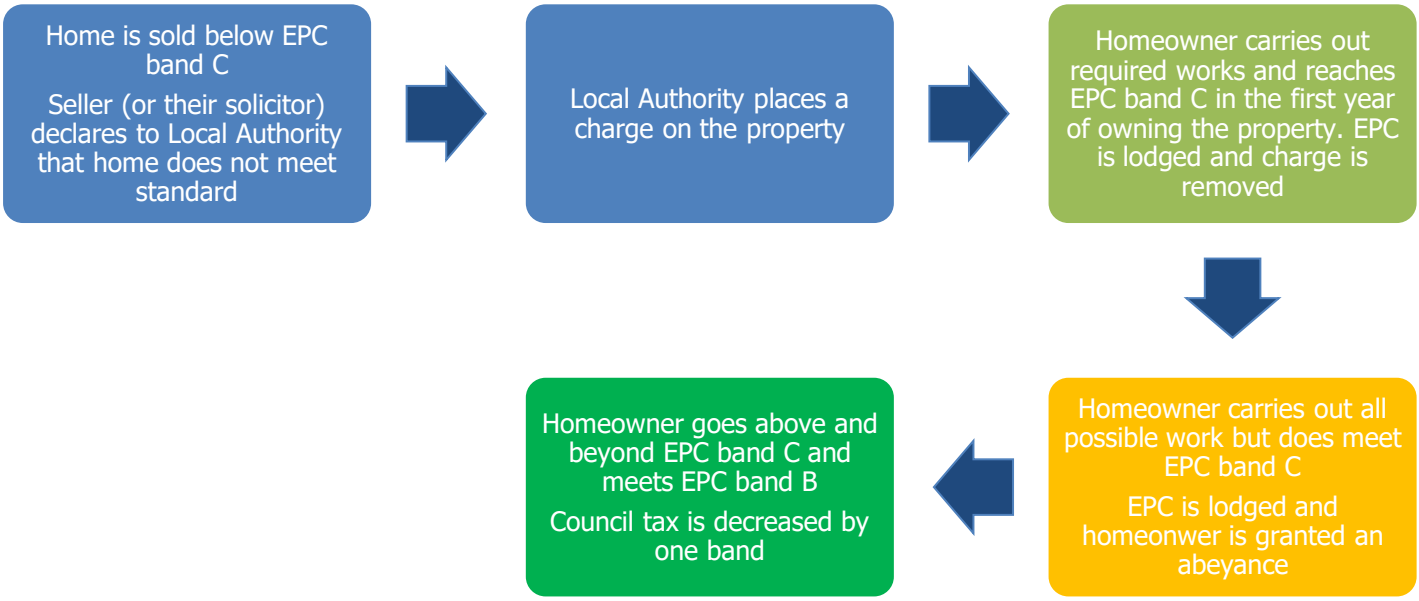
abeyance, they would be liable to pay the full amount of the charge set against their home. The process would then begin again, with the amount of the charge being made available to the next homeowner as an interest free loan. The loan payments could be directed to the Local Authority's energy efficiency schemes.

8.6 Homeowners should be encouraged to go above and beyond EPC band C where possible. If a homeowner was to lodge an EPC band B, we propose that their property should drop one council tax band.

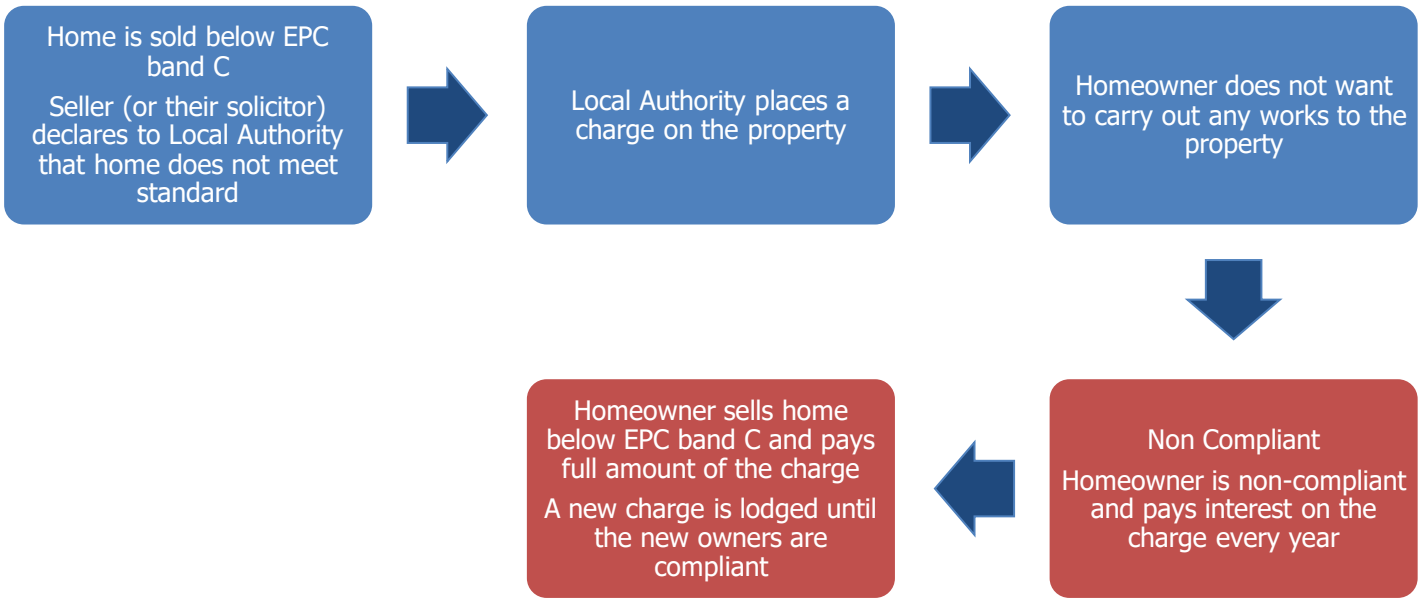
8.7 The main strengths of this system Framework are the natural link between the enforcement authority and homeowner, the ability of the buyer to choose what works they carry out when, and the incentive to go above and beyond EPC band C. Local authorities could notify homeowners about LHEES and generate an extra flow of income towards their local projects. It preserves choice – a key consumer principle – and is an easy customer journey to follow. Because it gives a year within which to complete the works, the sale of the house is less likely to be delayed due to a more complex conveyancing process. Local authorities could offer an abeyance to homeowners who commit to participating in LHEES when it reaches their area, offering greater foresight and planning to local authorities who can guarantee a certain amount of private homeowner buy-in.

