



UK Energy Bill LCM

The UK Government wants the Energy Bill to help improve energy efficiency in homes and businesses, and to deliver low carbon energy supplies. The centre-piece of the Bill is legislation to bring in the Green Deal. This aims to encourage households to make energy efficiency improvements by establishing repayment through energy bills, which will theoretically reduce as demand reduces, so avoiding high upfront costs.

The Green Deal

The Green Deal still has a long way to go in terms of development to be worth taking up across the whole of the UK. As currently proposed it is too general, it does not consider all situations and locations across the UK, most importantly, there are definitive differences between Scotland and England in terms of climate, property type, suitable measures and ease of access for installers.

The Green Deal could increase the uptake of energy efficiency in many households – those that are able to pay (albeit over the long term through their energy bills), and that would benefit from cost-effective measures such as loft and cavity wall insulation. However, the so-called ‘golden rule’ will limit measures installed to those which cost only as much (or less) up front as the measure will save in energy costs over its lifetime. (It is worth noting that this can only ever be an estimate as there is no guarantee due to variables such as rising energy prices and individual consumer activity.) **To even begin to adequately assess the potential impact of Green Deal measures, the Energy Performance Certificate (EPC) must be reformed, especially to take account of climate and traditional building techniques and features, but must also be useful and accessible to consumers, estate agents, home buyers and tenants.**

Only with strict criteria in whole house EPCs attached to the point of sale or rental, and therefore improving the value of the property thanks to the necessary reporting on its energy efficiency, will the incentive to participate in the Green Deal, a scheme which is attached to the home via the meter and therefore not to the well intentioned individual, be attractive to people moving between homes or seeing their home as their main source of investment as is common in our property market.

- The methodology behind EPCs must incorporate location, climate and traditional building solutions. The current methodology, RdSAP, (Reduced data Standard Assessment Procedure) does not take into account the more extreme climate in Scotland or exposed locations of homes when measuring fuel bills and carbon emissions. Professionals estimate that the level of inaccuracy can be as much as 25%. Atypical bespoke solutions which may be very cost-effective, are not allowed for in calculations.
- EPCs should be held on a ‘live’ database which can be continuously updated so that assessors can download the relevant information and update it rather than repeating the whole survey.
- EPCs should be included in all marketing materials for sale and rental properties. It is essential that potential purchasers or tenants are informed about energy efficiency before they decide to buy or rent, as is done with energy ratings for white goods or cars. This will also motivate decisions about investment in a Green Deal finance package.

Successful delivery of the Green Deal depends on consumer confidence. Consumer confidence in the energy and housing markets and in home maintenance services is lower than in other markets. To overcome this, Friends of the Earth Scotland suggest that the delivery of the Green Deal must reflect consumers’ concerns, so that:

- The proposal is attractive and easy for consumers to understand
- There is meaningful, well-regulated choice for consumers at all appropriate stages of the process
- Work carried out maximises savings on energy bills in the individual property’s circumstances
- There are set standards required of industry throughout the process, from initial survey, through preparation of the financial package and delivery of measures, to billing arrangements

- There are clear and robust procedures available to consumers seeking redress when problems arise, and there must be no possibility of disconnection from energy supply facing consumers as a result of financial charges introduced as part of the Green Deal
- The disclosure to prospective home buyers or tenants that a house has Green Deal finance should include a 'whole-house' energy plan setting out how the house can reach NHER 8 by 2020 and beyond for 2050.

Scotland's climate and geography, as well as the number of homes off the gas grid, mean we have to be more imaginative in how we tackle energy efficiency and fuel poverty. The Green Deal should consider a variety of measures, including combined heat and power, micro-generation technologies and other non-traditional measures. As it stands, whilst well-intentioned, the 'golden rule' may encounter difficulties in assessing the benefit of such technologies, with the worst-case scenario ruling them out of this financing option. Essentially, the Green Deal as envisioned is limited to installing insulation to homes and is therefore not viable to those living in rural areas, tenements or hard to treat homes as standard measures of installation are not practical / shipping the materials is not economically viable. Many rural areas are off grid and so their heating is either oil or electric which are both expensive options so even after the Green Deal is applied, the property may not meet the 'golden rule' as the investment cost is too high.

Furthermore, and especially with the proposed merger of Consumer Focus Scotland with the Citizen's Advice Bureau, we are concerned that there does not seem to be any independent monitor of the finance schemes that will be made available through the Green Deal, not least as the intention seems to be to allow this to be entirely self-regulating through a market based approach or via Ofgem. We are already seeing Feed-In-Tariff schemes being manipulated by unscrupulous developers, a long-term finance scheme such as the Green Deal must have independent monitoring in place from the outset.

