



Citizens Advice Scotland consultation response:

Energy-Efficient Scotland (EES) Route Map

July 2018

The Consumer Futures Unit (CFU), part of Citizens Advice Scotland (CAS), uses research and evidence to put consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations.

Introduction

Our policy recommendations on how Scotland's energy efficiency programme should be designed around consumers are in the report [Warming Scotland up to Energy Efficiency: Putting Consumers First](#) and associated [briefing paper](#). This was founded upon in-depth, innovative deliberative consumer research. We said that, to be successful, the programme must get three foundations right:

- Public acceptance and support for the objectives, including through effective incentives;
- Consumer confidence and trust in the scheme; and
- Making the installation of energy efficiency measures as easy as possible for consumers, with a 'one-stop shop' approach.

We welcomed the announcement by the First Minister in early May of the EES Route Map, which broadly adopted several of our recommendations. Sensibly, it builds on the best features of Scotland's existing programmes, and also learns lessons from some past schemes which have fallen short. New energy efficiency targets and milestones for Scotland's homes will provide more certainty across all housing sectors and for industry. In the rental sector, we support new regulatory standards to protect tenants, providing warmer homes and alleviating fuel poverty.

The Route Map is right to set 'removing poor energy efficiency as a driver for fuel poverty' as a headline priority, as we recommended. It is therefore also right that EES regulatory programmes and support should prioritise those who are fuel-poor and more vulnerable. This will require significant and increasing levels of funding if ambitious targets are to be achieved. However, the Scottish Government has also designated energy efficiency as a



National Infrastructure Priority – as previously advocated by CAS. National infrastructure generally implies substantial government investment which benefits all citizens and the country as a whole. The EES targets imply a step change in the installation of energy efficiency measures across all housing sectors and particularly in the largest of these – the owner-occupied sector. This means there must be a sustained campaign to build universal public support for the objectives. We believe this should include attractive incentives to encourage property owners to upgrade their homes. Our report recommended a new scheme offering prompt Council Tax rebates, or some other fiscal incentive having similar features. The absence from the Route Map of any proposals for new incentives, is in our view a serious omission and would, if not reviewed, be a significant continuing barrier to the necessary faster uptake of new energy efficiency measures in Scotland’s homes.

The Scottish Parliament held a plenary debate on the Route Map on 10 May. We welcomed strong cross-party support for CAS’s recommendations, including on incentives. **We therefore repeat our call for more effective incentives to encourage property owners, and for a ‘one-stop shop’ approach to advice, assessment, incentives, support through installation, and effective redress if things go wrong.**

Detailed response to consultation questions

CAS already submitted a detailed [consultation response](#) to last year’s consultation on Scotland’s proposed energy efficiency programme, and [another](#) on energy efficiency and condition standards in private rented housing. These, and our published report already mentioned above, continue to reflect our policy position and should therefore be referred to on points of detail. For the purposes of this new consultation we are providing short and summary responses, especially on new questions which arise in the light of the new proposals and progress which the Scottish Government has set out in its Route Map.

1. What are your views on our proposal for owner-occupied and private rented properties to achieve the Long-Term Domestic Standard Energy Performance Certificate (EPC) Energy Efficiency Rating Band C by 2040 at the latest?

To protect tenants and to help alleviate fuel poverty, and in recognition of the greater challenges in the owner-occupied sector, we support earlier targets for the private rented sector (for which the consultation proposes 2030 to achieve EPC C).

New targets and milestones for Scotland’s homes are useful and will provide more certainty across all housing sectors and for industry. It is particularly helpful for everyone to understand that the ultimate trajectory is towards C, as advocated by CAS: this encourages people to make the maximum upgrade in one step, if they so wish. In terms of specific dates, we note that whilst modelling work has been done on the costs of reaching EPC D ratings (and was very useful to inform thinking on the current proposals for regulation in the private rented sector), the costs/benefits of attaining B or C ratings have not yet been fully analysed or evidenced. We therefore recommend that this further research on costs and benefits of going beyond a D standard should be undertaken, to inform ongoing policy development. Regulatory principles are that the detailed Business & Regulatory Impact

Assessment should be carried out before committing to specific regulatory policy and timescales, so that the costs and benefits to consumers and others are first understood in more depth.

We would also suggest that further detail has to be developed on potential future measures to de-carbonise the heat supply, and the implications that these may also have for property owners during the 2020s and beyond. To maximise their certainty about the direction of policy, and to enable them to plan investment in the most informed way possible, they will need a fuller and more rounded picture of all energy policy factors affecting future investment requirements in the housing stock. The Scottish Government has previously noted its wish to avoid, where possible, a situation where owners upgrade their heat supply to comply with an energy efficiency standard, only to find out that this then needs to be replaced by an alternative heating system to meet de-carbonisation targets.