8.8 The main weakness of the first Framework 1 is that because it preserves choice, homeowners may not complete the measures required to eradicate or lower carbon emissions in the domestic heating sector. While there is a clear link between the local authority and enforcement, framework one is more labour intensive for the local authority than framework two and would most likely require expansion of existing staffs or creation of new positions to administer it correctly. This is especially true in heavily populated areas which have high rates of property turnover. Additionally, homeowners who choose to improve their property to EPC bands A or B would see their council tax liability reduced, which means less revenue for local authorities. The Scottish Government would need to ensure that central funding maintains local authority budgets at the appropriate levels.

## Framework 1: Compliance




## Framework 1: Non-Compliance



## Framework 2

8.9 Our second system proposed Framework is based on retention of funds. The responsibility would again fall to the buyer to upgrade the property.

8.10 In this Framework, where a house is sold below EPC band C, the statutory survey must contain a schedule of necessary work to bring the property up to standard and an estimated price for the required work. The buyer can retain the sum of the estimated quote plus 10% for eighteen 18 months. The buyer must begin work with those funds within 18 months and complete the works within 24 months of purchase.

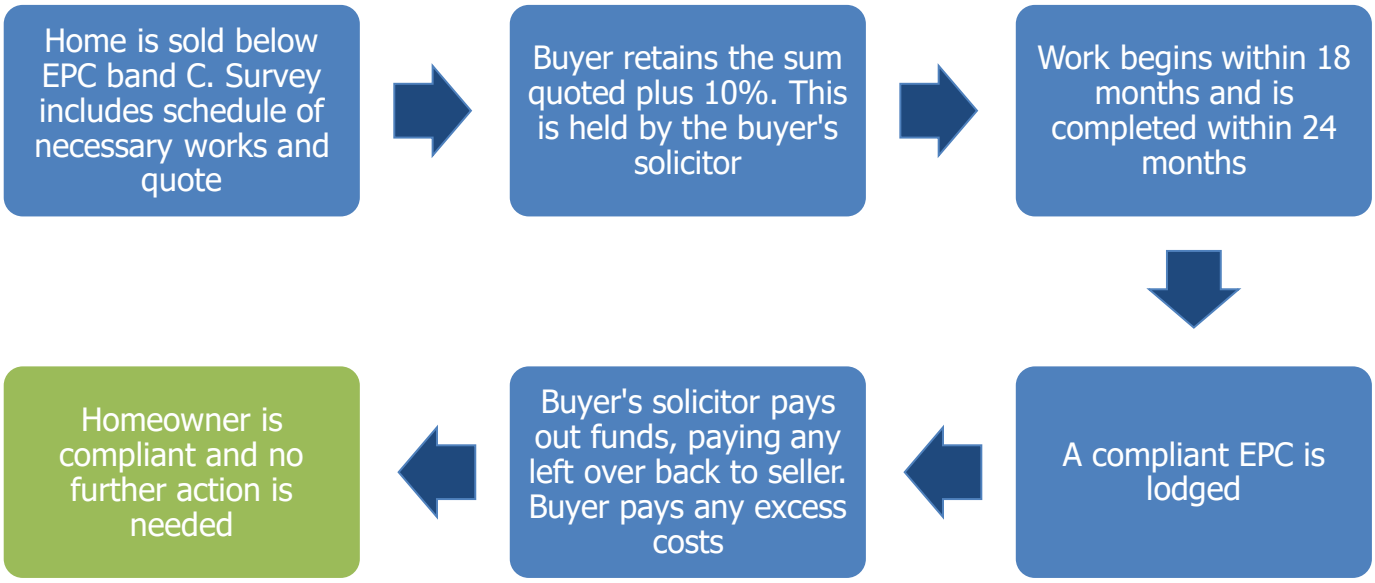
8.11 The retained funds would be used only on works that bring the property up to standard, preferably by following a fabric first approach. The retained sums would be held by the buyer's solicitor and paid out on completion of the works. Any money left over after the works was were completed would be returned to the seller, while the buyer would be responsible for paying any excess.

8.12 If after 18 months, no works had been started, the local authority would have the power to compel the works take place using the retained funds. This could be a statutory power granted to local authorities as part of LHEES. The buyer would be liable for any excess and administration costs.

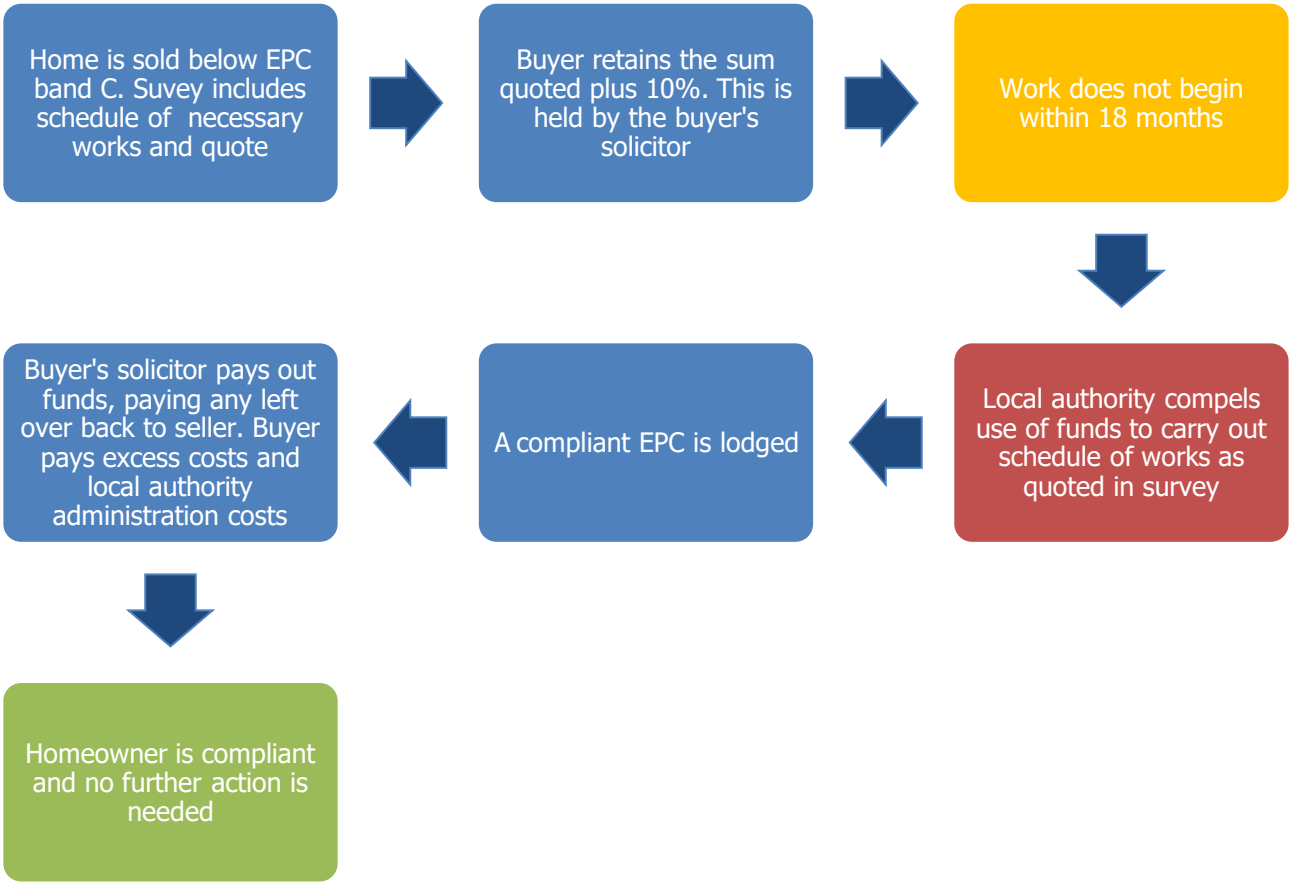
8.13 The main strength of Framework 2 is that it is a self-contained system where the seller pays, and the buyer is incentivised to do the work reasonably quickly. Additional legal and survey costs should be covered by the additional 10% retained.

