**Citizens Advice Scotland Response to the Business, Energy and Industrial Strategy Committee’s Call for Evidence as part of the Inquiry on**

**Decarbonising Heat in Homes**

**November 2020**

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

**Section 1 – Summary**

Citizens Advice Scotland welcomes the opportunity to respond to this timely consultation. As the Committee is aware, heating in the domestic housing sector accounts for a significant proportion of carbon emissions. In Scotland, domestic heating is responsible for 13% of carbon emissions.[[1]](#footnote-2) Sustainably addressing this issue is therefore crucial in achieving net zero targets and we are keen to highlight the impact this will have on consumers, particularly in Scotland. Through the network of Citizens Advice Bureaux across Scotland, we have seen numerous examples of where low carbon heat installations have gone wrong and we are keen that these mistakes are not repeated, but also that past (and future) mistakes are learned from.

This consultation and inquiry links closely to fuel poverty: the low cost of natural gas for domestic heating has led to it being a key fuel poverty alleviation tool. Indeed, between 2014 and 2017 (the RIIO-GD1 period), over 52,000 households in Great Britain were connected to the gas grid through the Fuel Poor Network Extension Scheme (FPNES)[[2]](#footnote-3), with the number of new connections in Scotland nearly double that of any other region. Research commissioned by CAS in 2018[[3]](#footnote-4) indicated that having electric heating, which is likely to increase as we transition away from using fossil fuels, is more closely correlated with being in fuel poverty. Households using electric heating were also found to be more likely to “experience significantly higher heating costs” and so moving away from natural gas towards low carbon heat sources is therefore likely to risk increasing usage costs compared to gas heating and thus poses a challenge for the Scottish Government’s commitments and targets to effectively eliminate fuel poverty.

Above all, we emphasise that consumers must be at the heart of the transition and the process must be done with them rather than to them. This is especially true for communities and households who are in or at risk of fuel poverty. We also want to emphasise the importance of a fabric first approach and upgrading the energy efficiency of homes before or at the same time as installing low carbon heat, or else consumers will not feel the benefit of their new system.

For individual households seeking to engage in low carbon heat, the landscape is complicated and fraught with issues. We believe that improved consumer confidence, awareness and protections are critical to achieving the uptake of low carbon heating which is needed. In order to achieve this, we believe that the errors of the past, most notably Green Deal mis-selling, must be appropriately addressed. Recent research commissioned by CAS[[4]](#footnote-5) effectively found that consumer protections are not robust enough in the energy efficiency and renewables industry and this urgently must be resolved. This research links closely to the findings and recommendations of the Each Home Counts review from 2015.[[5]](#footnote-6)

**Section 2 – Answer to consultation questions**

**Response to Question 1 - What has been the impact of past and current policies for low carbon heat, and what lessons can be learnt, including examples from devolved administrations and international comparators?**

We agree with Dr Rosenow’s statement during his pitch that there is the opportunity to learn from past and present schemes, including Green Deal, ECO and RHI, acknowledging both the good and bad elements of these, and building on the successful elements. More widely, following a review of energy efficiency and fuel poverty schemes (which often incorporate heat) in 2016[[6]](#footnote-7), we believe that the delivery landscape is very complex and there is the risk that it may become even more complicated as the countdown to net zero target continues. Citizens Advice Scotland believes that policies must be developed to ensure that the landscape and options for consumers become clearer and that they do not lose out in the transition towards low carbon heat, and that high quality advice and support is available to help consumers.

In terms of past policies, CAS and the network of Citizens Advice Bureaux in Scotland have long been working to support consumers affected by past and present policies. This includes the mis-selling of Green Deal plans, which we will expand on shortly but we are also beginning to see evidence of scams linked to the newly-announced Green Homes Grant emerging in Scotland, despite the scheme only being available in England and Wales. In terms of Green Deal mis-selling, our network has been supporting and trying to secure adequate redress for consumers affected by mis-selling under this scheme since 2016 and this longstanding issue was also cited by several others in the My BEIS Inquiry process, including Alan Brown MP. We have evidence that thousands of consumers across the United Kingdom, many of whom were older or in vulnerable circumstances, were pressured to enter into Green Deal plans which they did not fully understand. Many of these plans were mis-sold by the now-dissolved company Home Energy and Lifestyle Management Ltd (HELMS) and consumers have been waiting years for appropriate redress, which we believe is cancellation of all plans sold by HELMS and the refund of all monies paid. We believe that Green Deal mis-selling has significantly impacted consumers’ confidence in the energy efficiency and renewables sector and this critically needs to be resolved properly for confidence to be repaired. Again, there must be a strong consumer protection framework put in place to prevent this happening in future.