The EES Route Map represents a massive and complex programme, and it seems sensible and realistic for this to be considered as a 20-year plan. Evaluation of the current pilot projects, of other aspects such as new technologies, and of approaches to energy efficiency assessment, is continuing to highlight the issues and practicalities to be overcome. Other major investment projects in the consumer energy field, such as the smart meter roll-out, also show the scale of potential challenges, and the advisability of caution on timescales.

On the other hand, many organisations, and MSPs across parties, are calling for the vision and overall timetable to be compressed and brought forward to 2030 rather than 2040. With the 'National Infrastructure Priority' since 2015, an end-date sooner than the relatively remote 2040 is a justifiable ambition for Scotland - its achievability does depend on:

- a level of funding truly commensurate with it being a National Infrastructure Priority
- the costs and benefits being fully analysed and understood, as noted above
- a clear direction on the de-carbonisation of the heat supply
- achieving and maintaining strong public support and buy-in, including through success of, and learning from, the improvement of standards in the rental sector and through a robust approach to consumer protection.

If these issues were addressed CAS would support a target earlier than 2040.

The Route Map appears to propose a review around the time of the 2030 milestone in order to 'consider' further action, including possible regulation, in the owner-occupied sector by 2040. We would also comment that earlier and more regular review should be built in to the programme – say every 4 years or so.

2. Do you think we should allow for situations where a lower standard is acceptable?

Yes where it is not technically feasible or cost-effective for a property to be brought to a EPC band C.

3. Do you think we should allow for situations where a longer period for improvement is allowed? Please explain your answer, giving examples.

Yes, in certain circumstances which would need to be clearly defined.

In our previous response to the consultation about the rented sector, we considered exceptions to timescales for landlords where there was evidence of a lack of capacity in the local workforce.

We further noted that similar situations may often occur where owners arrange for works to be undertaken, but are then let down by contractors. We mentioned that an approach adopted in some other areas of legislation (e.g. tax) is to include a generic 'reasonable excuse' provision, sometimes accompanied by clauses and/or guidance setting out specific situations which are not allowed to be considered as reasonable excuses.

There are likely to be various extenuating personal situations and circumstances which could be considered reasonable. The scheme should seek to avoid causing undue detriment, stress or financial concern to the owner and/or occupier of the property – for example, if they have an illness, mental health condition or vulnerability which the pressure of mandating a substantial property improvement within a certain timescale could significantly exacerbate. There may also be specific features of the property, or local planning constraints – such as conservation areas – justifying lengthier timescales in certain cases.

4. We are proposing that the definition of a cost-effective measure is that it should pay back over its lifetime. What are your views on this definition?

Our previous research clearly confirmed the continuing, substantial political challenge to be overcome before consumers – and homeowners in particular – could be persuaded to accept regulation to achieve minimum standards of energy efficiency.

Consumer research would be needed to test opinion on this cost-effectiveness definition. It seems possible that potentially very long payback periods – perhaps up to 20 or 25 years, or more, for larger energy efficiency investments – will not appeal sufficiently to consumers to overcome existing views towards regulation. Private investors tend to be more persuaded by the possibility of relatively short payback periods, particularly if they were to reflect on competing investment options for the same funds – including perhaps towards alternative family/national priorities instead of energy efficiency but considered to offer similar social and/or economic benefits such as education, health or regeneration, for example.

Cost/benefit calculations could depend on uncertain longer-term maintenance and repair costs. For example, many measures may be supplied with a guarantee period from the manufacturer/installer. Consumers might weigh up what would happen when the guarantee period expires, but the payback period continues – in other words, whilst the measure has not yet paid itself back beyond any warranty period. They might consider where the calculation would stand if the measure were then to fail and might require a significant repair or replacement cost.

One question is whether the 'cost' of a measure should include the cost of associated improvement work which the property owner might naturally do at the same time as installing the measure, but would not otherwise do, were it not for the installation of the measure itself.

Calculations of cost-effectiveness may also be swayed by the levels of any incentives on offer. The Foreword to the Route Map refers to 'ensuring there is an offer from Government in return for action' but disappointingly, there do not appear to be any proposals for new forms of financial support to help to engage and encourage homeowners not in fuel poverty, who continue to be described as 'able-to-pay'. (CAS recommends that the common use of this phrase – including in recent¹ Scottish Government official calls for Transition Programme funding proposals for domestic and non-domestic 'Able-to-Pay Projects' – be re-considered. It is not an objective description of many households who, whilst not fuel-poor, may nonetheless be financially hard-pressed and facing significant challenges with budgeting, all the more so at times of wider fiscal constraint and inflation in the economy; and its use may indeed be counter-productive in trying to engage some owners).