Energy Company Obligation (ECO)

Continued recognition of the need to provide alternative methods for installation of measures for vulnerable households is welcome. However, CERT has not adequately encouraged this process in Scotland, with CESP being a more effective programme. Unless the new scheme, ECO, is revised in light of this learning, we will continue to have concerns over linking fuel poverty targets with targets for energy suppliers. Given the fundamental self-interest of suppliers in increasing energy use, or at least ensuring energy tariffs meet their costs, Friends of the Earth Scotland is uncomfortable with Government delegating this kind of social responsibility to the market. We would recommend the Energy Assistance Package (EAP) model be retained.

Any new scheme must address this and ensure Scotland receives a proportionate share of ECO investment, *if not more to deal with past under-investment*. Specifically, both UK and Scottish Ministers should ensure;

- Targets are set to ensure investment in Scotland is commensurate with meeting its climate change, fuel poverty eradication and energy demand reduction obligations;
- The differences in Scotland's more severe climate is recognised in scoring measures and setting targets;
- Powers are given to the Scottish Government to coordinate ECO activity in Scotland to ensure it addresses Scottish circumstances and maximises benefits to Scottish households.

The Private rented sector

As a first comment, we would express concern that the period provided for the review of energy efficiency in the private rented sector seems to be very short. The review cannot commence until one year after the Green Deal comes into force, but must be complete by April 2014.

Furthermore, clause 50 provides that the powers of the Scottish Ministers to make regulations are only exercisable if the regulations "will not decrease the number of properties available for rent." Whilst we understand the intention behind this stipulation, it seems to be one that would be near impossible to measure, and thus could restrict the ability of Scottish Ministers to use the regulations proposed.

We would also take issue with regulations which require a tenant to request improvements. Many tenants are unwilling to raise repair or improvement issues for fear of rent increases or eviction. Indeed, this is partly why so many houses in the private rented sector need energy efficiency improvements. Suggesting this be the trigger for energy efficiency improvements in the private rented sector is naïve at best. If this method is to be retained then tenants' rights will need to be improved. Regardless, we would suggest that alongside any

voluntary scheme, **the Energy Bill should set a deadline of no later than 2016 after which it will be an offence for a landlord to let a property which does not meet agreed energy efficiency standards.**

Existing Scottish legislation

The Climate Change (Scotland) Act makes various provisions for energy efficiency of homes in Scotland. How the UK Energy Bill provisions which ask for a report between 2013 and 2014 will work alongside the requirement that Scottish Ministers set out by March 2011 how they intend to improve the energy efficiency of Scotland's housing stock must be clarified. **The provisions in the Climate Change (Scotland) Act must take precedence over any new legislation.**

Local authorities and HECA

If HECA is to be repealed, regulations must be introduced both requiring action on the part of local authorities to monitor the energy efficiency of homes in their areas, and also empowering local authorities to take action to require the improvement of properties, especially in the private rented sector.

We would suggest that as part of their duty under the Climate Change (Scotland) Act 2009 to contribute both to the 42% target and to adaptation to the impacts of climate change, local authorities should have a duty to ensure that they are using the powers already at their disposal to ensure energy efficiency improvements are being made and fuel poverty addressed. Additionally, as mentioned, where necessary they should be given powers to enforce such improvements, to better enable them to comply with that duty.

Scotland, fuel poverty and energy efficiency

Scotland labours with higher numbers of households living in fuel poverty than in England and Wales. Latest figures suggest 32% of households, almost 1 in 3 Scots, are paying more than 10% of their income to heat their homes. Scottish Ministers are charged with eliminating fuel poverty by 2016. Despite this statutory target, and a roll out of energy efficiency measures, the numbers living in fuel poverty are increasing.

Concurrently, in the world leading Climate Change (Scotland) Act, the Scottish Parliament agreed that Scotland should reduce our greenhouse gas emissions by 42% by 2020. Scotland's homes account for about a quarter of Scotland's emissions so improving the energy efficiency of our homes is vital to contribute to meeting this target.

A scheme to encourage and incentivise energy efficiency improvements in Scotland's homes is essential. Such a scheme must be designed in such a way that it recognises the need to tackle fuel poverty, the number of 'hard-to-treat' homes in Scotland, the failure of the private rented sector to address energy efficiency, the statutory targets referred to above and the variety of measures that could work to improve Scotland's homes

Conclusion

The production and consumption of energy in Scotland is unique within the UK. We have a colder climate, a wider variety of housing types and standards and geographical challenges. These conditions are reflected in the fuel poverty figures and levels of energy consumption. To achieve the standards of energy efficiency that will make Scottish homes fit for the 21st century will require a step change in our attitudes. The UK Energy Bill does not reflect that requirement, nor does it recognise Scotland's unique challenges in meeting that requirement.

Friends of the Earth Scotland recommend the Scottish Parliament reject the motion and instead seek devolved responsibility for the implementation of Green Deal and the new energy supplier obligation, and refuse to allow re-appropriation by the UK Government of measures to tackle energy efficiency in the private rented sector and fuel poverty. To allow Westminster to continue along the path laid out in the Energy Bill could be massively damaging for Scotland, and will certainly adversely impact on the most vulnerable Scots.

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