The Centre for Sustainable Energy’s evaluation of the first iteration of ECO suggested that, in particular, its “reporting requirements are very complex, time-consuming and bureaucratic compared to previous schemes. This has increased delivery costs, slowed down activity and hindered customer take-up”.[[7]](#footnote-8) CAS has recently welcomed the strengthening of consumer protection within ECO3, which demonstrates that ongoing and robust monitoring and evaluation of schemes can indeed improve them for consumers. Crucially, the ability to learn from and correct mistakes is a fundamental part of ethical business practice, which underpins the recommendations in our Fit for the Future report. The report makes a number of recommendations for both the Scottish Government and industry, as part of building a strong consumer protection framework.

We believe that consumers need long term assurance and clarity on funding to help with the high initial costs of installing low carbon heat and again agree with Dr Rosenow that this “shouldn’t be a programme for the able to pay”, however this assumes an understanding of households’ finances. This is particularly relevant when considering the RHI scheme, which allowed many households to access low carbon technology such as biomass boilers, which they would not have been able to afford to do otherwise. With the RHI ending, an equivalent alternative must be found to help with the costs of low carbon technology.

**Response to Question 2 - What key policies, priorities and timelines should be included in the Government’s forthcoming ‘Buildings and Heat Strategy’ to ensure that the UK is on track to deliver Net Zero? What are the most urgent decisions and actions that need to be taken over the course of this Parliament (by 2024)?**

In Scotland, we are calling for a large-scale strategy to perform fabric first retrofit (i.e. prioritising energy efficiency measures) on housing stock, as well as significantly boosted investment, which we believe should be replicated in the imminent Buildings and Heat Strategy. The cost of reaching net zero will be substantial but corners must not be cut. CAS recently produced modelled costs[[8]](#footnote-9) for how much it would cost to bring all of Scotland’s homes up to EPC C by 2040. This suggested that the total cost is in the region of £11.1billion, or £555million per year, until 2040. **Crucially, this cost is solely for energy efficiency and does not include the necessary investment for low carbon heat, which will also be substantial.**

The UK Government urgently needs to make critical policy decisions, particularly around the future of hydrogen for heating. We do not take a position on which approach is right other than to say that focus must be placed on ensuring equivalent if not better outcomes for consumers, and the Government must also respond accordingly if negative impacts arise.

In his pitch, Dr Rosenow highlighted the importance of breaking down portfolio silos and taking an integrated policy approach for decarbonising heat. We very much agree with this approach and believe that low carbon principles must be embedded across Government and programmes taken forward in a collaborative way.

**Response to Question 3 - Which technologies are the most viable to deliver the decarbonisation of heating, and what would be the most appropriate mix of technologies across the UK?**

We do not have an opinion about which technologies are the most viable but it is important to emphasise that a variety must be made available to preserve consumer choice and ensure that consumers have access to the heating system most suitable for their property, and there is robust consumer protection in place. Consideration must also be given to the impact on network capacity and its ability to cope with new demand which will arise out of an increase in electric heating. Technologies such as heat networks, ground source heat pumps, and biomass boilers should all be encouraged where appropriate: properties that are rural or hard to treat will not suit the same solution as a new build home or a home in an urban area.

We are supportive of area-based schemes such as Local Heat and Energy Efficiency schemes which create area-wide strategies for the decarbonisation of heat. This will help ensure heat and energy efficiency systems are suitable for the specific needs of the people living in that area and their homes. In this vein, we are concerned at reports that in some areas, technologies are being installed through local authority schemes which are worse than the systems they are replacing and not delivering good experiences and outcomes for consumers.