On incentives for that sector, the Route Map mainly refers to a continuation of what exists already – 'access to low- or no-interest loans'. We recommended that, whilst subsidised loans are beneficial in some circumstances, and so should continue to be available as part of a suite of incentives to install energy efficiency measures, they should not be the primary option for financial support. Drawing on our research, it is questionable whether loans will be sufficiently appealing to owners to achieve the necessary step change in the uptake of measures. The interesting recent further research published by Climate XChange² found that 'the evidence consistently suggests... that loans are less attractive to households than grants and tax incentives'³. Whilst tax incentives were found to have some other pitfalls (depending on the way in which they were designed) and some disadvantages relative to loans, this extensive study certainly did not rule them out and we recommend that given their consumer and political appeal they should be re-considered as a means of promoting higher retrofit uptake, learning from previous schemes internationally.

We proposed that a prompt Council Tax rebate, or some similar form of fiscal incentive, funded centrally, should be the headline consumer offer. This could do much to shift consumers' perceptions on their consideration of cost-effectiveness. Our research also produced evidence that the promptness of an incentive can render it more popular than one offering a greater level of longer-term financial gain, even where the latter might represent a 'better deal'. Such motivation needs to be further considered and explored.

Whilst local authorities already have a duty under the Climate Change (Scotland) Act 2009 to offer Council Tax reduction schemes, only one property in Scotland in 2016/17 used such

¹ <https://beta.gov.scot/publications/energy-efficient-scotland-transition-programme-application-forms/Energy%20Efficient%20Scotland%20-%20Transition%20Programme%20-%20SECOND%20CALL%20-%20Guidance%20Information.pdf>

² *Private household investment in home energy retrofit: reviewing the evidence and designing effective public policy*, Climate XChange, June 2018: <https://www.climatechange.org.uk/research/projects/private-household-investment-in-home-energy-retrofit-reviewing-the-evidence-and-designing-effective-public-policy/>

³ s4.1.5, p31

a scheme (a £50 discount in Angus; and just 3 in 2014/15, and 2 in 2015/16)⁴. Under s66 of the Act, Ministers already have powers to amend these provisions to introduce a more effective tax rebate scheme – an option deserving serious consideration.

A final point to make here is that there is some risk in placing too much emphasis on financial calculations and payback periods. Such considerations are not what motivate many people towards other major investments with widespread take-up – such as other property upgrades, car purchases and so on. As we said in our report last year, home energy efficiency needs to become aspirational for consumers, with a focus on comfort and well-being as well as financial return.

5. What are your views on the issue of air quality in relation to the Long-Term Domestic Standard?

We agree the importance of ensuring no detriment to consumers in air quality, and therefore clear standards and guidance, and advice for households, will be essential especially regarding the impact of insulation on ventilation, risk of dampness and potentially respiratory health.

6. The EPC Rating of a property can be affected by changes to the underlying methodology and to fuel price data. How do you suggest that the Programme takes account of this in setting the Long-Term Domestic Standard?

It would be helpful to await the publication of the Scottish Government's initial research into EPC methodology (referred to in consultation para. 24) before considering this further. If EPCs are to underpin minimum standards, then homeowners, landlords and tenants need to be able to understand and have confidence in them.

One suggestion is for EPCs logged centrally to be automatically re-run and updated to reflect new methodology or underlying price data. This would avoid both the added cost of consumers having to pay for new EPC assessments, which is likely to be unpopular and disproportionate, and the alternative cumbersome option used in social housing, which is to issue and apply conversion tables.

However, the more significant concern which this question implies would be possible situations in which property owners or occupiers who have been previously assessed to a particular EPC rating, subsequently find out that the rating has changed, potentially affecting compliance or otherwise with minimum standards. If this were to happen to a significant extent, it could undermine consumer confidence and support. Presumably minimum standards assessments would have to be based upon the methodology then current at the time the assessments are carried out, but clearly more information from the new research, and then more detailed consideration of alternative options, will be needed to resolve this issue.

7. What are your views on the proposal that all PRS properties meet EPC Energy Efficiency Rating Band C by 2030?

⁴ Scottish Government Sixth Annual Report on the Operation of s65 of the Climate Change (Scotland) Act 2009

See answer to Q1 above.

8. What are your views on our proposal for an initial period of encouraging action?

This is in line with our recommendation that, if the Scottish Government were considering regulation of the owner-occupied sector, it should be preceded by substantial efforts to lead and transform public opinion.