8.14 The main drawback of Framework 2 is the potential for the seller to carry out hasty and short-sighted improvements to avoid the retention of the funds. To mitigate this risk, there should be a rigorous inspection and compliance regimen.

## Framework 2: Compliance



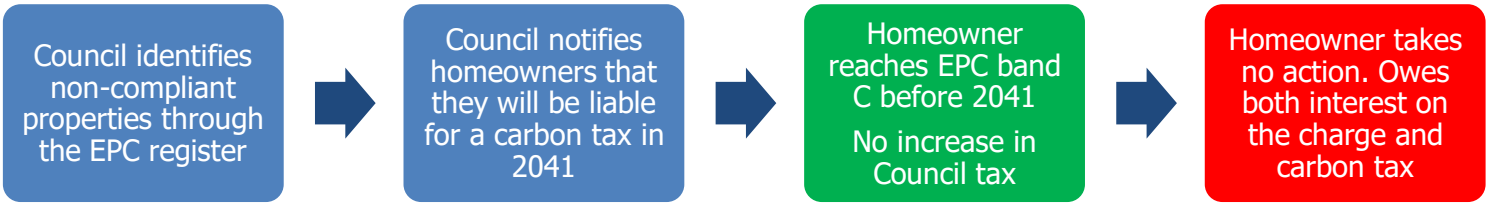

## Framework 2: Compelled Compliance



8.15 We believe that a backstop of some sort is necessary. By the Scottish Government's calculations in this consultation, not enough non-compliant homes will be sold within the lifetime of EES to get all of Scotland's housing stock up to standard. A carbon tax could be introduced in 2040 for all homes that are non-compliant and have not been granted an abeyance. Councils will be able to identify non-compliant properties through the EPC register. Non-compliant homeowners will be notified that starting in Council Tax year 2041, they will be liable for a carbon tax on top of any interest or charges they are already paying. If a homeowner lodges a compliant EPC or is granted a valid abeyance, they will no longer be liable for the extra carbon tax.

8.16 Funds from the carbon tax could be used for LHEES or community projects with a positive environmental impact. All proceeds of the carbon tax should be reinvested in the health and wellbeing of the community.

**Backstop 2040**

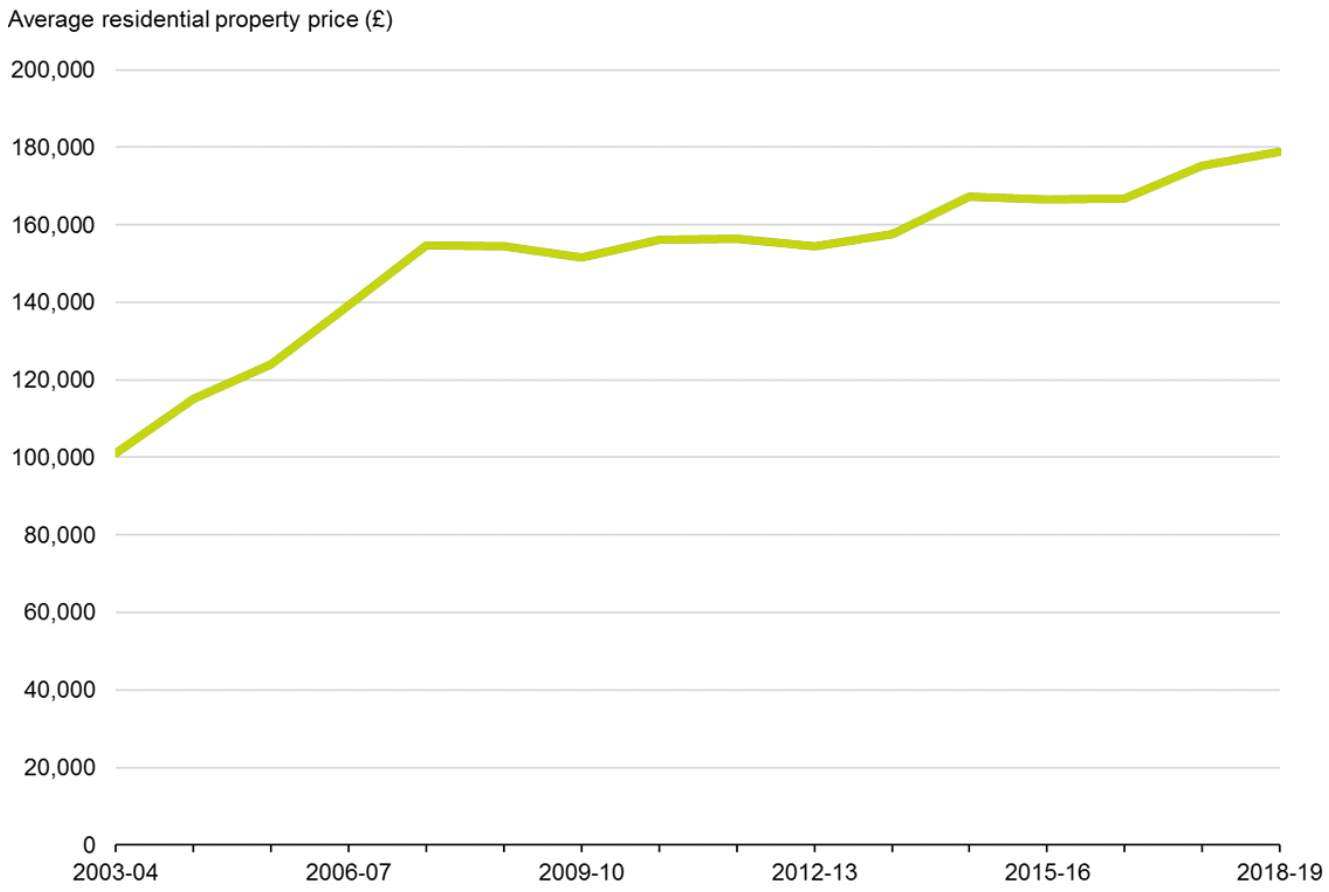



## Response to Question 9: What, if any, unintended consequences do you think could happen as a result of these proposals? For example, any positive or negative effects on the house sales market.

