

## Scotland's Energy Efficiency Programme (SEEP)

Consultation response - May 2017

1. The Consumer Futures Unit ('the CFU') sits within Citizens Advice Scotland ('CAS'). The CFU is the Scottish consumer representative body in the regulated markets of energy, post and water. It uses evidence, expert analysis and research to put consumer interests at the heart of policy-making and market behaviour. We welcome the opportunity to contribute to the Scottish Government's consultation about Scotland's Energy Efficiency Programme (SEEP).

### General comments and key points

2. SEEP should be seen in the context of Scotland's revised Climate Change Plan (CCP) on the one hand, and overall Energy Strategy on the other, as well as the Scottish Government's wider work on fuel poverty. The CFU has commented separately<sup>1</sup> on the draft CCP, and we are, simultaneously with this, making a separate submission on the Energy Strategy. We are closely involved with ongoing efforts to tackle fuel poverty.
3. The Scottish Parliament considered the draft CCP in detail. From the perspective of consumers facing multiple household pressures and wider economic uncertainties, we noted the concerns expressed by MSPs<sup>2</sup> on:
  - the need for more detailed, credible and robust information on specific measures – how and when the extremely challenging proposed emissions reductions will in practice be achieved;
  - the burden of the reduction plans which appears to be placed on the residential sector, as compared with transport and agriculture; and
  - the need for greater emphasis on behaviour change, and on how consumers will be engaged in support of the required levels of emissions reduction.
4. The draft CCP raised significant questions about the impacts on consumers, including the costs and affordability of emissions reduction measures for households. Clearly, these will be dependent upon the unformed detail of SEEP.
5. We welcome the central emphasis on energy efficiency and demand reduction in the Energy Strategy. Indeed, as we say in our response to the Energy Strategy consultation, we believe that **this should be reflected by including an explicit reference to energy efficiency in the strategy's vision statement** – as it has likewise been reflected by designating energy efficiency as a National Infrastructure Priority. That is something which we also welcome, having previously called for it, and it implies that this area of activity will need to be funded by a significant increase in investment.

<sup>1</sup> <http://www.cas.org.uk/publications>, February 2017 - The CFU provided evidence to the Scottish Parliament's (1) Environment, Climate Change & Land Reform Committee; (2) Economy, Jobs & Fair Work Committee; and (3) Rural Economy & Connectivity Committee.

<sup>2</sup> <http://www.parliament.scot/newsandmediacentre/103918.aspx> - Scottish Parliament news release, 10 March 2017, summarising the reports of the four scrutiny committees, later endorsed in plenary debate, 16 March.

6. The UK's Green Deal is generally acknowledged, including latterly by the UK Government itself<sup>3</sup>, not to have succeeded in persuading property owners to invest in energy efficiency. The only measure where significant private sector investment by owners currently continues to take place without an external financial incentive is the replacement of old boilers – typically at the end of their life. The majority of investment in energy efficiency to date has been driven by the public sector, either directly or indirectly, for example:
- Indirect public sector support via energy supplier obligations, mandated by the UK Government and using money raised from consumers' bills to provide, mainly, subsidised insulation measures;
  - Direct public sector support from the Scottish Government, through Home Energy Scotland – whose service we recommend should be built upon – to provide free or subsidised insulation measures and heating systems; and
  - Rising standards in new-build housing and substantive property alterations as a result of building regulation.
7. Energy efficiency and demand reduction are generally of obvious benefit to consumers – saving them money (in some cases bringing them out of fuel poverty). This consumer benefit accrues regardless of the form of heating, and brings other advantages. Householders are often (except in some individual circumstances) well advised to improve the energy efficiency of the home before, or at the same time as, looking at the heat source. This is because some of the gains from investing in the heating source will be lost, if the home is suffering from an inefficient and costly loss of heat, whatever the type of heating.
8. The general benefit of energy efficiency needs to be qualified by noting that it does also depend upon the extent to which measures are imposed, or sometimes mis-sold, or badly installed, and upon the overall costs (and sometimes household debt, if funded by loans) to which they give rise for the household.
9. However, a general overall positive balance of consumer benefit over consumer detriment can thus be at the heart of the Energy Strategy and, even more so, SEEP. Therefore consumer outcomes and principles should be the guiding factor for addressing most of the questions set out in the SEEP consultation, and for deciding many aspects of its design and delivery.
10. For a programme of this scale – including the targets and challenges to be achieved, and the degree of national transformation, behaviour change and cost which those entail – we would suggest that **the programme will need new identity and appropriate, robust governance at a very high level, including regular reporting and scrutiny**. The importance of this is also increased given the suggested 20-year lifetime of the programme, extending over a number of parliamentary terms. It would be for the Scottish Government and Parliament to determine how these should be framed, including perhaps in legislation. In addition, we believe that **the programme will need eye-catching features, and communications, to capture the attention, support and ideally enthusiasm of the public**. Indeed, as our detailed response highlights, there may be significant risks if SEEP does not carry the public with it.

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<sup>3</sup> HM Government response to House of Commons Public Accounts Committee, November 2016, <http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/inquiries/parliament-2015/household-energy-efficiency-schemes-15-16>

11. Examples of what we mean by this include attractive branding and strong marketing for the programme. Also, however, given among other things clear evidence, from new research we commissioned specifically for this consultation, of public scepticism and confusion, or – worse – ignorance, mistrust or even outright opposition surrounding some areas of domestic energy efficiency, **there is a pressing need for the programme to be accompanied by simple, clear, convincing and compelling messages** around such themes as:

- Why are Scotland, and its people, doing this? Clear consumer and financial benefit, and pressing economic issues, have most salience for the people we spoke to during our research (see below), more so than the environmental rationale, important though that is. This was particularly so against a backdrop of rising prices and bills.
- What are we collectively, and as individual households, aiming to achieve? For example, **a clear message to the public could be that if a property has achieved an Energy Performance Certificate rating of 'C' or better, that is a good outcome** – there is little awareness presently of what 'good' is. At national level, **it would be helpful to set out what future trends in EPC ratings SEEP is aiming to deliver**. Again, there is a need to identify and communicate what 'SEEP success' looks like, expressing this in a way to which individual consumers can relate. **We would also support one headline ambition being to eliminate energy inefficiency as a cause of fuel poverty** – an objective expressed in this way has not yet been clearly articulated to the public, but is one which people could easily understand and back.
- How should householders typically get to this good outcome? Again, our research found inadequate awareness, and a level of mistrust, of the typical full range of cost-effective measures available.
- Where should consumers go – ideally a so-called 'one-stop shop' with high public recognition and trust – to get (ideally free) clear, relatively straightforward, reliable and impartial advice, and support (including EPC assessment)?
- What is the main, attractive, government-backed financial incentive available to homeowners who make the commitment? Our new research also suggests that **a new incentive system based upon a level of early Council Tax rebate for those who evidence energy efficiency upgrades would be, by some margin, the most popular and motivating of the incentives we considered; and we therefore recommend that such a system, or a system of incentives having similar features and attractions to homeowners, should be freshly explored**. This carries an associated implication that **the existing primary emphasis on loans, whilst they are beneficial to many consumers in certain circumstances and we should like to see them continuing to be available, should be reviewed**. Our research found that “none of the forms of loans discussed received much support from homeowners as a motivating factor for investing in home energy efficiency improvements”, although some forms of interest-free and/or Pay-As-You-Save loans appear to be slightly more acceptable to consumers. Based upon wider experience within the Citizens Advice network, it is worth pausing to consider whether a government-backed push towards loans, as the main form of financial incentive for the new programme, risks significantly adding to levels of consumer/household debt. Across all of our research events, there was a reluctance to accrue debt of any significant level.
- What are the main, widely-recognised and robust forms of quality assurance, consumer guarantees, and consumer redress which will be backed and underwritten by the Scottish Government and associated with its new SEEP programme?

12. In putting consumer benefit, and the avoidance of consumer detriment, at the heart of SEEP, **the long-established<sup>4</sup> ‘seven consumer principles’ should be essential reference points.** Broadly, these are:
- **Access** – can people get the goods and services they need or want?
  - **Choice** – is there any?
  - **Safety** – are the goods or services dangerous to health or welfare?
  - **Information** – is it available, accurate and useful?
  - **Fairness** – are some or all consumers unfairly discriminated against?
  - **Representation** – do consumers have a say in how goods or services are provided?
  - **Redress** – if things go wrong, is there a system for putting them right?
13. As Scotland’s representative consumer organisation for the regulated sectors including energy, the CFU looks forward to future decisions on the precise design of SEEP, and to remaining closely involved in its ongoing development and delivery.
14. Less positively, our new research clearly confirmed the continuing, substantial political challenge to be overcome before consumers – and homeowners in particular – can be persuaded to accept regulation of their ‘private domain’ to achieve minimum standards of energy efficiency. If the Scottish Government were to decide to introduce new regulation in this area, **we recommend that it would need to be preceded, or at least accompanied by, substantial efforts to lead and transform public opinion – through education, awareness-raising, communications and marketing.** There is more on this in the detailed comments to follow, and in the research report by Ipsos MORI and Involve which accompanies our response.
15. Our detailed comments on the specific paragraphs and questions in the consultation paper are attached at [Annex A](#). The full list of recommendations from our consultation response is attached at [Annex B](#).

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30 May 2017**

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<sup>4</sup> Drawing on United Nations guidelines for consumer protection, the seven principles were adopted by our predecessor bodies as the agreed framework to underpin the way in which we approach issues

## Comments on specific paragraphs and consultation questions

16. **Para. 1** of the SEEP consultation notes that the draft CCP “*outlines the steps we will take to reduce emissions across the economy, including the residential and services sectors which will see their emissions reduced by 75% and 98%, respectively, by 2032 on 2014 levels*”. The CCP does provide an outline of the detailed steps which will impact on householders. The proposed reductions for the residential sector will be challenging, particularly in the move towards low-carbon heating, unless there is a significant change in the balance between heat prices for gas on the one hand, and low-carbon sources on the other.
17. **Para. 4** notes that SEEP will be associated with “*an initial overall investment in excess of £10 billion*” and “*the final figure will be determined by decisions taken on the future decarbonisation of the heat supply*”. It could be made clearer at the outset that the headline £10bn figure does not refer to public money, but to total investment by both the Scottish Government and by property owners, with the majority coming from the latter. It is assumed that the total timeframe for this investment will be ‘up to 20 years’, as referred to in para. 5, but again this could be clarified.
18. In its Budget for 2017/18<sup>5</sup>, the Scottish Government is allocating £114.1m towards measures to improve domestic energy efficiency and to alleviate fuel poverty, with some further funding for non-domestic energy efficiency. The £114.1m figure is part of a commitment in the Programme for Government to invest “*more than £0.5 billion in energy efficiency and combating fuel poverty over the next four years*”. The CFU welcomes the increase from the previous year’s corresponding figure of £103.26m, though greater clarity would be helpful on:
- how the £114.1m figure is then broken down and allocated; and
  - how much of that total represents direct investment in people’s homes (as compared with, for example, organisational costs and other forms of support schemes/expenditure).
19. If Scottish Government investment were maintained around current levels, then £0.5bn over 4 years would extrapolate to £2.5bn over 20 years. There is therefore an apparent gap of at least £7.5bn relative to the stated overall investment “*in excess of £10 billion*”.