**Example 1: Infrared heating in the North of Scotland - Evidence from the Citizens Advice network in Scotland**

In March 2020, CAS was alerted to recurrent issues with low carbon heating technologies that had been installed as a replacement for traditional electric storage and panel heaters in social rented housing in the North of Scotland as part of the Scottish Government’s Energy Efficiency Standard for Social Housing (EESSH). In each of the cases highlighted, tenants had been provided with Logicor infra-red heating systems which the clients felt was not performing satisfactorily for a number of reasons: the smart controls for the system did not work and the heat delivered was both inadequate for the needs of the property, and it was vastly more expensive than the system it replaced. The surface temperature of the IR panels is also felt to be a safety issue as they have been mounted at radiator-height and guards cannot be fitted. One of the tenants reported winter weekly electricity costs of £59 against a heating demand that was projected by their landlord to require an annualised average spend of just £16 per week, while another reported costs more than four times the landlord’s projections. In each case, severe issues with damp have developed due to properties being under-heated since the IR systems were installed, resulting in and/or exacerbating respiratory and mental health conditions, and damage to both tenants’ property and the fabric of their home. In at least one case, penetrating dampness and defective cavity wall insulation appear to be an exacerbating factor. Despite having been treated under EESSH and notwithstanding the many deficiencies of EPCs, the SAP rating of one of the properties highlighted to CAS is known to be just 20.

**Response to Question 4 - What are the barriers to scaling up low carbon heating technologies? What is needed to overcome these barriers?**

As it stands, we believe that there are several key barriers to the scaling up of uptake of low carbon heat which is needed. Firstly, as above, consumers require much more clarity and confidence in low carbon heating. Early adopters benefitted from support such as the RHI but with this ending and a lack of clarity as to what will replace it, many consumers may feel put off by the cost of new technology, as well as the range of options on offer and the complexity this presents for consumers in making the right choice for their homes.

Again, we believe that consumers will not feel the benefit of low carbon heating if their home is not energy efficient. Given that over half of Scotland’s homes are rated EPC D or below[[9]](#footnote-10), with many considered “hard to treat”, there is a significant job to do to bring them up to a standard where low carbon heating works to best effect and does not risk increasing bills for consumers. This problem is particularly acute in rural and island areas. Scottish cities also have an issue with tenement-type housing, which makes up 24% of all Scottish housing stock, and especially older tenements built before 1919. More focus needs to be given to how these homes can benefit from low carbon heating technologies.

As above, we believe that mis-selling which occurred under previous schemes such as the Green Deal has contributed to a lack of trust in low carbon heating technology. We believe the Government urgently needs to publicly correct this issue, give proper redress and compensation to affected consumers and implement a strong consumer protection framework to prevent this detriment occurring again. We also believe consumer understanding and awareness is critical to achieving the necessary uptake, which is expanded upon in our response to Question 6.

**Response to Question 5 - How can the costs of decarbonising heat be distributed fairly across consumers, taxpayers, business and government, taking account of the fuel poor and communities affected by the transition? What is the impact of the existing distribution of environmental levies across electricity, gas and fuel bills on drivers for switching to low carbon heating, and should this distribution be reviewed?**

We emphasise that the transition to low carbon heat must be fair, and those on low incomes and in fuel poverty must be protected from shouldering the costs of what will be an expensive process. We support the committee reviewing the distribution of levies across electricity, gas and fuel bills, and considering what the impact would be of removing, for example, some of the levies on electricity.

Additionally, we would suggest that policymakers consider and review whether other financial models such as general taxation would provide a fairer model for spreading the costs of decarbonising. The committee may also want to consider what the impact of the UK leaving the EU will be in terms of the transition to low carbon heating, for example VAT rules, or potential cost implications of importing European technologies, and ensure that consumers are protected within this.

**Response to Question 6 - What incentives and regulatory measures should be employed to encourage and ensure households take up low carbon heat, and how will these need to vary for different household types?**

Citizens Advice Scotland supports the ambition of the Scottish Government to bring every home in Scotland to EPC band C by 2030 and social housing to EPC band B by 2032. We would not support the installation of mandatory low carbon heating before homes are brought to at least EPC band C, as we believe a fabric first approach is always best for the property.

It is important, should the government choose to implement legally binding low carbon heat standards, that such standards are accompanied by a comprehensive consumer education campaign, clear information that is easy to access and a robust consumer protection framework implemented by an enforcement body with enough teeth to ensure quick and fair redress.