9.1 There is a possibility that any regulation of the owner-occupied sector could slow down the rate of house sales market or cause house prices to drop. Only 44% of Scottish homes were rated EPC band C or better in 2018, meaning that even if 6% of homes are improved in the next four years, half of Scottish housing stock could be non-compliant when regulations come into effect. If the home buyer has the responsibility to upgrade the energy efficiency of the home, it is likely that they will make lower offers on the home. Alternatively, homes that are non-compliant could have lower valuations. This would impact the original homeowner's (the seller) ability to buy a new home or recoup their original investment in the home.

9.2 Average property prices in Scotland have steadily increased since 2003-2004, remaining fairly steady even through the 2008 financial crisis. However, average property prices have seen much more variation at a local authority level, with property prices increasing in areas such as Midlothian and decreasing in areas like Aberdeen and Inverclyde.

**Property Market Report 2018-2019: Average Residential Property Price (Register of Scotland)[10]**




9.3 On average, rural homes are less energy efficient than urban homes – 78% of rural homes are below EPC band C compared to 54% of urban homes[11]. Mandating minimum energy efficiency standards could have a disproportionate impact on the value and desirability of rural housing. As this could threaten the sustainability of some of Scotland's remote rural communities, the Scottish Government should closely monitor this and take steps to ensure rural communities are supported and not unduly disadvantage by the proposed regulations.

[10] Register of Scotland (2019) Available at: https://www.ros.gov.uk/__data/assets/pdf_file/0012/135210/Property-Market-Report-2018-19.PDF

[11] Scottish Housing Condition Survey (2018) Table 21: SAP 2012 (RdSAP v9.93): Mean EER and Broad EPC band by Dwelling Characteristics, 2018

## Response to Question 10: Do you agree or disagree with point of major renovation as an appropriate trigger point for a property to meet the legally-binding standard?

10.1 We agree that point of major renovation seems like a reasonable trigger point to meet the legally binding standard, though this is caveated per our response to Question 11, below. Depending on whether the definition requires planning permissions, there could be natural point of contact between the local authority and the homeowner. Homeowners will be prepared for disruption and can budget for energy efficiency improvements as part of the overall renovation.

## Response to Question 11: What is your view on how "major renovation" should be defined? Should the Energy Performance of Buildings Directive definition, as described in Annex B, be used? Please explain.

11.1 The definition seems to be reasonable. Our only reservation is that planning permissions may not always be required for works as defined, meaning there might not always be a clear point of contact at the time of renovation between the homeowner and the local authority. This would make enforcement more difficult.

11.2 We suggest that a better trigger point than major renovation would be the expiration of EPCs. EPCs last ten years, and a local authority would be able to track expiry dates through the EPC register.

## Response to Question 12: How could a requirement to meet the energy efficiency standard at point of major renovation be checked and enforced? Who should be responsible for this?

12.1 Local authorities who receive requests for planning permission can monitor the home via the EPC register. If a compliant EPC is not registered before the expiration of the planning permissions, the local authority can issue a compliance notice in a similar system used in the Private Rented Sector regulations.

12.2 Planning permission applications could require a valid EPC certificate and a quote to achieve the works needed to meet EPC band C. This would help streamline the process for local authorities.

## Response to Question 13: What do you think would be a fair and appropriate method to ensure compliance, if the legally-binding standard is not met? What type of penalty system would be appropriate? Please explain.

13.1 As described above in paragraphs 8.4 – 8.8, we believe a charge placed against a property sold without a compliant EPC is the appropriate method to ensure compliance, or a system of funds retention, would be the most appropriate methods to ensure compliance. Collecting interest from the charge after one year and the full amount of the charge when the homeowner sells the property without making the requisite upgrades will allow the homeowner time to improve their property while incentivising them to do it relatively quickly. Retaining funds as part of the sale will make sure energy efficiency improvements are properly funded and that additional costs, such as legal and environmental surveys, are properly accounted for.

## Response to Question 14: Should a penalty for failing to comply with the standard be one-off or recurring?

14.1 The penalty for non-compliance should be recurring until compliance is reached. Both of the Frameworks proposed in our response to Question 8 suggest including recurring annual penalties.

## Response to Question 15: At what level, approximately, should any penalty be set?

15.1 Penalties should be set high enough to ensure compliance, but not so high as to be punitive. Penalty costs should cover the administrative cost to the local authority of enforcing compliance so that local authorities have extra incentive to pursue enforcement and are not overburdened by doing so.

## Response to Question 16: Are there any particular groups of people who could be adversely affected, more than others, by enforcement processes and charges?

16.1 Fuel poverty, while well defined, is difficult to identify. CAS has concerns that consumers who are at risk of fuel poverty could be particularly disadvantaged by the excess costs incurred in upgrading their property. While fuel bill savings are possible, they are not guaranteed.

16.2 Many consumers are barely making ends meet and live just above the poverty line. They are not in receipt of benefits but have no excess income or savings to pay assessors or put up capital for an interest free loan. The Scottish Government should take extra care with these consumers to ensure they do not face excess detriment.

16.3 Consumers who do not speak English as a first language or who are uncertain about their immigration status (EU citizens and asylum seekers, for example) may be adversely affected and have a more difficult time to accessing support. Local authorities should be compassionate and mindful of each individual's situation, and they should signpost vulnerable consumers to existing free and independent advice services such as HES or their local Citizens Advice Bureau

## Response to Question 17: Which body or bodies should check if the standard has been complied with at the trigger point, and should be responsible for levying any penalty?

17.1 Local authorities seem best positioned to monitor compliance and levy penalties. However, for the program to succeed, it is essential that local authorities be adequately staffed and resourced to do so timeously.

## Response to Question 18: Considering the information above and in Annex D, what are your views on the best way to approach cost effectiveness, taking into account the trade-offs between how easy to understand and how sophisticated different definitions are, and how the different definitions might affect the number of homes that actually achieve the EPC C standard?

18.1 The most appropriate definition of cost effectiveness depends on what enforcement framework the Scottish Government chooses to develop. For the Frameworks we have proposed, a cost cap seems to be the most appropriate.

18.2 In the interest of carbon targets and because there is truly just way to determine cost effectiveness, we believe that cost effectiveness should not be a reason for exemption. Instead, cost effectiveness should trigger additional financial support and/or expert advice where appropriate.

18.3 In our proposed Framework 1, a cost cap is the best suited definition because it would easily translate into enforcement. A local authority could mandate a charge, equal to the cost cap that accrues interest every year that it remains on the property.