### CFU recommendation 1:

To inform ongoing SEEP development and consultation, the Scottish Government could:

- Publish a more detailed breakdown of how its headline 2017/18 budget figure of £114.1m, under the heading of fuel poverty and energy efficiency, is allocated
- Clarify the timeframe, breakdown and total figure for overall SEEP investment “*in excess of £10bn*”, and how this relates to projected Scottish Government budget figures.
- Spell out more explicitly where the anticipated overall investment is expected to come from, including forecast costs and benefits to consumers.

<sup>5</sup> <http://www.parliament.scot/parliamentarybusiness/17534.aspx>

20. The CFU also welcomes the consequent announcement<sup>6</sup> by the Scottish Government on 2 May 2017 of the new Home Energy Loan Scheme, including the news that homeowners can now apply for an interest-free loan up to a higher limit of £32,500 to improve the energy efficiency and use of renewable technologies in their properties. The updated scheme combines two separate previous programmes, the Home Energy Efficiency Programme for Scotland Loans Scheme, and the Home Energy Scotland Renewable Loan Scheme. It also offers a cashback incentive of up to 25%, but this is stated to be only for a limited time which does not suggest certainty for consumers.

**CFU recommendation 2:**

To assess the implications, and expected levels of take-up, of this in more detail, the anticipated, and actual, breakdown of the allocation of the new funding to energy efficiency measures on the one hand, and to renewable technologies on the other – and on the specific measures funded – should be made available.

21. Whilst welcome, the increased Scottish Government funding will currently represents only a fraction of the overall investment stated to be required. If the Scottish Government anticipates the rest of the costs to be borne by property owners, their attitudes to this will be critical to success.

22. As analysis by the Existing Homes Alliance<sup>7</sup> demonstrates, investment in energy efficiency by private households has historically been extremely limited, other than in boiler upgrades. The question of how best to engage householders will be critical to SEEP's success or failure, and in a later section of this response we cover the CFU's recent deliberative research project relevant to this question.

**CFU recommendation 3:**

Financial incentive schemes are essential to the success of SEEP but should be established on a longer-term footing, since time-limited offers run the risk of unfairness and unevenness of allocation, and give rise to uncertainty, confusion and distortion for both consumers and businesses. A later section of this response covers our recent research in more detail, and revised position on incentives, including which forms of incentive appear likely to be more successful with consumers.

23. **Para. 8** refers to the SEEP pilot projects. The CFU is aware that these are being independently evaluated, and will look forward to learning the outcome of that process. The lessons learned are also likely to be important for the successful future design of SEEP. There is, incidentally, a wider point here about the monitoring and evaluation process. In the past, energy efficiency schemes in Scotland have suffered from a lack of independent formal evaluation. As was recommended in a report published by the CFU last year<sup>8</sup>, which also contained much other material relevant to SEEP, this needs to be built in to future energy efficiency schemes and delivery programmes from the outset.

<sup>6</sup> <https://news.gov.scot/news/green-home-loans>

<sup>7</sup> *Realising the potential of Scotland's Energy Efficiency Programme*, Existing Homes Alliance, 2016, <http://existinghomesalliancescotland.co.uk/policy/realising-the-potential-of-scotlands-energy-efficiency-programme/>

<sup>8</sup> *Taking the temperature: a review of energy efficiency and fuel poverty schemes in Scotland*, CFU, 2016 <http://www.cas.org.uk/publications/taking-temperature>

**CFU recommendation 4 (extracted from last year's report):**

Robust quality assurance processes are needed for all aspects of delivery. Formal evaluation should be built into the design and management of all schemes. The aim should be to achieve a cycle of continuous improvement, to build an understanding of the impact of different energy efficiency and fuel poverty interventions and to help build the business case for investment in energy efficiency.

24. **Paras. 12 & 13** refer to the role of the new Fuel Poverty Strategy, and to the recommendations of the Fuel Poverty Strategic Working Group and Rural Fuel Poverty Task Force. The CFU was fully involved in these groups; we support their recommendations and the proposed Warm Homes Bill, and therefore likewise look forward to seeing this programme of work reflected in SEEP's design.
25. **Paras. 17 & 18** introduce the current state of Scotland's building stock, and recent energy efficiency progress. In the residential sector at least, the ongoing replacement of boilers and large-scale uptake of lower-cost insulation are both positive, with further gains from the demolition of some of the least efficient buildings and construction of new stock to high standards of efficiency. There is also a diagram (No 15) in the draft Energy Strategy, not reproduced in the SEEP consultation, which shows the extent to which previous national energy demand/efficiency targets have been exceeded by a significant margin. To inform future development of the strategy, it would be helpful to have more detail on how this overall trend has been delivered, disaggregated by sector.
26. The figure in para. 18 for the proportion of heat (c.5.3%) being generated by 2015 from renewable sources, emphasises once again the scale of the transition implied by the Climate Change Plan, Energy Strategy and SEEP. In other reports, the CFU recommends that low-carbon heating should be delivered where it is a lower-cost alternative, and where it can therefore help to address fuel poverty, or the future risk of fuel poverty. Given current costs, that would tend to re-inforce the existing approach of giving priority towards homes without access to mains gas.
27. **Para. 20** briefly mentions the level of recent investment in energy efficiency schemes for the public, commercial and community sectors. It would, however, be helpful to provide more information on the achievements and evaluation of these schemes.

## **Consultation questions on current situation, successes and challenges**

*Thinking about current Government schemes and the delivery landscape, we would welcome stakeholders' views on:*

- *what currently works well, including aspects of existing schemes that should be retained?*
- *what are the main delivery challenges faced at present and how might these be overcome?*

28. The CFU broadly agrees with the list of schemes, initiatives and approaches currently believed to work well, at **Para. 23**. However, the stated success in supporting the uptake of renewable heat needs to be qualified. Scotland has indeed recorded a higher share of installations under the GB-wide Renewable Heat Incentive (RHI) scheme than its population would suggest, at 20% of the total. However, the absolute numbers remain limited at nearly 11,000 domestic installations between April 2014 and December 2016, even with the availability of advice and zero-interest loans from the Scottish Government, combined with a guaranteed financial return via the RHI. Over a different timescale, there is evidence that solar photo-voltaic (PV) panels have by comparison proven significantly more popular in absolute numbers – at just over 50,000 households in Scotland – although relatively less popular in Scotland than GB overall. There is more potential for solar PV in Scotland, but also a review of the relatively successful experience of its deployment to date might reveal valuable lessons for other areas – in terms of how and why it achieved that success. However, on a cautionary note, the consumer interest needs to be better protected than at present, given some casework evidence we are seeing from the network of Citizens Advice Bureaux of mis-selling and scams relating to solar PV installation.

29. The summary of the main challenges still to be overcome, at **Para. 24**, is also largely accurate. The Scottish Government has run a number of partial grant schemes over recent years that appear to have been popular. It would be helpful for the design of future schemes for an assessment to be made of their impact.

### **CFU recommendation 5:**

It would be helpful for an evaluation of the success of partial grant schemes over recent years to be assessed and published.

30. The use of Feed-in-Tariffs in driving take-up of solar PV and renewable electricity generation has also had some success, with the Renewable Heat Incentive similar to some extent. However, this needs to be qualified to some extent by the casework evidence noted above of some negative consumer experiences – where Citizens Advice Bureau clients are being tied into loans to repay, whilst receiving little or none of the benefit they expected.

31. On the other hand, loans and incentives have still only had a relatively limited uptake for energy efficiency measures going beyond those which are easiest to do – where so-called 'able to pay' households need higher levels of investment to achieve good energy efficiency. If the very ambitious overall targets are to be met, there are major challenges in engaging different groups of such households.

32. The CFU incidentally notes the use and prevalence in this policy debate of the phrase 'able to pay'. Owner-occupiers who are not categorised as 'fuel poor' (in whatever way that definition, itself

currently under review by the Scottish Government, is revised) may often none the less be hard-pressed and facing significant challenges with household budgets, all the more so at times of wider fiscal constraint in the economy, and rising inflation. It is appropriate to ask whether there may be a less broad and more objective description than one implying that they are somehow easily 'able to pay' for the costs of substantial property alterations, when there are also many other monetary demands and possibly equally deserving alternative possibilities for any available household funds.

**CFU recommendation 6:**

The use of the phrase 'able to pay' households in this policy context should be re-considered. There needs to be a more refined economic analysis of household disposable incomes/funds for different groups of society, and of alternative options for investment of such funds as are available.

33. A challenge not listed, but which has been identified in a number of reports over recent years<sup>9</sup> is that of lack of communal agreement blocking action on energy efficiency improvements in flats or tenement properties. This barrier will take on more importance in the context of the aims to roll out district heating. The CFU has not further researched this area in detail<sup>10</sup>, but notes that approaches based on simple majorities of owners, with funding recovered from the other owners at the point of sale by means of a charge or burden applied to their properties, have been suggested by some as possible approaches for overcoming this barrier.

**CFU recommendation 7:**

Consideration should be given to exploring approaches that permit greater take-up in multi-tenure properties.

34. Challenges around consumer protection and confidence, especially with newer technologies, should also be mentioned. Measures such as solid wall insulation, low-carbon heating and others which have not yet achieved widespread market penetration are not well understood, and may possibly not be trusted, by householders. To give consumers re-assurance and boost confidence, they may therefore require higher levels of advice, guarantees and robust mechanisms for redress – themes we cover in a later section of this consultation response.