However, we believe that new financial incentives will be needed as part of the phase of encouragement, to achieve the necessary scale of uptake – see above.

Such an incentive scheme should be introduced as soon as possible. It should ideally be a headline offer to co-incide with the launch of EES: this would capture public attention and encourage participation. This would also head off potential criticism by early adopters under EES receiving no incentive but then finding out that an incentive is made available at a later date.

Given delay needed in developing and introducing any regulation of homeowners to implement minimum energy efficiency standards, the introduction of a new incentive scheme would also allow time to:

- review the take-up and effectiveness of the incentive scheme; and
- review the workings and effectiveness of the proposed new regulations for the private rented sector.

As we said in our *‘Warming Scotland up to Energy Efficiency’* report, the campaign of awareness-raising, education and incentivisation should be regularly evaluated at each stage to measure and understand success, particularly in increasing acceptance and uptake, and in engaging those who are typically disengaged. Local pilots, including those already ongoing, may also be helpful to refine what approaches are most successful in practice.

Novel routes need to be tested to engage those who are often hard to reach – through grassroots organisations and local agencies – whilst signposting, and leveraging in, existing delivery mechanisms and routes.

The consumer, and consumer acceptance of energy efficiency measures, need to be at the heart of the encouragement to action – entailing ongoing in-depth research and tracking of consumer perspectives and opinion, and their experience of installations. Success may depend upon the ownership of an energy-efficient home becoming an ‘aspirational’ social norm, with consumer motivation being driven neither by purely financial factors, nor purely environmental ones.

9. What information would be useful for householders to be able to access on how to achieve EPC Energy Efficiency Rating Band C before 2030?

Assessment, information and advice are available currently, but they are not generating sufficient appeal or action.

A more engaging approach, backed by more investment and marketing, together with new forms of incentive (see above) are likely to be needed to transform opinion and change behaviour. Also, the process of installing energy efficiency measures needs to be made as easy as possible for consumers, with a 'one-stop shop' approach to advice, assessment, incentives, support through installation, and effective redress if things go wrong.

10. What are your views on our proposal to follow this initial period with mandating action?

See Q8 above. Our research confirmed the continuing, substantial political challenge to be overcome before people can be persuaded by the idea of mandatory action. This challenge will continue to exist, unless public opinion is first transformed in the manner suggested above.

The success or otherwise of regulation in the private rented sector may also influence the acceptability to homeowners of similar mandatory action.

11. What are your views on our proposal that 2030 is the right point to start mandating action to achieve EPC Energy Efficiency Rating Band C?

See answers to Q1, Q8 and Q10 above.

12. What are your views on our proposal for owner-occupied properties to be subject to penalties for non-compliance?

Clearly, if regulation were eventually introduced, to be effective it would require an enforcement mechanism and some form of penalties for non-compliance. By then the experience of enforcement and penalties with the private rented sector regulation should help to inform the appropriate approach, including on overcoming the possibility of property owners choosing to pay fines rather than comply.

13. What are your views on requiring all types of accommodation to meet the Long-Term Domestic Standard over time? Please explain your answer, giving examples of accommodation you think should/should not be required to meet the Long-Term Domestic Standard if relevant.

Principles of consumer protection, and standards, should apply as generally as possible – whilst accepting earlier action to protect tenants in the social and rental markets, as compared with homeowners.

14. Please provide your views on our proposal that all homes with fuel-poor households are to reach EPC Energy Efficiency Rating Band C by 2030, where technically feasible and cost effective?

This is described in para. 44 of the Route Map as an 'ambition' or 'stretch target', but it is slightly unclear what this means in practice. If many of the fuel-poor households in question are in the owner-occupied sector, does this mean that they would be subject to mandatory regulation ahead of other owner-occupied households? Clarification is needed before commenting further.

It is right that EES regulatory programmes and support should prioritise those who are fuel-poor and more vulnerable. However, this will require significant and increasing levels of funding if ambitious targets are to be achieved. Does the earlier target for fuel-poor households imply that they will all be funded for the installation of measures; or, if not, then, as above, does it entail that they will somehow be mandated to comply?

15. Please provide your views on our proposal that all homes with fuel-poor households are to reach EPC Energy Efficiency Rating Band B by 2040, where technically feasible, cost-effective and possible within limits affordable to the public purse?

Similar comments as in Q14 above. Also, as earlier, research and evidence would first be needed on the costs and benefits of reaching EPC B.

16. In addition to what we have set out in paras 46-50, what should the Energy Efficient Scotland Assessment Short Life Working Group also consider? Please explain your answer.