18.4 Our proposed Framework 2 requires quotes to be obtained during the sale. Homeowners would be required to set aside the amount of the cost cap or the amount of the quote, whichever is lower. This would better enable potential buyers of a property to plan financially for the retrofitting of energy efficiency improvements.

18.6 Warmer Homes Scotland estimated in its 2016 annual report that the cost per SAP point of retrofitting the properties it upgraded was £457. Using this estimation, upgrading a house from EPC band D could cost anywhere between £457 and £6,389. **These prices are illustrative, demonstrating the scale and cost of the challenge ahead. We are not suggesting the cost cap be set at these levels**[12].

| Current Band | Minimum Cost to EPC band C[13] | Maximum Cost[14] |
|---|---|---|
| D | £457 | £6,389 (£6,400) |
| E | £6,855 | £13,710 (£13,700) |
| F | £14,167 | £21,936 (£22,000) |
| G | £22,393 | £31,076 (£31,000) |

18.7 These costs will obviously be unaffordable for many homeowners. The cost of upgrading Scottish Housing stock to EPC band C is significant, and the costs indicated above underscore the importance of robust and easily accessible financial assistance.

18.8 The cost cap should apply to the total cost, e.g. the package of measures proposed. If the trigger point is point of sale and the imperative is on the buyer, not rather than the seller, no measures installed by the seller would be included. Existing measures, however, could lower the overall cost of getting to EPC band C.

18.9 A simple payback test would be more appealing if it was attached to consumer income. In the form it is presented in the consultation, it relies on SAP estimations of fuel bill savings to determine if a measure is technically feasible or cost effective. SAP estimations of fuel bill savings are unlikely to be accurate, as they are not based on a property's actual occupancy. In many cases when energy efficiency measures are installed, consumers do not actually see fuel bill savings as they use the same amount of energy as they did previously, but their homes are warmer. Energy efficiency measures help consumers heat smarter, not necessarily cheaper (the take back or rebound effect)[15].

18.10 Net present value is a more nuanced calculation, but many of the future inputs seem difficult to determine with any certainty. Future costs and benefits are speculative, as are maintenance costs. Net present value may assign a greater value to a project that requires large investment, whereas a smaller project that requires less investment would be better for the consumer and the property.

[12] Economists at the Scottish Government have reviewed our cost estimates and methodology for accuracy. While our methodology is limited by the data we have access to, they have confirmed that our lower cost estimate very broadly matches their own SAP-based modelling of cost figures in consideration of meeting EPC Band C for the owner occupied and social housing sector.
[13] Cost = (minimum SAP points needed to reach band C) x (457)
[14] Cost = (maximum SAP points needed to reach band C) x (457)
[15] O'Connor, P (2015). *What is the Rebound Effect? – Energy Efficiency, Part 2*. Online post. Union of Concerned Scientists. Available at: https://blog.ucsusa.org/peter-oconnor/energy-efficiency-what-is-the-rebound-effect-946

18.11 Cost cap is the determinant for cost effectiveness used in the regulations which mandate minimum energy efficiency standard in the private rented and social rented sectors in Scotland. Using the same definition across the Energy Efficient Scotland program will ensure better consumer understanding and better aid enforcement from by local authorities.

## Response to Question 19: Other than technical feasibility and cost effectiveness, are there any other reasons why a homeowner may not be able to bring their property up to EPC C at point of sale or renovation, and would need to be given an exemption or abeyance? (For example, difficulties of getting permission from other owners for common parts of buildings.) Please explain.

19.1 CAS called for a compassion exemption to be applied in the private rented sector regulations where retrofitting a property would be too onerous and should not be undertaken for social or compassionate reasons. We would like to see a compassion exemption in every sector to protect the most vulnerable in society.

19.2 Homes in rural areas and on the Scottish Islands should receive extra consideration and in some cases extensions of the time limit within which they are expected to complete renovations. The Scottish Government should provide extra financial assistance to people living in remote rural areas and in the Highlands and Islands as labour and materials are more difficult and more expensive to procure.

## Response to Question 20: Do you agree or disagree that, even if a property can't fully meet the standard, it should be required to get as close as possible to it?

20.1 We agree that a property should get as close to possible to the minimum standard where the minimum standard is not possible. Homes that cannot meet the standard because it is not cost effective should be directed to further financial support or expert advice from Home Energy Scotland, Warmer Homes Scotland, or Historic Environment Scotland.

## Response to Question 21: Do you agree or disagree that any exemptions or abeyances from the standard should be time-limited?

21.1 Abeyances should be reviewed every 10 years when the EPC attached to a property expires and the property requires to be reassessed. This would allow the SAP methodology time to update and technology time to develop.

21.2 Careful consideration should be given to abeyances granted on the grounds of cost effectiveness grounds. If a building is listed or hard to treat, the homeowner may require additional financial

assistance or expertise from an organisation like Historic Environment Scotland to make the necessary changes to their property. As suggested above, cost effectiveness should be a trigger for further support, not for abeyances.

## Response to Question 22: Which body or bodies should take decisions about granting abeyances? Should this be done at a local level or centrally at a national level?

22.1 Local Authorities are best placed to undertake decisions about abeyances, provided they are adequately staffed, resourced, and supported at a national level to do so.

22.2 Abeyances should be granted locally. Local authorities can be more subjective and will have a more in-depth understanding of local properties and community circumstances. Buy-in from homeowners is essential to meet the carbon reduction targets set by the Scottish Government. Making decisions at a community level will allow better and earlier engagement with local people.

22.3 Abeyances should be granted at the local level but lodged on a national database that anonymises the property owner and only contains details about the property. The national database would ideally be linked to the EPC database for ease of reference. This database should be readily available to local authorities.

## Response to Question 23: The SLWG on Assessment propose that any new assessment regime should exist on two levels, comprising both a mandatory asset-based assessment and an optional occupancy-based assessment. What are your views on this approach? Do you agree that an occupancy assessment should be optional? Are there specific inputs that should be included in both? Please explain your answer.

23.1 CAS generally supports the interim proposals as outlined. We recognise that this is a high-level perspective and as such it is difficult to know the finer detail of some of these recommendations. However, CAS holds a strong organisational opinion on many of the details of these proposals, such as the proposal for assessment, and as such it is difficult for us to make a decision about these issues with this level of detail. There are still many externalities, such as the decision of cost assessment, to consider.

23.2 We support the assessment being mandatory provided that it does not impose any undue financial burden on householders. Financial assistance should be provided for householders who are unable to pay for the assessment but there are questions over how their 'ability to pay' should be assessed, or whether they can reasonably be expected to self-identify as unable to pay.

23.3 We agree that an assessment should, at the minimum, provide a clear and achievable pathway to EPC band C and a description of how the recommendations impact the customer's ability to meet regulatory requirements.

## Response to Question 24: The SLWG on Assessment propose that the output of the assessment should be a report with tailored recommendations that set a clear pathway to both regulatory compliance (i.e. EPC band C) and zero carbon. There are conflicts between meeting the EPC rating and zero carbon. What are your views on how this can be handled/mitigated? Please explain your answer.