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<sup>9</sup> See, for example, <http://www.changeworks.org.uk/resources/communal-improvements-energy-efficiency-in-tenements-in-scotland>, commissioned by our predecessor organisation

<sup>10</sup> Although in 2015 we did publish *Save energy, save money and stay warm: your guide to energy efficiency in tenements*, <http://www.cas.org.uk/publications/save-energy-save-money-and-stay-warm-your-guide-energy-efficiency-tenements>

## **Consultation questions on aims and objectives of SEEP**

- *How can Scotland best meet this vision and underpinning objectives in a way that is both socially and economically sustainable and supports long-term inclusive growth?*
  - *We would welcome stakeholders' views on how to set appropriate milestones for energy efficiency improvement and heat decarbonisation of buildings to ensure that the level of emissions reduction ambition (i.e. near-zero carbon buildings) is achieved?*
35. The 2032 targets given in **Para. 26** require a rate of change not previously achieved. Among the challenges, the CFU would note that the more difficult forms of insulation, which are implied, are expensive relative to the savings they achieve, in other words with relatively long payback periods<sup>11</sup>, and will need independent, technically competent advisers to ensure confidence.
36. The implied changes in heating systems are also presently more expensive than individual gas boilers<sup>12</sup>, which typically have high satisfaction ratings among consumers.
37. However, where it is stated (referring to the Climate Change Plan) that improvements to the fabric of Scotland's non-domestic buildings will result in a 10% reduction, and to domestic buildings in a 6% reduction<sup>13</sup>, in their heat demand by 2032, these figures – particularly on the domestic side – seem low compared with previous recorded reductions<sup>14</sup> and in the context of typical energy savings achievable by installing individual measures. For example, one insulation of a cavity wall, or insulation of a solid wall, or installation of a new boiler will achieve typical gas consumption savings per household of 8.8%, 10.1% and 11.3% respectively<sup>15</sup>. A more detailed breakdown and evaluation of these overall projected reduction figures would be useful.
38. Whilst we therefore agree with the vision of making Scotland's buildings be close to zero-carbon by 2050, and achieving this in a way that is socially and economically sustainable, more evidence and analysis are needed to demonstrate the sustainability of this pathway, in social and economic terms, under current circumstances. This is because the relatively high costs of currently available options for insulation and heat decarbonisation appear to imply that prices would increase for consumers.
39. On the objectives for energy efficiency, we have already highlighted in the introductory section that a clear message to the public could be that if a property has achieved an Energy Performance Certificate rating of 'C' or better, that is a good outcome – there is little awareness presently of what 'good' is; and that at national level, it would be helpful to set out what future trends in EPC ratings SEEP is aiming to deliver. There is a need to identify and communicate what 'SEEP success'

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<sup>11</sup> The Energy Saving Trust, for example, quotes typical costs for external insulation of solid walls of between £8k to £22k, to achieve fuel bill savings of up to £455/yr: <http://www.energysavingtrust.org.uk/home-insulation/solid-wall>

<sup>12</sup> Energy Saving Trust guidance on renewable heat technologies, <http://www.energysavingtrust.org.uk/renewable-energy/heat>

<sup>13</sup> In evidence to the Scottish Parliament, the Scottish Government indicated that this means a 6% reduction on what is otherwise forecast to be a 15% overall increase in overall domestic heat and hot water demand from 2012 to 2030 – i.e. presumably what is still in effect still a 9% net increase in heat demand: [http://www.parliament.scot/S5\\_EconomyJobsFairWork/Reports/EJFWS052017R03.pdf](http://www.parliament.scot/S5_EconomyJobsFairWork/Reports/EJFWS052017R03.pdf)

<sup>14</sup> Domestic non-electrical heat demand in Scotland fell by 19% during the period 2005-14: *Energy in Scotland*, Scottish Government, 2017, p.78, <http://www.gov.scot/Topics/Statistics/Browse/Business/Energy/EIS/EIS2017>

<sup>15</sup> Data from the Scottish Government's National Energy Efficiency Data (NEED) Framework, also quoted in *Energy in Scotland*, p.45

looks like, expressing this in a way to which individual consumers can relate. We would also support one headline ambition being to eliminate energy inefficiency as a cause of fuel poverty – an objective expressed in this way has not yet been clearly articulated to the public, but is one which people could easily understand and back. These messages and ambitions are interlinked, in that achievement of EPC band C at a property does to a large extent achieve the removal of energy inefficiency as a cause of any associated fuel poverty.

40. As well as existing buildings, there also needs to be some emphasis on the standards required of new buildings. It would also be helpful for SEEP to set specific targets for improvements in public buildings. This is an area within the control of the Scottish Government and wider public sector, and combines the opportunity to provide stable demand against which industry can plan, at the same time as delivering exemplars of good practice which are visible to the public.
41. **Para. 30** refers to possible consequential economic and employment benefits from SEEP. We agree that such benefits, as a minimum, are likely to be associated with SEEP; although any major 10- to 20-year programme requiring investment on such a scale, towards any national policy objective, could be expected to have similar associated benefits.
42. On the other hand, an added economic benefit of energy efficiency investment which is distinct from other major investment programmes, is that of safeguarding energy consumers – especially those who are vulnerable and/or in fuel poverty – and saving them money. This then releases additional household funds, which would otherwise be spent on energy, for possibly more productive use<sup>16</sup>. Since the UK is a net importer of energy, demand reduction through energy efficiency also, at national level, improves the balance of payments. Other additional benefits from energy efficiency are also often cited, including health and community regeneration, as well as economic development<sup>17</sup>.
43. Our thoughts on the specific consultation questions posed in this section, about how SEEP should be delivered, and targeted in stages, are summarised in the following recommendations.

**CFU recommendation 8:**

SEEP should, at least initially, be targeted towards areas with the highest levels of fuel poverty related to energy inefficiency. It should also:

- expand sub-programmes promoting low-carbon heat in off-gas areas, where these technologies already help to reduce costs compared with current alternatives; and
- explore approaches towards the delivery of energy efficiency measures among different groups of so-called ‘able to pay’ consumers.

<sup>16</sup> See, for example, *How improving household efficiency could boost the Scottish economy*, drawing on work by the Centre for Energy Policy and Fraser of Allander Institute at the University of Strathclyde, <http://strathprints.strath.ac.uk/57955/>

<sup>17</sup> See also *Building the future – the economic and fiscal impacts of making homes energy efficient*, Cambridge Econometrics and Verco for the Energy Bill Revolution campaign, <http://www.energybillrevolution.org/resources/building-the-future-the-economic-and-fiscal-impacts-of-making-homes-energy-efficient-2/>

A clear message to the public could be that if a property has achieved an Energy Performance Certificate rating of 'C' or better, that is a good outcome. At national level, it would be helpful to set out what future trends in EPC ratings SEEP is aiming to deliver. We would also support one headline ambition being to eliminate energy inefficiency as a cause of fuel poverty.

SEEP should also cover the standards required of new buildings, and set targets for the improvement of public buildings.

## **Consultation questions on the role of regulation, standards and financial incentives**

- *How might regulation and standards be used most effectively across the different sectors and when should they be applied across the lifetime of the programme?*
- *What should be the trigger points for buildings to meet standards? Should this differ between domestic and non-domestic buildings, and if so, how?*
- *What do you think are the benefits of using financial and fiscal incentives to support energy efficiency in domestic and non-domestic buildings? Please give examples, from Scotland or elsewhere, of where incentives have been used in this way to good effect.*

44. As this is among the most important sections of the consultation, and the one for which we decided to commission a substantial piece of accompanying new research, it may be helpful to preface our comments with some background context.

### **Background context**

45. The proposal to regulate all property owners in Scotland to require them to implement minimum standards of energy efficiency has been under consideration for several years.

46. The CFU has been involved in the significant amount of preparatory work and modelling which has been ongoing in the Scottish Government's Regulation of Energy Efficiency in the Private Sector (REEPS)<sup>18</sup> workstream since 2012/13. Ministers have had statutory power to make regulations covering this area since the passage of the Climate Change (Scotland) Act 2009<sup>19</sup>.

47. The Scottish Government has successfully regulated for minimum standards in one sector of the domestic housing market. The Energy Efficiency Standard for Social Housing (EESH) came into force at the end of March 2014, and is supported by the CFU. EESH was the second version of regulation – there was previously the Scottish Quality Housing Standard, which was measures-based: houses had to have a modern, efficient heating system and, where possible, loft and cavity insulation, and draught-proofing.

48. A consultation covering the private rental sector<sup>20</sup> was published in April this year, to which the CFU will be responding separately and also giving broad support. The Scottish Government stated at the same time that they “*will consult separately from winter 2017/18 on proposals to increase the energy efficiency of owner-occupier housing, including seeking views on the use of minimum standards and incentives*” and “*will also consult separately on condition issues affecting housing generally*”. They have also committed to introduce a Warm Homes Bill during the second year of the current Scottish Parliament, which could include an additional statutory framework for regulation in this area.

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<sup>18</sup> <http://www.gov.scot/Topics/Built-Environment/Housing/sustainable/Energy-efficiency-private-sector-homes/REEPS-Working-Group> and <https://beta.gov.scot/groups/reeps-working-group/>

<sup>19</sup> s.64, *Living accommodation: assessment of energy performance and emissions*, states that Ministers “must, by regulations” [emphasis added] provide for energy performance assessments, and also “require owners... to improve the energy performance of such accommodation”.

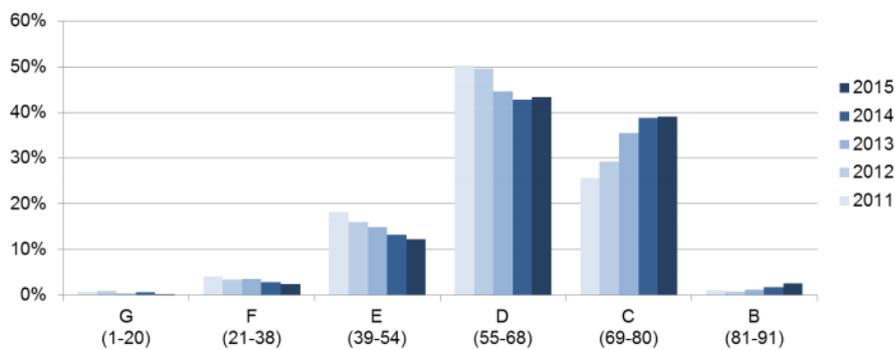
<sup>20</sup> *Energy efficiency and condition standards in private rented housing: a SEEP consultation*, <https://consult.scotland.gov.uk/better-homes-division/energy-efficiency-programme/>

**Current status and distribution of Energy Performance Certificate standards in Scottish housing stock**

49. There have been consistent improvements (i.e. reductions in the numbers of homes in EPC bands E, F, and G). Using the UK Government’s recommended Standard Assessment Procedure (SAP) 2009, numbers of such homes fell to around 360,000 in 2015, down from 630,000 in 2010. Trends are shown in the chart below. This translates as an improvement rate of around 55,000 houses each year, although in practice improvement rates were slightly lower in the last couple of years at 40,000 or fewer – possibly because lower-cost insulation measures have no longer been as freely available).