These standards should also be accompanied by a range of financial incentives to encourage property owners to act early and take a holistic fabric-first approach. In our report Warming Scotland Up to Energy Efficiency: Putting Consumers First[[10]](#footnote-11), we found that the most popular and motivating incentive for consumers was a prompt Council Tax rebate for homeowners that installed energy efficiency measures. Options such as these should be explored by governments in order to boost uptake, and more detailed proposals about how we believe regulations should be enforced can be found in our response to the Scottish Government consultations on ‘Improving energy efficiency in owner occupied homes’[[11]](#footnote-12) and ‘Energy Efficiency (Private Rented Property) Regulations 2019.’[[12]](#footnote-13)

**Response to Question 7 - What action is required to ensure that households are engaged, informed, supported and protected during the transition to low carbon heat, including measures to minimise disruption in homes and to maintain consumer choice?**

We believe that the UK and Scottish Government urgently need to ramp up public engagement in order to ensure that households are engaged, informed, supported and protected during the transition. Research commissioned by CAS in 2018[[13]](#footnote-14) showed that while consumers in Scotland are generally supportive of the transition and aware of the problem of climate change, they are unclear about what role they need to play to address it. This is corroborated by UK-wide research carried out by Ofgem this year which indicated that “…consumers are just at the start of the journey in understanding and accepting that they have a role to play if the UK is to achieve its net zero goals.”[[14]](#footnote-15) As outlined in our response to Question 6, we are calling for a comprehensive consumer education campaign and clear information that is easy to access. Again, a robust consumer protection framework which is supported by an enforcement body with appropriate powers is critical to ensuring consumers are treated fairly in the transition.

We published a report earlier this year entitled “ABC? Easy as EPC” [[15]](#footnote-16) which investigated how EPCs (energy performance certificates) are viewed, understood, and interacted with by consumers, and how they could be improved to be better understood and more motivational, and we believe the learnings are also applicable in the context of low carbon heating. The research found that many people view energy efficiency as a luxury for those who can afford it and barriers to home energy efficiency improvements are essentially cost and hassle. People who participated in the research and considered themselves highly environmentally conscious were no more likely to know their home energy efficiency rating or be familiar with an EPC than someone who was disengaged with environmental issues (the value-intention gap). For most households, EPCs are not considered useful and are just put in a drawer.

The research concluded that when it comes to home energy efficiency, people are mainly motivated by cost, but social desirability of the measures and appearing “green” plays a large role as well. People may be more motivated by the cost of not acting than potential fuel bill savings, especially if this is linked to Scotland’s carbon targets or the climate emergency. A 1-2-3 style EPC, designed like a home report, may be easier for consumers to understand and engage with. We cannot overstate the importance of energy efficiency advice accompanying an EPC. Good advice is crucial to ensure consumers understand the document and can make the choices most suitable to their property.

While some actions, such as consumer engagement and strong consumer protection frameworks will benefit households in all sectors, additional considerations should be made for particular sectors. It is crucial that private rented sector tenants are protected from unaffordable rent increases following the installation of energy efficiency measures or new heating systems. While some energy costs could be reduced by these improvements, they are unlikely to offset increased rents and could stretch tenant budgets beyond what is tenable. We urge the UK and Scottish Governments to include in any legislation mandating minimum energy efficiency or low carbon heating standards an additional provision that prohibits any landlord who accepts public funds for the purpose of energy efficiency or low carbon retrofit from increasing the rent for their property more than the cost of the measure per month over the lifetime of the measure.[[16]](#footnote-17)

Calculations of these rent increases should be taken into consideration for those in receipt of benefits, so that no one who is already struggling to make ends meet faces additional pressures on their income. It is crucial that tenants in receipt of benefits see any increase in rent matched in their benefit entitlement, so that they can enjoy the benefits of a more energy efficient home and so the transition to low carbon heating takes the opportunity to lift the least able to pay out of fuel poverty[[17]](#footnote-18).

**Response to Question 8 - Where should responsibility lie for the governance, coordination and delivery of low carbon heating? What will these organisations need in order to deliver such responsibilities?**

As above, we believe that low carbon heating should be a cross-portfolio responsibility. Ultimately, the Department of BEIS has responsibility to make well-evidenced and reasoned decisions around critical aspects such as the future of hydrogen and ensuring there are funding schemes available to sustainably promote the uptake of low carbon heating. The UK and Scottish Government must also work together to create a coherent, robust consumer protection framework. Local authorities, in partnership with communities, are in a good position to advise on and deliver for local heating needs but will need sufficient support from central government to do so.