A slide presented at the recent EES consultation workshop in Edinburgh stated that the remit of this working group 'would include:

- Considering what other assessment measures are needed;
- Considering the skills set an Energy Efficient Scotland Assessor should have;
- Considering how the agreed principles of technically feasible and cost-effectiveness are delivered in the real world;
- Considering a proportionate and streamlined way to ascertain and improve energy performance, building on EPC processes'.

The findings of the Scottish Government's initial research into EPC methodology should also be awaited.

The matters set out on that slide are important but also perhaps rather technocratic. We consider that the Working Group also needs to do consumer research about what ordinary people think/understand about EPCs, and what they need/want. It is essential that it also reviews quality assurance and consistency in EPC assessment and certification; and protection of consumers from poor practice, incorrect EPCs and possibly also deliberate malpractice.

17. What are your views on whether the Long-Term Domestic Standard should be enforced at a local or national level? Please explain your answer.

Local enforcement seems probably the most practicable, backed up by some form of national approach to quality assurance and consistency.

18. Are there specific building characteristics you consider should be included in research to ensure that future improvement targets reflect the diverse nature of our non-domestic building stock? If so, please set out what these are and why they should be considered.

19. What are your views on the way calculated energy use from building assessments are presented and/or benchmarked? We are particularly interested in what arrangements you favour and how you think they would be useful.

20. What are your views on the proposed planned work to review improvement targets?

21. What are your views on our proposals for phasing the regulations from 2020?

22. Should advice and support to invest in the energy efficiency of industrial or manufacturing buildings align with wider advice and support on how to reduce energy consumed for productive processes? If so, please suggest how improving efficiency in building and 'process' energy could work together, and what opportunities and challenges this might present?

23. What more could the Scottish Government do to encourage the public sector to accelerate energy efficiency across their building stock?

24. What more could the Scottish Government do to encourage the public sector to accelerate heat decarbonisation across their building stock?

No comments on these questions about the non-domestic sector.

25. What additional data would help building owners in the delivery of the Energy Efficient Scotland Programme? How would this be used?

26. What additional data would be helpful to others in the delivery of the Energy Efficient Scotland Programme? How would this be used?

27. We will investigate the benefit in providing new online resources or tools to support building owners to access and use data to help them improve their properties. What particular types of resources or tools would you find useful and why?

28. In addition to the above, we welcome any specific comments or observations you may have on the future use of the data that is gathered from energy assessments.

29. What are your views on the implementation and enforcement of existing legislation relating to energy efficiency and heating of buildings in Scotland?

30. What changes may be needed (if any) to this existing legislation to ensure that the Scottish Government, local authorities, and any other relevant bodies or persons, have the powers and duties necessary to support the Energy Efficient Scotland Programme?

31. What other elements of the Programme may require new or amended legislation to enable the Energy Efficient Scotland Programme to operate?

32. Which organisation(s) should be responsible for delivering any new legal requirements?

We have noted above, under Q4, the need to introduce more effective incentive provisions. The existing local authority energy efficiency discount schemes were laid down under s65 of the Climate Change (Scotland) Act 2009. s66 of the Act appears to give Ministers powers to amend the existing schemes without the need for further legislation. If so, the exercise of such powers should be given serious consideration.

Our recommendation for a 'one-stop shop' approach to advice, assessment, incentives, support through installation, and effective redress if things go wrong, has been widely supported. We are not clear whether such a delivery vehicle (effectively an evolution of the Home Energy Scotland approach) would require new or amended legislation, but this should also be considered.

A final point is that, surprisingly, the consultation says and asks little on the subject of consumer protection. The Route Map itself sets out some strong principles in its Chapter 5, headed 'Assuring Quality and Protecting Consumers'. On p60 of the Route Map, there is a table highlighting the 'Energy-Efficient Scotland Quality Assurance (QA) Principles'.

We strongly support those principles, which follow many of those advocated by CAS, and the work of the Short Life Working Group which has been set up to develop them. We would merely note, prompted by these final questions in the consultation, that there is little detail at this stage about how the principles will be delivered in practice, and how the Scottish approach will dovetail with the UK framework expected to emerge later this year to implement the recommendations of the *Each Home Counts* review by Dr Peter Bonfield and his team.

Effective delivery of the EES QA principles may indeed require new or amended Scottish legislation and CAS will be pleased to contribute to the Working Group and to this development of the strongest possible system for quality assurance and consumer protection – as well as to other aspects of the ongoing design and implementation of the EES programme.

Ian Shearer, Energy Policy Officer

ian.shearer@cas.org.uk

0131 550 1044