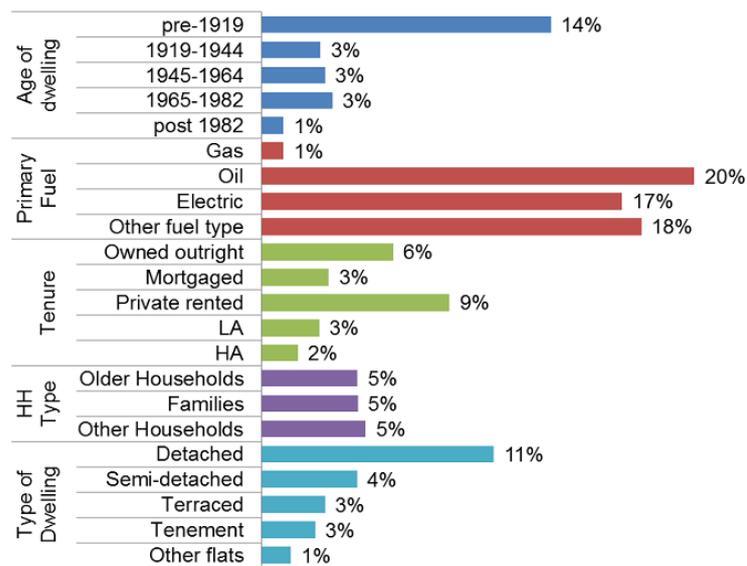
50. However, the change to SAP 2012 methodology, in the most recent survey, pushed the numbers in bands E, F and G back up to 480,000<sup>21</sup>. Therefore, if the current improvement rate were continued, it might take a further 10-15 years or so to upgrade more or less all the houses in the lowest-performing bands to a D rating.

**Figure 11: Distribution of the Scottish Housing Stock by EPC Band, SAP 2009, 2011-2015**



51. Household characteristics are also usefully summarised by the Scottish House Condition Survey:

**Figure 13: Proportion of Homes in Band F or G by Dwelling Age, Primary Heating Fuel, Tenure and Household and Dwelling Type in 2015, SAP 2012**



Base figures provided in Table 20 and Table 21

<sup>21</sup> Scottish House Condition Survey, Tables 16 and 18, <http://www.gov.scot/Publications/2016/12/1539/335997>

52. This chart shows that, in summary, poorer energy efficiency tends to be concentrated in older, detached, off-gas homes – more likely rural, or electrically heated urban – and in the privately rented and owner-occupied sectors.
53. The REEPS Working Group explored the technical measures needed to deliver improvements in considerable detail. Basic measures were identified as at least part of the solution in significant minorities of cases, with loft insulation being the single most identified measure, suitable for some 40% of homes. Draught-proofing, cavity wall insulation and upgraded heating systems were also common. Only a very few needed much more expensive measures.

### **Current approach to minimum standards**

54. The Energy Efficiency Standard for Social Housing (EESH) sets EPC band D as the minimum for all house types, with higher minima in some cases. The current consultation for the private rented sector proposes that standards should apply at the point of rental, and be set initially to cover homes in bands F or G (30,000 of these estimated), then extending later to those in band E (a further 65,000). There will be some reduction in climate change emissions from the introduction of these standards, but arguably the main driver from a consumer perspective is to reduce fuel poverty, which affects 50% of households (across all sectors) among band E properties, and nearly 70% in F and G.
55. If regulation were to raise most properties in the private rented sector to band D, which might seem appropriate given the numbers of homes involved, then together with other ongoing routine upgrades that might leave perhaps around 350,000 homes below D standard in the other sectors, the vast majority of them owner-occupied which is clearly the area where the main challenge lies.

### **Our previous research**

56. The CFU draws on research evidence and expert analysis to bring the consumer voice and interest into the heart of such debate and policy-making. In 2015, we published *Coming in from the cold: minimum standards of energy efficiency in private sector housing – the view from consumers and bureaux*<sup>22</sup>. That report, based upon independent research and on views from bureau clients across Scotland, concluded and recommended that:
- consumer detriment in private sector housing made a ‘compelling case’ for introducing a minimum standard of energy efficiency, but this would need to include a trajectory for improving standards further in the future as ratings improved overall;
  - binding regulations would need to be fully supported by a system of enforcement in which the public had confidence, and which was perceived to be both fair and reasonable – this should include appropriate protections for tenants in the private rented sector so that rents were not unreasonably increased by landlords obliged to improve their properties’ energy efficiency rating;
  - property owners would need adequate support and impartial advice, from trusted sources and ‘in some instances’ this might need to include financial assistance – the Scottish Government should therefore explore appropriate funding streams, including alternative and/or innovative

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<sup>22</sup> <http://www.cas.org.uk/publications/coming-cold>

sources of funding, to support compliance, and help meet the costs of property alterations, across the sector.

57. However, the report revealed scepticism, particularly among owner-occupiers, for the idea of regulation. As one participant suggested:

*“It’s a bit Big Brother-ish, isn’t it? If you’re living in a house, you know that you should insulate your loft to keep it warm, to keep your bills down. You don’t need the Government to tell you”.*

58. Although the wider benefits of regulating were recognised<sup>23</sup> across the different sectors of housing (social, private rental and owner-occupied), many considered it both unachievable and unrealistic. The main reasons included:

- a general mistrust of Energy Performance Certificates (EPCs);
- regulation being seen as too much government interference; and
- concern about regulations potentially distorting housing markets.

59. Regulation of rental properties had more support than in the owner-occupied sector. This was in order to protect tenants: private landlords were perceived as essentially businesses, who already needed to meet an array of other statutory standards before letting a property. However, there was some concern about potential impacts on rent levels<sup>24</sup>, and about housing markets being distorted in areas of high demand.

60. A review, done for the purposes of the report, of cases arising from our network of Citizens Advice Bureaux lent some added weight to the rationale for regulation, particularly to protect tenants and, to some extent, more vulnerable consumers generally (including some private owners seeking help) from the effects/risks of:

- fuel poverty;
- poor housing conditions; and/or
- problems with health/wellbeing.

61. Overall, however, this initial research suggested it would be a challenge to convince homeowners in general that regulation would be a good thing, and more preference was given instead to empowering and supporting homeowners to make energy-efficient choices through the provision of advice, information and incentives. Arguably this was, even then, already current practice in Scotland; and the study was not able to explore in greater depth how this would achieve the required step change in uptake of some of the more difficult home efficiency measures.

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<sup>23</sup> See also *Energy efficiency in private sector housing – regulation and the consumer interest*, Consumer Focus Scotland, February 2011

<sup>24</sup> *“It is...reasonable to expect landlords to fund the work from their own resources and recover costs, if necessary, through increased rents”*, *Conserve and save: a consultation on the Energy Efficiency Action Plan for Scotland*, Shelter, 2009,

[http://scotland.shelter.org.uk/professional\\_resources/policy\\_library/policy\\_library\\_folder/conservesave\\_a\\_consultation\\_on\\_the\\_energy\\_efficiency\\_action\\_plan\\_for\\_scotland](http://scotland.shelter.org.uk/professional_resources/policy_library/policy_library_folder/conservesave_a_consultation_on_the_energy_efficiency_action_plan_for_scotland)

62. In *Taking the temperature: a review of energy efficiency and fuel poverty schemes in Scotland*<sup>25</sup>, a report for the CFU last year by CAG Consultants, the contractors stated that “even with improved marketing and communications, it is hard to envisage how the necessary consumer demand can be driven in the absence of regulation”, and they therefore recommended that “the Scottish Government’s proposal for regulating minimum standards of energy performance in existing private homes needs to be taken forward”. However, the topic of regulation was not the main focus of their research, which also consisted primarily of a literature/desk-based review, and did not at that point involve any direct new research of consumer views.

### **New research for the CFU by Ipsos MORI/Involve**

63. To shape our input to the development of SEEP, we decided to take a further and more detailed look at this area, looking in particular at whether there may be an appropriate balance between regulation of owner-occupied properties for minimum standards of energy efficiency on the one hand, and offering financial incentives on the other.

64. In January 2017, the CFU therefore commissioned a substantial and innovative new project, using for the first time deliberative research techniques, to help inform our response to this part of the consultation. (A short summary of what is meant by ‘deliberative’ research is attached at [Appendix 1](#)). We asked homeowners the following research question:

*What elements of incentives and new regulation would be most likely to encourage homeowners in Scotland to invest in improving the energy efficiency of their homes?*

65. The technical research report<sup>26</sup> is now being submitted alongside this consultation response and includes its own executive summary and conclusions by the research contractors. The CFU will be publishing its own *Insight Report* based on this research in the near future.

66. The new research clearly demonstrates the continuing, substantial political challenge to be overcome before consumers – homeowners in particular – can be persuaded to accept regulation of their ‘private domain’ to minimum standards of energy efficiency. As the report states<sup>27</sup>, people appear by and large to be ‘not there yet’ in lining up with the positions agreed by their governments on climate change and future energy usage, and on the targets, investment costs and behaviour change which those imply. To achieve a successful transformation in the energy efficiency of privately owned housing, the research suggests the following recommendation.

#### **CFU recommendation 9:**

Any new regulation of homeowners to implement minimum standards of energy efficiency would need to be preceded, or at least accompanied by, substantial efforts to lead and transform public opinion – whether through education, communications and marketing, or awareness-raising.