24.1 CAS agrees that recommendations should be tested for technical feasibility and that these recommendations should be actionable and final. However, we believe that some home energy efficiency upgrades should be carried out before others, such as installing cavity wall insulation before a heat pump. The recommendations made by the standard assessment should reflect this, recommending a fabric first approach where possible.

24.2 The proposed addition of the zero-carbon pathway in the recommendations of a standard assessment needs to be carefully caveated in the report and during the advice stage of the assessment. While we agree that the recommendations should be as robust and future proofed as possible, the future of low carbon heat in the UK is currently uncertain. Householders could be given a recommendation that is not the most technically feasible or cost effective when viewed in whole system terms – for example, installing an air source heat pump in a home that could later be connected to a heat network or hydrogen gas grid. Additional consumer protections are also needed in the low carbon heat market – heat pumps, biomass, and solar thermal heating systems have high levels of consumer complaint per installation[16].

24.3 The government should clearly signal the future of decarbonised heat so that householders can make informed choices and receive informed appropriate recommendations about making improvements to their homes. The government should also ensure strong quality standards for installation of low carbon heat systems so that consumers are protected and have access to redress. It is important that these future issues are explained in comprehensible terms that are easily understood by householders, both in the report and during the assessment, to allow them to make informed decisions about their home improvements.

24.4 20.44% of a typical GB consumer's electricity bill is comprised of social and environmental levies[17]. In contrast, only 1.6% of a typical GB consumer's gas bill is made up of such levies[18]. While electric heating systems are more efficient than those powered by gas, the cost of

[16] RECC, 2019. Percentage of installations that had a registered complaint against them – Air source heat pumps (3.5%) Biomass (15.7%) Ground Source Heat Pumps (2.6%) Solar Thermal (14.8%)
[17] Ofgem. Understand your gas and electricity bill. https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/understand-your-gas-and-electricity-bills#thumbchart-c6544416133875424-n100630
[18] Ofgem. Understand your gas and electricity bill. https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/understand-your-gas-and-electricity-bills#thumbchart-c6544416133875424-n100629

electricity to an average domestic consumer in GB is now more than 4 times that of the price of gas[19]. Fuel poverty in Scotland currently stands at 25%, but among Scottish consumers who make use of electric heating, 43% are therefore fuel poor[20].

25.5 The future of low carbon heat in Scotland remains uncertain, but industry modelling suggests that many Scottish consumers will continue to use electricity as their primary source of space and hot water heating as the country transitions to net zero[21]. In some cases, this is likely to involve the replacement of gas-fired boilers with heat pumps[22] whose enhanced efficiency is insufficient to compensate for the price differential currently seen between gas and electricity. We are therefore concerned that the transition to net zero risks pushing many more Scots into fuel poverty. In order to avoid this, we believe that some of the social and environmental levies that are currently paid by electricity consumers will need to be redistributed.

## Response to Question 25: The new assessment proposals from the SLWG on Assessment include more of an advisory role for the assessor. What are your views on the additional skills and training required to deliver this role? Are existing Domestic Energy Assessors best placed to provide the tailored recommendations? What risks and conflicts do you foresee and how would you propose to mitigate them? Please explain your answer.

25.1 We agree that EPC assessors seem well positioned to carry out the new assessment with additional training, including in soft skills such as identifying and engaging with vulnerable householders.

25.2 Assessors should be closely monitored and held to high quality standards. Assessors who do not meet these standards should have their accreditation revoked and any affected homeowners proactively contacted and, where necessary, guided through the relevant redress process by whatever body is created to administer EES.

25.3 The EES oversight body or Scottish Quality Mark should undertake regular and random audits of EPCs issued by accredited assessors. The Scottish Government should include information about the Scottish Quality Mark in its energy efficiency education campaign.

25.4 A central database of assessors and the results of their audits, as well as feedback from consumers they have performed assessments for should be made publicly available. This would ensure consumers have ready access to information about the quality of the assessor, and that enforcement bodies can identify poor quality or rogue assessors quickly.

[19] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875434/Press_Notice_March_2020.pdf
[20] Scottish Housing Condition Survey 2018
[21] https://www.ssen.co.uk/WorkArea/DownloadAsset.aspx?id=18382
[22] https://www.scottishpower.com/news/pages/glasgows_path_to_net_zero_revealed_in_detail.aspx

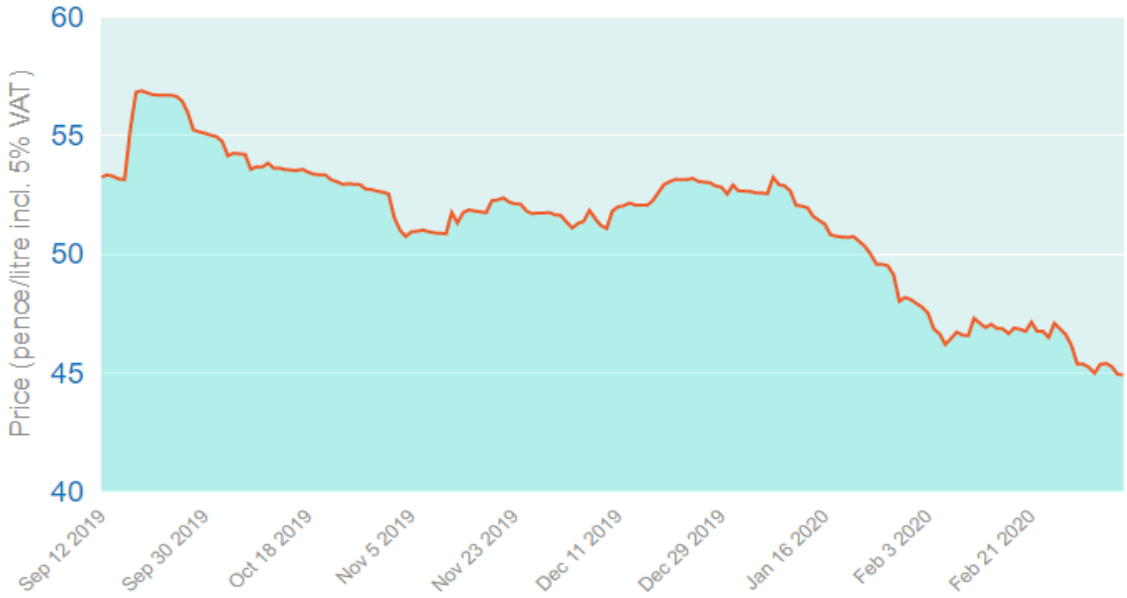
25.5 Please see our response to Question 28 for further views on quality assurance.