**Section 3 – Contact information**

For more information, please contact:

Aoife Deery, Senior Energy Policy Officer

aoife.deery@cas.org.uk

[[18]](#footnote-19)

1. The Committee on Climate Change (2017); [Reducing emissions in Scotland – 2017 progress report](https://www.theccc.org.uk/publication/reducing-emissions-scotland-2017-progress-report/) [↑](#footnote-ref-2)
2. FPNES plays a role in tackling fuel poverty by providing subsidised connections to the gas grid [↑](#footnote-ref-3)
3. Citizens Advice Scotland (2018); [Hard Wired Problems](https://www.cas.org.uk/publications/hard-wired-problems) [↑](#footnote-ref-4)
4. Citizens Advice Scotland (2020); [Fit for the Future: Putting consumers first in the move towards net zero](https://www.cas.org.uk/publications/fit-future-putting-consumers-first-move-net-zero) [↑](#footnote-ref-5)
5. Bonfield et al (2015); [Each Home Counts](https://www.gov.uk/government/publications/each-home-counts-review-of-consumer-advice-protection-standards-and-enforcement-for-energy-efficiency-and-renewable-energy) [↑](#footnote-ref-6)
6. Citizens Advice Scotland (2016); [Taking the Temperature: A review of energy efficiency and fuel poverty schemes in Scotland](https://www.cas.org.uk/system/files/publications/taking_the_temperature_-_a_review_of_energy_efficiency_and_fuel_poverty_schemes_in_scotland.pdf) [↑](#footnote-ref-7)
7. CSE (2014); [The ECO: an evaluation of year 1](https://www.cse.org.uk/downloads/reports-and-publications/policy/eco_evaluation_final_april_2014.pdf) [↑](#footnote-ref-8)
8. Citizens Advice Scotland (2019); [The Estimated Costs of Improving the Energy Efficiency of Scotland’s Homes](https://www.cas.org.uk/publications/estimated-costs-improving-energy-efficiency-scotlands-homes) [↑](#footnote-ref-9)
9. Scottish Government (2020); [Scottish House Condition Survey: 2018 key findings](https://www.gov.scot/publications/scottish-house-condition-survey-2018-key-findings/pages/5/#Section3.3) [↑](#footnote-ref-10)
10. Citizens Advice Scotland (2017); [Warming Scotland Up to Energy Efficiency: Putting Consumers First](https://www.cas.org.uk/publications/warming-scotland-energy-efficiency-putting-consumers-first) [↑](#footnote-ref-11)
11. Citizens Advice Scotland (2020); [Response to ‘Improving energy efficiency in owner occupied homes’](https://www.cas.org.uk/publications/citizens-advice-scotland-response-%E2%80%98improving-energy-efficiency-owner-occupied-homes%E2%80%99) [↑](#footnote-ref-12)
12. Citizens Advice Scotland (2019); [Response to the Energy Efficiency (Private Rented Property) Regulations 2019](https://www.cas.org.uk/publications/cas%E2%80%99s-response-energy-efficiency-private-rented-property-regulations-2019) [↑](#footnote-ref-13)
13. Citizens Advice Scotland (2018); [Changing Behaviour in a Changing Climate](https://www.cas.org.uk/publications/changing-behaviour-changing-climate) [↑](#footnote-ref-14)
14. Ofgem (2020); [Consumer attitudes towards decarbonisation and net zero](https://www.ofgem.gov.uk/system/files/docs/2020/10/consumer_attitudes_towards_decarbonisation_and_net_zero_1.pdf) [↑](#footnote-ref-15)
15. Citizens Advice Scotland (2020); ”[ABC? Easy as EPC”](https://www.cas.org.uk/publications/b-c-easy-epc-improving-consumer-understanding-energy-performance-certificates-epcs) [↑](#footnote-ref-16)
16. Under this formula, the cost of the measure would be divided by its lifetime and again by months in a year. For example, a new air source heat pump that costs £8000 and has a lifetime of 15 years would cost the tenant: £8000 ÷ 15 years ÷ 12 months = £44.44 per month [↑](#footnote-ref-17)
17. We are aware that under Universal Credit, the housing element is paid by Department of Work and Pensions, and that they would have to approve an increase in benefits [↑](#footnote-ref-18)
18. [↑](#footnote-ref-19)