<sup>25</sup> <http://www.cas.org.uk/publications/taking-temperature>

<sup>26</sup> *Consumer participation in energy policy – research project*, Ipsos MORI & Involve, May 2017

<sup>27</sup> Conclusions to s.2, p.35

67. The scope of our new research was limited to presenting consumers with only one scenario on possible trigger points for any new regulation of homeowners to implement minimum standards of energy efficiency. This was for the regulations to apply at the point of sale. This has tended to be viewed as the fairest and most straightforward trigger point if regulation of the owner-occupied sector is to be introduced, and likewise the point of rental, as far as the private rented sector is concerned. We have therefore not yet examined alternative trigger point options such as major refurbishment, or the commencement of an area-based SEEP delivery scheme, although they do appear to raise more questions of practicality and regulatory even-handedness. It is assumed that any such options to be considered further by the Scottish Government would be accompanied by a detailed Business & Regulatory Impact Assessment, as has been done for the consultation on regulation of the private rented sector. The CFU would prefer to examine and consider such analysis of potential impacts before commenting further on alternative trigger point options.
68. If regulation were to be introduced, our research did note *“the perceived importance of regulation being introduced slowly and in targeted ways – i.e. starting from a focus on the lowest EPC levels and/or only being relevant at point of sale - rather than being imposed on all private housing”*<sup>28</sup>.
69. The CFU welcomes the Scottish Government’s interest in exploring new financial and fiscal incentives to support energy efficiency, believing that generous incentives would be an essential feature of any large-scale programme to counteract the currently limited levels of uptake of the less easy-to-do measures, and to drive greater and faster investment by property-owners. The Climate Change Plan targets appear to imply that tens of thousands of insulation projects and other measures will need to be installed.
70. The current strategic direction of government is towards public support being focused increasingly towards the fuel-poor and other more vulnerable consumers, so that the so-called ‘able to pay’ would perhaps eventually not receive any form of subsidy. Given, however, the clear existing experience that such households ‘sit on their hands’ as far as major energy efficiency investments are concerned, and will be likely to oppose regulation, then it needs to be demonstrated what a difference the right universal incentives might make to ‘sweeten the pill’ of regulation as far as possible.
71. Another point worth noting is that unless solutions are found to drive investment, homeowners who continue to put off doing anything will eventually reach pensionable age, and potential classification at that stage as vulnerable and/or fuel-poor, therefore potentially requiring, in the long run, a significantly larger subsidy from the budgets allocated to those who are so classified.
72. The consultation asks about evidence from other countries about the effectiveness of incentives. Whilst we have not yet done any direct research in this area ourselves, another recent comparative study by Climate XChange is helpful. It found, for example, that *“overall, tax rebates appear to perform consistently well”*<sup>29</sup>. Among other useful and sensible recommendations, it concluded that *“schemes that work well and at scale are usually supported by high levels of public subsidy (whether through general taxation or surcharge on energy bills”*, whilst also noting that *“interventions need to address many of the non-financial barriers if they are going to be effective – an attractive financial proposition on its own is not enough to generate sufficient demand”*.

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<sup>28</sup> Conclusions to s.2, p.35

<sup>29</sup> *Comparative Review of Housing Energy Efficiency Interventions*, Climate XChange, October 2015

<http://www.climatexchange.org.uk/reducing-emissions/comparative-review-housing-energy-efficiency-interventions/>

73. Whether effective financial and fiscal incentives would completely, or even to any significant extent, overcome homeowner resistance or opposition to regulation cannot yet be inferred from our research – this looks likely to remain a substantial challenge, certainly without the transformational shift in public opinion referred to earlier.
74. Our own recent research looked at broadly two different types of incentive: those based upon loans on the one hand, and those delivered through the tax system on the other. Among the loans which householders were asked about, were some which included a cashback element (effectively similar to partial grant) of up to 25% of the total cost of the measure. These scenarios were designed to be similar to those already currently on offer from the Home Energy Efficiency Programme for Scotland Loans scheme (and its recent new successor the Home Energy Loan Scheme).
75. Public deliberation at our field events revealed that despite the inducements, homeowners appear to have underlying reservations about all forms of medium- to long-term loan incentives, except possibly where they can be fully convinced that the achievable cost savings via reductions in energy consumption outweigh the loan repayments. As well as difficulties and negative publicity surrounding some previous loan-based schemes (for example the UK's Green Deal programme), there is perhaps an understandable degree of reluctance to shoulder additional debt, even when interest-free. Although some forms of interest-free and/or Pay-As-You-Save loans were found to be slightly more acceptable to participants in our research, options which further involve an additional mortgage-type charge on the property, or which introduce potential added complexity into the future sale process, were markedly less attractive among the participants we consulted.
76. The CFU is also ambivalent about loan incentives, likewise based upon a precautionary principle about encouraging people to take on debt. The CFU sits within Citizens Advice Scotland, where we have access to all the unparalleled caseload evidence from the network of Citizens Advice Bureaux across the country. A significant proportion of cases concern a range of people, from all walks of society, who for whatever reasons have run into problems with debt. At this stage, drawing on the consumer viewpoint in this new research, we would query whether a new national-scale infrastructure and investment scheme – possibly associated with a separate regulatory mechanism of compulsion – should rely on its main incentive to the public consisting of loan schemes and widespread additional consumer debt. However, we do also recognise that subsidised loan schemes have achieved some measure of take-up and success, can offer solutions and benefits to property owners, and do have their place as an incentive option in certain circumstances.
77. As for possible incentives delivered through the tax system, again the research looked at consumer views and preferences on two broad sub-options, both relating to property-based taxes: rewarding homeowners who make energy efficiency investments with either a discount on their future Council Tax payments on the one hand, or on the other a partial rebate of the Land & Buildings Transaction Tax (LBTT)<sup>30</sup> paid upon the purchase of the property.
78. These two taxes have emerged from previous research<sup>31</sup>, and from policy papers by think tanks, lobbying organisations and others, as the two main preferred routes for incentivising homeowners.

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<sup>30</sup> Land & Buildings Transaction Tax was introduced by the Scottish Government in April 2015 under newly-devolved powers, replacing the previously UK-wide system of Stamp Duty Land Tax

<sup>31</sup> e.g. *Changing climate, changing behaviour – delivering household energy saving through fiscal incentives*, Energy Saving Trust, 2005; *Fiscal incentives – encouraging retrofit*, Association for the Conservation of Energy, 2011,

Another tax incentive route, sometimes suggested<sup>32</sup>, would involve offering a further reduced rate of Value Added Tax (VAT) on home energy efficiency materials/improvements. However, this was considered to be outside the scope of our research, since the rates of VAT are not devolved to the Scottish Government.

79. Of the tax incentive scenarios presented to participants in our research, there was one which emerged – and by some margin – as being preferred by, and most likely to be encouraging to, homeowners. This was the idea of a one-off rebate in Council Tax in the year following the installation by the homeowner of energy-saving measures. The research scenario considered a level of discount of around the same order (for the sake of illustration and simplicity at the deliberative events a figure of £500 was used) as might conceivably be given as a cashback grant under the current Home Energy Loan Scheme – and it may be of interest to note that such a cashback grant attached to a loan appears to be significantly less attractive than the same amount of money offered by way of a Council Tax incentive, which had several features appearing to make it more appealing and motivating to people.
80. There is already legislative provision for Council Tax reductions via local ‘energy efficiency discount schemes’, under s.65<sup>33</sup> of the Climate Change (Scotland) Act 2009, which added a new s.80A to the Local Government Finance Act 1992. However, previous experience of these schemes did not reflect the positive views expressed by consumers in our new research. They have had negligible take-up, but this is probably for a variety of possible reasons including the relatively low level of discount available (typically £50), but also lack of promotion/awareness of the schemes, and perhaps administrative complexity. The legislation also places control of, and responsibility for, the schemes at local authority, not national, level. In addition, it specifies that improvements to the property have to be made during the same financial year as the Council Tax discount is sought.

**CFU recommendation 10:**

With our research having found that a new incentive system based upon a level of early Council Tax rebate for those who evidence energy efficiency upgrades would be, by some margin, the most popular and motivating of the incentives we considered, we therefore recommend that such a system, or a system of incentives having similar features and attractions to homeowners, should be freshly explored, with a view to promoting it as the headline consumer incentive to accompany SEEP.

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<http://www.ukace.org/2011/10/fiscal-incentives-encouraging-retrofit/>; Existing Homes Alliance response to Scottish Government consultation on proposals for a Land and Buildings Transaction Tax, 2012, <http://existinghomesalliancescotland.co.uk/policy/land-and-building-transaction-tax-bill/>; Retrofit incentives, UK Green Building Council, 2013, <http://www.ukgbc.org/campaigns-and-policy/task-groups/retrofit-incentives>; Manifesto for the General Election 2015, UK Liberal Democrats, [http://www.libdems.org.uk/council\\_tax\\_cut\\_energy\\_efficient\\_homes](http://www.libdems.org.uk/council_tax_cut_energy_efficient_homes); Energy efficiency and local taxation, Energy Saving Trust, 2015, [http://existinghomesalliancescotland.co.uk/wp-content/uploads/2016/11/EST\\_submission\\_Commission-on-Local-Tax-Reform\\_11August15.pdf](http://existinghomesalliancescotland.co.uk/wp-content/uploads/2016/11/EST_submission_Commission-on-Local-Tax-Reform_11August15.pdf); *After the Green Deal: encouraging people and places to improve their homes*, Respublica and others, 2016, <http://www.respublica.org.uk/our-work/publications/after-the-green-deal/>; *Efficient energy policy*, Policy Exchange, 2016, <https://policyexchange.org.uk/publication/efficient-energy-policy/>