## Response to Question 26: The SLWG on Assessment propose that the tailored recommendations to improve energy efficiency and achieve zero carbon should consider the legal designation of buildings, obvious defects or condition issues, and local costings. Do you foresee any liability issues in this approach and if so, what suggestions do you have to mitigate them? Do you believe the inclusion of local costings to be practical and what are your thoughts on what level should be considered 'local'? Should the local cost of energy also be considered? Please explain your answer.

26.1 We agree with the proposed considerations for the standard assessment. The local costing for the installation of measures is practical but it could lead to a rural premium for homeowners whose property could be made energy efficient but are limited by their geographic location. CAS believes that the Scottish Government should offer such homeowners additional financial support or some sort of off-setting mechanism where a measure is technically feasible but not cost effective due to the remote and/or rural location of the home.

26.2 While we agree that including local energy costs seems sensible, it would be very difficult to determine accurate local energy figures. This is especially true for in remote areas of Scotland where consumers might not just use gas and electricity in their homes, and instead rely on biomass, oil, or LPG. In these cases, how would a local energy cost be applied? Would it be average cost, or actual cost for the household? If local fuel prices are volatile, EPC recommendations made just 6 months earlier could generate different predictions about fuel bill savings and cost effectiveness.

**Cost of Heating Oil in Scotland, September 2019-February 2020**




Source: https://www.boilerjuice.com/heating-oil-prices-scotland/. Lowest 1,000 litre price for heating oil (Kerosene 28) from participating suppliers in each postcode district across Edinburgh, Dundee, Fife, Ayrshire, Dumfries, Aberdeenshire, Moray, the Borders

## Response to Question 27: The SLWG on Assessment propose that the assessment should provide a theoretical indication of whether recommendations are technically feasible. Please provide your views on who should determine actual technical feasibility? Should this be a qualified installer or someone else? Please explain your answer.

27.1 We agree that the process should be non-invasive, and that because of this any recommendations made by the assessment will be theoretical. However, it should be made clear to the householder that until an invasive assessment is undertaken, assessors cannot be completely sure of the suitability of certain measures for the householder's home.

27.2 If it is the installer who provides a theoretical indication of whether recommendations are technically feasible, the householder will, on top of all of their initial research around the policy, funding, measures and suitable assessors/installers, have had to commit the time and money to:

- An initial assessment
- Scheduling and paying an installer to visit the property
- Applying for an exemption

27.3 This seems like an overly onerous and costly process. It therefore makes more sense for the assessor to invite householders to apply for exemptions.

## Response to Question 28: In your view, what are the most important considerations for homeowners who are required to meet the legally-binding standard, in relation to skills, supply chain, consumer protection and quality assurance?

28.1 CAS believes that consumer protection cuts across the skills, the supply chain and quality assurance of energy efficiency in the owner occupier sector.

### Skills

28.2 Consumer trust in installers and any certification or quality mark employed is key to ensuring the long-term viability of both the quality mark and buy-in from consumers to energy efficiency and low carbon technologies.

28.3 The UK Trustmark is currently being rolled out through the Energy Company Obligation (ECO) in Scotland and we are aware that a Scottish Quality Mark is being developed. Clear messaging to the public and the industry is essential in order to promote the purpose and benefits of the quality mark for both consumers and the industry, of the quality mark. Trading Standards reported that mis-selling and cold calling in relation to Energy Efficiency products as was the most reported nuisance call in 2018, accounting for 47% of all nuisance calls in Scotland[23]. Marketing of energy efficiency can be agile. Official information provision must therefore keep pace whilst also providing clarity and consistency of message.

28.4 A two- tier system of installers may develop, with the upper tier of installers servicing local authority schemes and ECO, and therefore registered with both Trustmark and a Scottish quality mark. A second tier of installers may operate out with official schemes, due to costs and the administrative burden. The operation of a two-tier system in a growing market fuelled by legally binding targets on homeowners has the potential to allow for rogue traders to exploit vulnerable consumers, with poor quality workmanship and mis-selling presenting scope for significant consumer detriment.

28.5 To prevent this, consumers and installers should be informed of the benefits of membership of a quality mark, and this must be incorporated into marketing plans. However, as noted in paragraph 28.4, it may be economically profitable for unscrupulous installers to attempt to undertake to work without the required certification. As such consumers should still be supported to find out:

- What products suit their type of property
- How products should work with real life examples of energy cost savings, if any

[23] Trading Standards Scotland (2019) Pg. 13 - Scottish Government Call Blocking Project Evaluation Report

- What types of guarantees consumers should ensure are in place
- What a contract should include and how to ask for changes from an installer
- What redress is or isn't available

28.6 This information should be heavily promoted and made freely available and digitally accessible through HES advice lines and local stakeholders.

## Supply Chain

28.7 If the trigger for bringing a home to EPC C is at the point of sale then the demand for advice and installations is likely to be highly influenced by local housing market conditions. The Registers of Scotland reported that in 2018/19 there were 101,628 completed house sales in Scotland[24]. Currently Home Energy Scotland provides an advice service which can include home visits for vulnerable people. We believe HES will require greater resources, to allow them to upscale their activities to meet an increase in demand for advice and guidance, including home visits.

28.8 Where the sale of a property is the trigger and the onus to meet EPC C is put on the seller, the timescales for getting advice and carrying out the necessary work may be significantly reduced to take advantage of the seasonality of house sales or to meet financial pressures to sell. This may create demand for installations to be done quickly, and tailored advice may not be as important to a seller who has no interest in the future effectiveness of any installation, beyond it achieving EPC C for sale. This may further fuel a two-tier system in which the long-term suitability or quality of any installation is not of key importance to either the seller or the installer.

28.9 Where the supply market cannot meet demand – this an issue which may be more acute in rural areas – consideration should be given as to what measures will be put in place to mitigate the inability of homeowners to sell their property. Any such restrictions to sell should not be in breach of the homeowners' human rights, as covered by Article 1 of the First Protocol: Protection of property[25].

28.10 If penalties are to be imposed for non-compliant properties on sale, we suggest that consideration is given to the reasons for non-compliance, such as:

- Lack of availability of competent installers in the area.
- Where demand exceeds supply, there may be significant waiting lists for installations, which may be incompatible with the time schedule for the house sale.
- If owners are offered the choice to join a local authority scheme this may not fit with the time scale of the house sale.

[24] Registers of Scotland 2018/19 https://www.ros.gov.uk/__data/assets/pdf_file/0012/135210/Property-Market-Report-2018-19.PDF
[25] Human Rights Act 1998

28.11 Will exemptions or extensions be offered to consumers in such circumstances, when the standard cannot be met due to circumstances out with their control?

## Quality Assurance

28.12 In paragraph 28.2 we noted the importance of consumer trust in the long-term success of EES. One way to achieve this would be to ensure registered installers are being robustly inspected and timeously removed from any register and accreditation scheme if not.

28.13 As an example, the framework for the UK Government's Green Deal did not provide for adequate independent inspection of relevant installations to:

1. Ensure the installations met the required standard.
2. Interrogate installers' promises to the consumer by asking the occupier some questions relating to their understanding of the measures installed, of any finance agreement linked to the installation of those measures, and of promised savings and costs attributable etc.