<sup>32</sup> e.g. *Retrofit incentives*, cited above

<sup>33</sup> <http://www.legislation.gov.uk/asp/2009/12/section/65>

81. Participants at our research events were asked what refinements might be made to the Council Tax incentive option which could possibly improve it. The commonest theme to emerge was that the levels of rebate could be made proportional in some way to homeowners' ability to pay (perhaps assessed either on income, property value/band or some other criterion), and/or to the value of the energy efficiency investment required to bring the property up to standard. It would seem sensible to design the scheme to deter any risk that only cheaper upgrade measures would be implemented and would claim most of the tax rebates. There was also some feedback during our research to the effect that it would be considered unfair if, for example, the same level of tax rebate were given to the owner of a small urban flat requiring relatively few alterations, compared with, say, a low-income owner of a larger and/or more challenging rural property.
82. Any such refinements would need to be weighed against the degree of administrative complexity they would entail, but some might be relatively feasible – for example, some formula linking the amount of rebate to the banding of the property, and/or the costs of the measures to be implemented, and possibly taking account of other special individual circumstances, might be relatively straightforward to apply and might lend a perception of added fairness to the scheme.
83. This line of questioning was only considered briefly at our events and was essentially beyond the scope of our research. If, however, there is support to pursue our central recommendation above, then the CFU would be pleased to be involved in further discussions, and possibly additional research, to help to develop the further details of the scheme.
84. Clearly, another important question for the Scottish Government, Parliament and the public would be the cost of any such major incentive scheme. According to the Scottish House Condition Survey, there were 71,000 owner-occupied properties in the lowest EPC bands F and G in 2015. If, for the sake of estimation, 10,000 of these were to be upgraded per year and were to claim a tax incentive averaging £500, the cost would be approximately £5m plus administration. The CFU considers that, compared with other alternatives, and in the context of the Scottish Government's stated budgets for energy efficiency, this would be relatively affordable if it were a demonstrably effective 'game changer' in encouraging energy efficiency investment in the housing stock and a step towards Scotland's very challenging overall targets. Such a level of public investment also seems consistent with energy efficiency having been designated as a National Infrastructure Priority. Indeed, an even higher level of subsidy/incentive could help motivate homeowners in the desired direction. We also believe that such a new incentive scheme could be introduced at a relatively early stage in the SEEP programme, although noting that it may require some amending and enabling legislation (possibly in the Warm Homes Bill?), plus a further financial and administrative lead-in time.

**CFU recommendation 11:**

The new financial incentive scheme should be introduced as soon as possible to drive increased take-up of energy efficiency measures, and in any event, at a relatively early stage in the SEEP programme.

Given the likely delay needed in developing and introducing any regulation of homeowners, at the point of sale, to implement minimum standards of energy efficiency, our incentive proposals would also allow time to:

- review the take-up and effectiveness of the incentive scheme; and

- review the workings and effectiveness of the currently-proposed new regulations for the private rented sector

before any regulation of homeowners were to be finalised. Furthermore, if the new incentive scheme were less successful and popular than estimated above, that would then make it more difficult to argue against regulation at some future date.

### **Consultation question on the approach to assessing energy efficiency**

- *What is the best approach to assessing energy efficiency and heat decarbonisation improvements to buildings? How could existing approaches best be used or improved and at what level and scale (e.g. unit, building or area) should assessment be carried out?*
85. We agree that ongoing evolution of the existing approach of Energy Performance Certificate assessments is probably preferable. Consumers have now achieved a level of use, recognition and understanding of that system. It provides a simple A to G scale, similar to ratings for appliances.
86. The approach which the Scottish Government is already suggesting in the current consultation about the private rental sector is welcome – that is to say, development of a tool which builds on EPCs to identify the most cost-effective measures for improvement for energy efficiency. However, as suggested in the later section of this response about customer protection, that process needs to be able to reflect real (not just modelled) bills, so that consumers have a clearer idea of likely costs and benefits.
87. EPC data are based on information recorded through the Reduced Data Standard Assessment Procedure (RdSAP), and the accuracy of that in reflecting, particularly, the energy efficiency of older solid-wall properties in practice has been questioned, most recently by some research by Changeworks<sup>34</sup>: this needs to be further explored.
88. The public and property owners need to be satisfied that the system of EPC assessment, and network of assessors, are independent, robust and not open to abuse – suggesting a high level of quality assurance and audit. Assessments need to be shown to produce the same, or at least very similar, results, regardless of the assessor involved. This level of assurance will be even more important if associated with financial incentives for energy efficiency improvements and/or regulation to minimum standards of energy efficiency.
89. Consumers at our recent research events asked understandable questions about how they would obtain and evidence the ‘before and after’ EPC assessments which would be required if any financial incentive such as a Council Tax rebate were to be claimed, and who would pay for the assessments. Such questions would need to be considered and addressed by policy makers in the final design and implementation of any incentive scheme. The CFU hopes that this could be made as streamlined – ideally at no or low cost – for the consumer as possible. In line with other over-riding themes of our response, to maximise the levels of take-up, the journey for the consumer wishing to invest in energy efficiency needs to be made as simple as possible – from initial enquiry, through assessment, implementation and incentive claim, to redress at the end (in the unfortunate eventuality that something goes wrong).
90. A possible added advantage of EPC assessments being delivered under the auspices, or at least co-ordination, of the overall Government-driven SEEP delivery programme would be the ability to enhance further the levels of data on standards in the Scottish housing stock, and on what measures the public are taking to raise standards. This would include useful real information on successes, and barriers to success – what is working, and what is not.

<b>CFU recommendation 12:</b>
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<sup>34</sup> [http://www.changeworks.org.uk/sites/default/files/Energy\\_Consumption\\_Comparison\\_modelled\\_vs\\_actual.pdf](http://www.changeworks.org.uk/sites/default/files/Energy_Consumption_Comparison_modelled_vs_actual.pdf)

The CFU supports an 'enhanced EPC' approach to assessments delivered at no or low cost to the consumer under the auspices, or at least co-ordination, of the overall SEEP delivery programme, but in which there is confidence that the network, and reports, of assessors are independent, robust and quality-assured. It would be helpful for EPC assessments to reflect real (not just modelled) bills, so that consumers have a clearer idea of likely costs and benefits.

91. It is appreciated that there are many local areas where house types are similar, and can therefore be expected to benefit from similar measures. As under the HEEPS Area-Based Schemes at present, there are clear benefits in terms of economies of scale, and community-wide momentum, with area-based approaches, and we would expect that such areas could continue to be identified in that way.
92. However, it is important that there is both flexibility to include additional measures where needed and, ideally, advice on use of appliances, heating controls and energy-efficient behaviours more generally, in addition, as above, to real bills. As we note elsewhere, the measures-led approach is less well suited to areas characterised by different types of buildings, perhaps more common in rural areas, where a more bespoke approach is needed, hence the suggestion of some pilot work to develop bottom-up programmes in such areas.

### **Consultation questions on the appropriate levels and sources of funding**

- *How should the installation of energy efficiency improvements and lower-carbon heat supply through SEEP be funded? In particular, where should the balance lie between grant funding and loans for homeowners, landlords and businesses?*
- *What is needed to encourage private investment in energy efficiency and heat decarbonisation, including the take-up of loans by a wider range of owners and occupiers?*
- *Of the current sources of finance which are currently available for energy efficiency and lower-carbon heat supply, which are working well and which are not? Are there successful examples of attracting private-sector finance to support energy efficiency improvements that could be explored? Are there any others which should be developed or made available?*

93. **Para. 40** states that SEEP represents a ‘significant investment opportunity’ and implies that this refers mainly to private investors. At its most basic, the term ‘investment’ implies provision of finance to enable an activity to take place for which there is demand, and from which a proportionate return can be provided to the investor.

94. In contrast to this, research<sup>35</sup> by the Existing Homes Alliance shows clearly that there has been very little non-public investment in energy efficiency in the domestic sector, other than in replacement boilers. Insulation measures, for example, have not achieved a high investment uptake. Further, where households have invested their own money, they have done so only with public sector subsidy. The Green Deal did not deliver the levels of investment intended, and our understanding is that even zero-interest loans provided by the Scottish Government did not have a high take-up in the absence of additional cashback incentives. There should, therefore, be sufficient examples from past interventions to provide material for research and evaluation on what levels of public finance are needed to engage different groups in practice, and the gap between that experience and what would be needed by a typical commercial investment.

95. In relation to judging the success or otherwise of current sources of finance, we would suggest that criteria need to be agreed against which success can be judged before this question can be answered. These criteria need to reflect different segments of the so-called ‘able-to-pay’ market – noting our recommendation that the use of that phrase should be re-considered and re-defined – as well as the level of take-up of different measures which SEEP will require. Again, evaluation of previous interventions would be useful to understand better which groups regard different levels of (partial) grants or other incentives as sufficient to participate in different schemes. As above, we would suggest that the take-up of solar PV could also offer lessons in this respect.

#### **CFU recommendation 13:**

More research and evaluation of past financial interventions/incentives, and success criteria, broken down according to different sectors of the market, should be made available to show what levels of grants, loans or other financial incentives are needed to engage different groups in practice.

96. A sharp illustration of the contrast between investment in energy generation and energy efficiency was provided at the Scottish Government’s Energy Strategy consultation seminar, which mentioned

<sup>35</sup> *Realising the potential of Scotland’s Energy Efficiency Programme*, cited above

the £2.6bn investment being by SSE and partners in a single offshore windfarm<sup>36</sup> – a sum which would account for around 25% of the entire predicted SEEP budget.

97. We appreciate there is more of a case for investment in low-carbon district heating, as there is a clear source of return on capital from heating bills for consumers. However, as discussed above, these bills would have to be limited to meet the social and economic criteria of SEEP. Again as above, take up of low-carbon heating at household levels is limited at present, despite significant public sector spending on support, advice and incentives.
98. At the same time, the draft Energy Strategy explains clearly the list of wider public benefits which result from energy efficiency. Subject to one or two qualifications already outlined, we broadly agree with this assessment of benefits, and therefore believe there is a case for continued and expanded investment in this area.
99. Regulation, discussed above, would contribute to increased demand for energy efficiency measures. However, as explained in answers to earlier consultation questions, we believe that if regulation were to be introduced, it would need to be preceded by significant work in advance, including awareness-raising, advice and (financial) support for consumers to ensure its acceptability.
100. We have already commented in an earlier section on where we believe the balance should lie in future between loans and other forms of incentive, if homeowners are to be encouraged to invest significantly in improving the energy efficiency of their homes.
101. We also note that **para. 43** refers to the provision of finance in other European countries. We would be interested in discussing what would be necessary to assess whether or how these initiatives might be translated into a Scottish context before commenting further.