28.14 As is well understood, in the absence of such inspections, poor quality work undertaken by some Green Deal Installers was not identified until a significant number of consumers had been harmed, and inflated claims as to the financial benefits to be derived from the installation of Green Deal measures were allowed to go unchallenged[26]. If Green Deal inspections had been undertaken more widely and had gone beyond technical competence to ask the occupier some basic questions about their understanding of the Green Deal scheme and the energy savings they had been promised, this would have highlighted issues of consumer detriment at a much earlier stage.

28.15 Where installers are failing inspections or have multiple complaints submitted against them, we believe a prompt and thorough investigation of the installer is essential. A speedy process that can investigate, make decisions, and offer appropriate redress is not only important to consumers, but also to the installer's business.

28.16 Consumer feed-in to any certification or quality mark scheme, such as reviews of feedback, could be a useful tool to help prospective customers make informed decisions before entering into a contractual relationship with an installer, and could also help to encourage installers to provide consistently high levels of customer service. Reviews should be monitored and followed up by an independent inspection body to support robust consumer protection.

28.17 CAS is undertaking research into what an effective consumer protection framework looks like in the energy efficiency and renewable retrofit sector. We are working with the Scottish Government, certification schemes, EST, HES and TSS to examine the various bodies currently involved in consumer protection in Scotland and explore how they can work together more

[26] Citizens Advice Scotland Bad Company Report

effectively. A report detailing the findings of this research should be published in late spring and will make recommendations on how consumer protection can be improved in this sector.

28.18 We agree with the Existing Home Alliance that a building passport registered online would be a useful tool for consumers and aid in consumer protection. Please see the Existing Home Alliance response to this consultation for more detail[27].

## Response to Question 29: What are your views on how the Quality, Skills and Consumer Protection SLWG recommendations specifically have an impact on the owner occupied sector? Please explain.

29.1 CAS has responded to the previous consultations on EES. These responses can be found on our website[28]. We have previously taken a cautious view of regulation of energy efficiency standards in the owner-occupied sector. We believe that a full Business and Regulatory Impact Assessment (BRIA) (i.e. cost benefit analysis) of reaching EPC Band C needs to be undertaken before CAS can reach a view on this from a consumer perspective. We are not aware of any new BRIA analysis in the public domain, and this therefore limits our ability to provide a fully informed viewpoint.

29.2 CAS sat on the SLWG for Quality Assurance[29] and for the most part our contributions were considered in the recommendations. CAS therefore broadly supports the SLWG recommendations.

29.3 In our answers to Questions 10 – 12 of the EES 2019 consultation, we replied in detail on the consumer protection aspects of each of the SLWG recommendations[30]. We therefore refer to our analysis of the impact on the owner occupier sector of the SLWG recommendations found in our response to this earlier consultation.

[27] Citizens Advice Scotland is a member of the Existing Homes Alliance
[28] CAS response to the Energy Efficient Scotland consultation on further development of the programme June 2019
[29] Energy Efficient Scotland: recommendations from quality assurance short life working group
[30] https://www.cas.org.uk/publications/cas-response-energy-efficient-scotland-consultation-further-development-programme

## Response to Question 30: In your opinion, is this the right range of Scottish Government financial support schemes? Are there any gaps, regarding either types of financial product or groups of people who may be excluded from being able to access products? Please explain your views.

30.1 We would like to see greater financial assistance from the Scottish Government for fuel poor consumers to ensure policy alignment from Scottish Government perspective. The Scottish Government should make grants available to cover 100% of the cost for fuel poor homes and 10% of the cost for owner occupiers.

30.2 In our 2016 report *Taking the Temperature: Warming up Scotland to Energy Efficiency* we recommended that the Scottish Government provide

> "*[...] continued and increasing public funding to match the scale of the stated ambition, founded on a clear understanding of the economic, social and environmental benefits of large-scale energy efficiency improvements"*

30.3 There is always concern that consumers who are not in receipt of means-tested benefits and/or who are not listed on their energy supplier's or network company's Priority Services Register may not get the support they need. Many of these households are often living on the edge of fuel poverty, or find themselves moving in and out of it, and therefore aren't able to put up the capital for a loan to upgrade the energy efficiency of their home. More consideration and assistance should be given to these households.

30.4 The Scottish Government should consider adopting some kind of identification framework to help identify and target fuel poor households. This would help integrate energy efficiency targets with the Fuel Poverty Strategy.

30.5 If cost effectiveness is a trigger for additional financial support and advice rather than grounds for abeyance, a financial mechanism should be created to support households who are not necessarily fuel poor or income poor, but who need assistance in bringing their hard to treat home up to standard. This could be in the form of an interest free loan or a green mortgage made available at a favourable rate.

## Response to Question 31: Do you agree or disagree that grant funding from the public purse should be focused on households who are vulnerable or in fuel poverty? Please explain if you disagree.

31.1 We agree that grant funding from the public purse should be focused on households who are vulnerable and/or in fuel poverty. In advance of the Budget, we called for the Scottish Government to fund at least 90% of costs for the fuel poor. Reflecting on the scale of the challenge, and the stubbornly high rates of fuel poverty in Scotland, we now believe the Scottish Government should cover 100% of costs for the fuel poor[31].

31.2 Local authorities should be fully funded to administer LHEES and provide compassionate, logical enforcement of standards in both the private rented and owner-occupied sectors. This will require training existing and new staff in soft skills to help them identify vulnerable and fuel poor consumers.

## Response to Question 32: In your opinion, what sources of non-government, private sector support are people most likely to want to access? (eg from banks, building societies, credit unions, mortgage providers)

32.1 Fuel poor consumers will need access to grants, with interest free loans made available to those who are able to pay. Green mortgages that offer better rates of interest to homeowners who undertake energy efficiency and low carbon heating improvements when re-mortgaging their home could also offer an appealing financial incentive to owner occupiers who are not planning to move home for an extended period of time.

32.2 Research conducted by CAS indicated that homeowners are most motivated to undertake energy efficiency improvements by a one-off council tax reduction in the year following the installation of qualifying measures[32]. Our proposed compliance Frameworks aim to incorporate this by reducing owner occupiers' council tax liability for those who reach EPC band B or above.

32.3 There has been low uptake of existing financial incentives, such as low interest or interest free loans offered by HES. The Scottish Government should investigate why uptake has been low and explore options for increasing it. This could include a nationwide campaign of energy efficiency education and widespread advertising of the financial support available. More flexible repayment schedules could also be effective in encouraging take up.

31 Scottish Housing Condition Survey 2018
32 *Taking the Temperature: Warming up Scotland to Energy Efficiency*

# Section 3 – Contact information

For questions, please contact:

Emily Rice
Policy Officer

Emily.rice@cas.org.uk