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<sup>36</sup> <http://sse.com/whatwedo/ourprojectsandassets/renewables/beatrice/>

### **Consultation questions on the provision of advice, information and consumer protection**

- *How do we ensure that householders and owners are well advised and supported in making decisions on how to improve the energy efficiency of their building and install lower-carbon heat supply through SEEP?*
- *Are the current mechanisms for providing advice sufficient? What changes, if any, do you think are required?*
- *What are the opportunities to link SEEP delivery with other initiatives, including the UK Government's smart meter roll-out, so that we maximise the benefits for the people of Scotland?*
- *How can SEEP be designed and promoted to build consumer confidence as a trusted brand? What are the risks and opportunities associated with particular approaches?*
- *Is there a tried and trusted form of consumer redress that should be adopted, or if not, what should such a mechanism look like?*
- *How should SEEP look to integrate the findings from the Each Home Counts Review – e.g. could it be used as a basis for developing a consumer protection framework for SEEP?*

102. We welcome the inclusion of this section of the consultation. We firmly believe that robust advice and consumer protection will be essential elements of the success of SEEP. Delivery of SEEP targets will, as discussed above, require consumers to be persuaded to install measures which are significantly more expensive, with consequently longer pay-back times, and which are in many cases less well understood than those which have been delivered<sup>37</sup> – usually at public expense – under previous programmes.

103. Given the wide range of possible measures on offer, consumers will therefore require independent advice on what combination of measures might be appropriate for their home and circumstances. This could, for example, include advice on the relative benefits of different types of low-carbon heating system, in combination with different types of wall insulation.

104. There should, in our view, at least be the option for such advice to be available to consumers at no cost from the public sector. However advice is provided, it is essential that it is objective, and not tied to a specific product or provider, if consumers are to have confidence in it. The need for effective advice and information also arose in discussions during our new deliberative consumer research, as referred to in the accompanying report.

105. The CFU will shortly be publishing another report, *Beyond energy efficiency: research on face-to-face actions to help consumers in fuel poverty in Scotland*, which will highlight the need for additional tailored advice for particular groups of consumers requiring more support.

106. It is also essential that financial savings presented to individual consumers are based on real rather than modelled bills. We are aware that recent Changeworks research<sup>38</sup> shows that older properties in particular have significantly lower fuel bills than EPC modelling would suggest to be the case. Further work on monitoring and evaluation is needed to ensure estimated savings are as accurate as possible.

107. We appreciate that advice of this type is currently available for those considering low-carbon heating systems through Home Energy Scotland (HES). However, our understanding is that HES is not able to build on assessments by providing contacts for individual suppliers. It should therefore be investigated

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<sup>37</sup> *Hot off the grid: delivering energy efficiency to rural, off-gas Scotland*, CFU, June 2016, <http://www.cas.org.uk/publications/hot-grid>

<sup>38</sup> [http://www.changeworks.org.uk/sites/default/files/Energy\\_Consumption\\_Comparison\\_modelled\\_vs\\_actual.pdf](http://www.changeworks.org.uk/sites/default/files/Energy_Consumption_Comparison_modelled_vs_actual.pdf)

how this barrier might be addressed in future, not least to help meet the aim of providing opportunities for small businesses operating in local areas.

108. We agree that there is potential for smart meter data to be used to tailor energy efficiency advice, and we look forward to the results of the current HES pilot in this area.
109. For SEEP to become a trusted brand, it will have to offer additional attractions to consumers above and beyond those available from individual suppliers. Part of this service will be the independent advice discussed above. Another element will, in our view, be access to a robust redress process. We agree with the general approach set out in *Each Home Counts*, that a kite-mark or other consumer standard should be used.

**CFU recommendation 14:**

Building on Home Energy Scotland’s existing offering, consumers should be able to receive free, independent, objective advice on the appropriate combination of measures for their individual home and circumstances, and on suitable kite-marked supplier contacts. Cost savings presented to consumers should be presented on real, not modelled, bills – with further work required on monitoring and evaluation to ensure that estimated savings are as accurate as possible. Together with a clear framework for consumer standards and guarantees in this field, there should also be access to a robust redress mechanism at the end of the process, in the unfortunate event that things go wrong and/or the consumer is not satisfied.

110. In the absence of a robust GB-wide framework of that kind, the Scottish Government could also consider how best to provide certainty for consumers, and we would welcome the opportunity to contribute to that discussion. Consumers are likely to assume that the Scottish Government is ultimately responsible for any measure installed in their home, based on advice received from a service funder by the Scottish Government, and paid for with a loan or partial grant from the Scottish Government.
111. Guarantees of redress will be particularly important in relation to wall insulation. Failure of either product, or installation process, in that case has the potential to impact on the fabric of the houses concerned, and, in the longer term, to impact on the reputation of similar insulation measures, and on the associated programmes funded by the Scottish Government.
112. We have suggested in previous sections the need for, ideally, a single, integrated and streamlined ‘customer journey’ via a ‘one-stop shop’ – a vision also relevant to our comments above on this section.

### **Consultation questions on supply chains**

- *How can local supply chains be expanded and up-skilled to ensure that maximum economic benefit and job creation are secured across all of Scotland?*
- *How can communities best benefit from the expected job creation?*
- *What provision could be made at a national level to ensure companies increase the capacity of the supply chain across all of Scotland to support the delivery of SEEP, particularly in the rural and remote areas?*
- *What do companies need to do to increase their skills base to deliver a programme of this nature?*

113. We are not in a position to comment in detail on supply-side aspects of business development. However, we appreciate that certainty of demand is essential to encourage businesses to invest. This was both a point strongly made by an industry representative at the SEEP consultation seminar on 26 April, and also one of the success factors identified by the Scottish Government in the growth of renewable electricity generation in Scotland at the Energy Strategy seminar the following week. We believe that a commitment to rolling, multi-year programmes, as set out in **para. 54** and funded by the Scottish Government, will help provide that level of certainty of demand. Following the current HEEPS Area-Based Schemes approach, we would suggest that a part of the available finance is allocated to local authorities to allow them to plan over the medium to longer terms, with the remainder of available finance being awarded on a challenge basis.

114. We agree that a central focus for SEEP will be on rural areas not on the gas grid. It is therefore important that Scottish Government funding, as has been the case in the past, continues to be made available in these areas. Further, although not addressed directly by this consultation, ongoing energy efficiency work by social housing providers, and directly on buildings owned by the public sector in rural areas, will also help provide this market.

**Consultation questions on the nature of programme delivery, and on the balance between local and national responsibilities**

- *What roles should national and local bodies play respectively in delivering SEEP and how can national and local schemes best be designed to work together towards meeting the Programme’s objectives?*
- *What are your views on the relative benefits of area-based schemes as against those targeted at particular sectors or tenures in delivering SEEP? What other targeting approaches might be effective?*
- *How best can we align national set standards with local, area-based delivery?*
- *What roles should national and local bodies play respectively in delivering SEEP and how can national and local schemes best be designed to work together towards meeting the Programme’s objectives?*
- *What are your views on the relative benefits of area-based schemes as against those targeted at particular sectors or tenures in delivering SEEP? What other targeting approaches might be effective?*
- *How best can we align national set standards with local, area-based delivery?*

115. These questions overlap to some extent with those on Local Heat and Energy Efficiency Strategies in the earlier consultation. Our view is that local schemes should retain flexibility to reflect local circumstances, but that they must, in aggregate, deliver whatever overall SEEP targets are needed. It would also be helpful if SEEP targets were translated into measures which would be more meaningful for both delivery bodies and consumers – perhaps the most obvious of these would be, as suggested by the Existing Homes Alliance, a minimum target of EPC Band C in the vast majority of cases. This would meet the need, identified in **para. 62**, for local authorities to communicate what a good level of energy efficiency is, and would also meet one of our suggested aims of SEEP of eliminating energy inefficiency as a cause of fuel poverty.

116. We have consistently heard reports from stakeholders, including at the recent SEEP seminars, that local authority capacity varies in relation to energy efficiency, and that this affects delivery of HEEPS Area-Based Scheme (ABS) programmes at present. As the range of work under SEEP, detailed in **para. 55**, will be significantly greater, we suggest that the SEEP delivery programme will need new identity and appropriate, robust governance at a very high level, including regular reporting and scrutiny. The importance of this is also increased given the suggested 20-year lifetime of the programme, extending over a number of parliamentary terms. It would be for the Scottish Government and Parliament to determine how these should be framed, including perhaps in legislation. The organisation of the planning for district heating may require especial focus, as an area of work where experience is currently limited in the majority of local authorities.

**CFU recommendation 15:**

The SEEP delivery programme will need new identity and appropriate, robust governance at a very high level, including regular reporting and scrutiny. It would be for the Scottish Government and Parliament to determine how these should be framed, including perhaps in legislation.

117. Area-based schemes have particular strengths where the measures required are the same in the house types covered, as economies of scale can be delivered. Area-based schemes can also create momentum, encouraging action among consumers who might not otherwise engage. Where there are concentrations of house types which need similar measures, perhaps most commonly solid wall insulation at present, it seems obvious to continue the current approach on an expanded basis.
118. We believe there is also a case for testing the efficacy of area-based schemes where similar measures are not suitable, but where the community momentum might still provide an advantage. This is more typically the case in rural towns and villages in Scotland. It would be useful to identify a number of such locations and work from the ground up – i.e. identifying what measures are needed in each house, and then exploring the possibility of a programme designed to respond to the needs identified. We would suggest that communities which have participated in Climate Challenge Fund projects could be approached as partners for this type of exercise.
119. In addition, we would suggest that support will need to be targeted on the basis of tenure and trigger point, if minimum standards are introduced. A central agency would be the most appropriate means of providing that type of support, both to ensure consistent service and to avoid different levels of cost falling on local authorities depending on their housing tenure and turnover rates.
120. In relation to governance, we would suggest that the organisations involved in production and delivery of local strategies should be determined by local needs and presence, including both the local authorities and local/regional non-governmental organisations – where appropriate and as long as potential conflicts of interest are managed and avoided. It would be helpful to have some cross-representation between local bodies, to facilitate exchange of experience without having to wait for formal evaluations.

### **Consultation question on monitoring and review**

- *What should be included in a monitoring framework to ensure that the Programme is effectively monitored and evaluated?*

121. A robust monitoring framework is, in our view, an absolute precondition of successful programme delivery for a range of reasons, including at the highest level:

- to understand programme impacts and provide evidence for ongoing improvements;
- to show long term progress;
- to understand what wider public benefits are delivered (affordable energy, social welfare, health improvements, jobs, carbon savings); and
- to provide evidence for appropriate resourcing.

122. Lack of robust monitoring and evaluation of previous Scottish Government (and in some cases also GB-wide) programmes was identified as a significant concern in our 2016 research, *Taking the Temperature*<sup>39</sup>. Lack of detailed data means that it is not possible for programmes to demonstrate their effectiveness in delivering progress against the high-level targets of reducing climate change emissions and addressing fuel poverty. Publicly available monitoring data were typically limited to simple counts of measures delivered, and aggregate cost of national programmes.

123. In our view, a robust monitoring framework should include, but go considerably beyond, those measures.

#### **CFU recommendation 16:**

A robust monitoring framework should add the following:

- advice requests recorded by the HES helpline, to understand better the nature of consumer demand, and therefore inform engagement strategies;
- a minimum sample of theoretical and real-world energy use and bills before and after intervention, linked to monitoring of indoor temperatures;
- households moved out of fuel poverty, with associated sample and case study data on the respective role of the oft-quoted 'four causes'<sup>40</sup> of fuel poverty, and corresponding solutions;
- gains in both Standard Assessment Procedure (SAP) points and EPC ratings – ideally, homes which have benefited from intervention should be at EPC level C;
- customer satisfaction with delivery of measures, and, in the longer term, satisfaction with the performance of measures; and
- overall real-world energy and cost savings.

124. These data would provide ongoing indications of progress towards SEEP aims, as well as giving a consistent view of programmes which could be used as a basis for formal evaluation. Such an evaluation might cover:

<sup>39</sup> *Taking the temperature: a review of energy efficiency and fuel poverty schemes in Scotland*, CFU, 2016 <http://www.cas.org.uk/publications/taking-temperature>

<sup>40</sup> 1) Energy prices; 2) Household income; 3) Home energy performance; 4) How energy is used

- comparative effectiveness of programme delivery;
- progress towards elimination of fuel poverty; and
- understanding of contribution, relative to costs, towards Scottish Government national outcomes:
  - a. long term health impacts;
  - b. local and national economic impacts; and
  - c. Local and national environmental impacts.

125. We would welcome the opportunity to contribute to the development of a framework as the Scottish Government takes this forward.

## What is deliberative research<sup>41</sup> ?

Deliberative public engagement is a distinctive approach to involving people in decision-making. Where traditional consumer engagement tools, such as opinion polls or customer surveys, tend to measure 'top of the head' public views, deliberative public engagement is able to offer policy and decision-makers much richer data on public attitudes and values, offers opportunities to explore more fully why people feel the way they do, and creates time to develop ideas, options and priorities with the public.

To be deliberative, a process must involve:

- discussion between participants at interactive events (including through online technologies). These events are designed to give sufficient time and space to enable participants to gain new information and to discuss in depth the implications of their new knowledge in terms of their existing attitudes, values and experience. These discussions result in a considered view, which may (or may not) be different from participants' original view, and which has been arrived at through careful exploration of the issues at hand.
- working with a range of people and information sources – including information, evidence and views from people with different perspectives, backgrounds and interests. This may include evidence requested or commissioned by participants themselves. Discussions are managed to ensure that a diversity of views from people with different perspectives are included, that minority or disadvantaged groups are not excluded, and that discussions are not dominated by any particular faction.
- a clear task or purpose, related to influencing a specific decision, policy, service, project or programme.

When done well, deliberative public engagement can be of real benefit for decision and policy makers, able to create better policy and service delivery options, grounded in better knowledge of consumer values and priorities.

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<sup>41</sup> Drawn from *Meta-analysis and scoping exercise into public participation in the regulated industries* – report to be published shortly by Involve & IPSOS Mori Scotland for the CFU

## List of recommendations

Key recommendations from introductory section:

- An explicit reference to energy efficiency should be included in the vision statement for the Energy Strategy.
- Scotland's energy efficiency programme will need new identity and appropriate, robust governance at a very high level, including regular reporting and scrutiny.
- The programme will need eye-catching features, and communications, to capture the attention, support and ideally enthusiasm of the public.
- The programme needs to be accompanied by simple, clear, convincing and compelling messages.
- A clear message to the public could be that if a property has achieved an Energy Performance Certificate rating of 'C' or better, that is a good outcome.
- It would be helpful to set out what future trends in Energy Performance Certificate (EPC) ratings SEEP is aiming to deliver.
- We would also support one headline ambition being to eliminate energy inefficiency as a cause of fuel poverty.
- A new incentive system based upon a level of early Council Tax rebate for those who evidence energy efficiency upgrades would be, by some margin, the most popular and motivating of the incentives we considered; and we therefore recommend that such a system, or a system of incentives having similar features and attractions to homeowners, should be freshly explored.
- The existing primary emphasis on loans, whilst they are beneficial to many consumers in certain circumstances and we should like to see them continuing to be available, should be reviewed.
- In the design and delivery of SEEP, the long-established 'seven consumer principles' should be essential reference points.
- If the Scottish Government were to decide to introduce new regulation (particularly for homeowners) in this area, it would need to be preceded, or at least accompanied by, substantial efforts to lead and transform public opinion – through education, awareness-raising, communications and marketing.

Recommendations from Annex A (detailed comments section):

1. To inform ongoing SEEP development and consultation, the Scottish Government could:
  - Publish a more detailed breakdown of how its headline 2017/18 budget figure of £114.1m, under the heading of fuel poverty and energy efficiency, is allocated;
  - Clarify the timeframe, breakdown and total figure for overall SEEP investment “*in excess of £10bn*”, and how this relates to projected Scottish Government budget figures;
  - Spell out more explicitly where the anticipated overall investment is expected to come from, including forecast costs and benefits to consumers.
2. To assess the implications, and expected levels of take-up, of the recent new Home Energy Loan Scheme in more detail, the anticipated, and actual, breakdown of the allocation of the new funding to energy efficiency measures on the one hand, and to renewable technologies on the other – and on the specific measures funded – should be made available.
3. Financial incentive schemes are essential to the success of SEEP but should be established on a longer-term footing, since time-limited offers run the risk of unfairness and unevenness of allocation, and give rise to uncertainty, confusion and distortion for both consumers and businesses.
4. Robust quality assurance processes are needed for all aspects of delivery. Formal evaluation should be built into the design and management of all schemes. The aim should be to achieve a cycle of continuous improvement, to build an understanding of the impact of different energy efficiency and fuel poverty interventions and to help build the business case for investment in energy efficiency.
5. It would be helpful for an evaluation of the success of partial grant schemes over recent years to be assessed and published.
6. The use of the phrase ‘able to pay’ households in this policy context should be re-considered. There needs to be a more refined economic analysis of household disposable incomes/funds for different groups of society, and of alternative options for investment of such funds as are available.
7. Consideration should be given to exploring approaches that permit greater take-up in multi-tenure properties.
8. SEEP should, at least initially be targeted towards areas with the highest levels of fuel poverty related to energy inefficiency. It should also:
  - expand sub-programmes promoting low-carbon heat in off-gas areas, where these technologies already help to reduce costs compared with current alternatives; and
  - explore approaches towards the delivery of energy efficiency measures among different groups of so-called ‘able to pay’ consumers.

A clear message to the public could be that if a property has achieved an Energy Performance Certificate rating of ‘C’ or better, that is a good outcome. At national level, it would be helpful to

set out what future trends in EPC ratings SEEP is aiming to deliver. We would also support one headline ambition being to eliminate energy inefficiency as a cause of fuel poverty.

SEEP should also cover the standards required of new buildings, and set targets for the improvement of public buildings.

9. Any new regulation of homeowners to implement minimum standards of energy efficiency would need to be preceded, or at least accompanied by, substantial efforts to lead and transform public opinion – whether through education, communications and marketing, or awareness-raising.
10. With our research having found that a new incentive system based upon a level of early Council Tax rebate for those who evidence energy efficiency upgrades would be, by some margin, the most popular and motivating of the incentives we considered, we therefore recommend that such a system, or a system of incentives having similar features and attractions to homeowners, should be freshly explored, with a view to promoting it as the headline consumer incentive to accompany SEEP.
11. The new financial incentive scheme should be introduced as soon as possible to drive increased take-up of energy efficiency measures, and in any event, at a relatively early stage in the SEEP programme. Given the likely delay needed in developing and introducing any regulation of homeowners, at the point of sale, to implement minimum standards of energy efficiency, our incentive proposals would also allow time to:
  - review the take-up and effectiveness of the incentive scheme; and
  - review the workings and effectiveness of the currently-proposed new regulations for the private rented sectorbefore any regulation of homeowners were to be finalised.
12. The CFU supports an ‘enhanced EPC’ approach to assessments delivered at no or low cost to the consumer under the auspices, or at least co-ordination, of the overall SEEP delivery programme, but in which there is confidence that the network, and reports, of assessors are independent, robust and quality-assured. It would be helpful for EPC assessments to reflect real (not just modelled) bills, so that consumers have a clearer idea of likely costs and benefits.
13. More research and evaluation of past financial interventions/incentives, and success criteria, broken down according to different sectors of the market, should be made available to show what levels of grants, loans or other financial incentives are needed to engage different groups in practice.
14. Building on Home Energy Scotland’s existing offering, consumers should be able to receive free, independent, objective advice on the appropriate combination of measures for their individual home and circumstances, and on suitable kite-marked supplier contacts. Cost savings presented to consumers should be presented on real, not modelled, bills – with further work required on monitoring and evaluation to ensure that estimated savings are as accurate as possible. Together with a clear framework for consumer standards and guarantees in this field, there should also be access to a robust redress mechanism at the end of the process, in the unfortunate event that things go wrong and/or the consumer is not satisfied.

**15. The SEEP delivery programme will need new identity and appropriate, robust governance at a very high level, including regular reporting and scrutiny. It would be for the Scottish Government and Parliament to determine how these should be framed, including perhaps in legislation.**

**16. A robust monitoring framework should add the following:**

- **advice requests recorded by the HES helpline, to understand better the nature of consumer demand, and therefore inform engagement strategies;**
- **a minimum sample of theoretical and real-world energy use and bills before and after intervention, linked to monitoring of indoor temperatures;**
- **households moved out of fuel poverty, with associated sample and case study data on the respective role of the oft-quoted ‘four causes’ of fuel poverty, and corresponding solutions;**
- **gains in both Standard Assessment Procedure (SAP) points and EPC ratings – ideally, homes which have benefited from intervention should be at EPC level C;**
- **customer satisfaction with delivery of measures, and, in the longer term, satisfaction with the performance of measures; and**
- **overall real-world energy and cost savings.**