

EUA response to the Improving energy efficiency in owner occupied homes consultation

About us

The Energy and Utilities Alliance (EUA) provides a leading industry voice helping shape the future policy direction within the sector. Using its wealth of expertise and over 100 years of experience, it acts to further the best interests of its members and the wider community in working towards a sustainable, energy secure and efficient future. EUA has eight organisational divisions - Utility Networks (UN), the Heating and Hotwater Industry Council (HHIC), the Industrial & Commercial Energy Association (ICOM), the Hot Water Association (HWA), the Manufacturers' Association of Radiators and Convectors (MARC), the Gas Vehicle Network (GV Network), Manufacturers of Equipment for Heat Networks Association (MEHNA) and the British Energy Efficiency Federation (BEEF).

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Response

Summary of consultation questions

1. Do you agree or disagree that there should be a legally-binding energy efficiency standard for owner-occupied housing?

EUA do not agree that there should be a legally binding energy efficiency standard for owner occupied housing. Whilst 57% (Scottish Housing Survey 2018) of Scottish homes do need to

improve their energy efficiency levels the cost and complexity would penalise too many homeowners and many would not be able to afford to complete the work.

The average cost of improving a home from across all EPC bands equates to £971 (XLS energy chapter 2...AT2.11). The average household debt:

- £60,213 as of Feb 2020 according to <https://themoneycharity.org.uk/media/February-2020-Money-Statistics.pdf>
- Unsecured debt is £15,400 per <https://www.tuc.org.uk/news/unsecured-debt-hits-new-peak-%C2%A315400-household-%E2%80%93-new-tuc-analysis> for 2019.
- ONS in 2018 say household debt stands at 61% of total wealth (XLS householddebttotal, 7.1). Therefore, we do not believe this is a fair policy.

Therefore, we do not believe this is a fair policy.

25% of all dwellings are fuel poor homes whilst 12% live in a home with an EPC of E, F or G. These homeowners would be disproportionately affected as they cannot afford to improve their homes, under this policy they wouldn't be able to sell their home and so would be trapped in a cold home with no financial asset.

The knock on effect on the housing market in Scotland is also unknown, it could serious effects on the mortgage and retail markets leading to many homes being unsellable because of their energy efficiency rating.

In a recent document the Scottish Government published entitled the 'Big Climate Conversation' the research conducted found that:

"to "Require homes to meet minimum energy efficiency rating before they can be sold" was ranked as a low priority by the largest proportion of participants. There were concerns that this could negatively affect homeowners who couldn't afford to upgrade their homes to meet these requirements, potentially exacerbating inequalities across Scotland. Participants believed there may be particular financial and physical restrictions to upgrading older housing stock and non-standard houses. It was suggested that an inability to meet this minimum rating could also cause the housing market to stagnate as fewer people were able

to sell their homes.” Page 41 <https://www.gov.scot/publications/report-findings-big-climate-conversation/>

It is clear that public opinion is still not in support of such a measure and to implement it could lead to negative public reception to this and future energy efficiency programmes which could be seriously detrimental as we work to meet our net zero targets.

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

51% of homes in Scotland are below band EPC C. 7% of homes have either LPG or Oil central heating. EPC's are based on the cost of fuel and due to the SAP calculations most of these homes will not be able to meet an EPC of C. So this policy would essentially ban LPG and Oil heating in Scottish Homes.

This would mean that the cost of meeting the target could be increased of up to £20k for a new heating system alongside insulation measures.

There is widespread concern across industry that EPC's are not fit for purpose and are often either wrong or deeply misleading. By essentially using this tool to ban the sale of homes not meeting a Band C there will be significant incentive to 'game' the system and prescribe fake EPC ratings in order to meet band C.

3. What are your views on the "fabric first" approach as described section 1.1?

EUA agrees that the fabric efficiency of homes need to be improved.

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

Due to inadequate level of enforcement of EPCs it is current not viable to use EPCs to determine compliance. They are at best a broad indication of a home's standard but different assessors can often rate a home across a range of different ratings. When a home's potential sale is determined by an EPC rating it is probable that the quality of the assessments will get worse as there is an incentive to provide a generous assessment.

Before even contemplating this policy the Scottish Government should urgently review EPC's to determine their viability and then see if any recommendations can be brought in to improve them.

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

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

EUA does not believe that this policy should be brought in.

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

We do not believe this is an appropriate trigger point for the reasons listed in our response to question 1.

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

We do not believe this is an effective means to progress to the scheme. This would put responsibility on the buyer to undertake the energy efficiency works, but they would have no imperative to carry them out unless they then came to sell, at which point they could pass that undertaking on to the new buyers.

It would also lead to lower house selling process, possibly exacerbating negative equity for some homeowners. Also that lower selling price could be exploited by the buying party if they then didn't carry out the work.

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

This would lead to lower house prices for all lower EPC homes. But it would lead to many homes in Scotland becoming unsellable. 17% of homes in Scotland are rural and unlikely to ever be able to meet a band C without significant work and a high cost. This policy particularly negatively affects these homes which are often amongst the more vulnerable.

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

This would be more manageable as it is a voluntary action. EUA would be more supportive of this as a means to improve the energy efficiency of homes. The same caveats about the quality of EPCs applies.

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

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

The relevant building authorities who have to sign off work for compliance would be well placed to also check for compliance with energy efficiency improvements.

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

EUA do not believe that there should be a legally binding standard and so we definitely don't believe there should be a penalty system in place. Punishing the fuel poor is not an action EUA would be able to support

14. Should a penalty for failing to comply with the standard be one-off or recurring?

There should be no penalty

15. At what level, approximately, should any penalty be set?

16. Are there any particular groups of people who could be adversely affected, more than others, by enforcement processes and charges?

All those in fuel poverty and poverty in general would be adversely affected. Anyone who struggles to afford to improve their home because of financial constraints would be negatively affected. And more broadly anyone with high living costs like parents with young families and the elderly.

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

There should be no penalty.

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

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

As stated above homes with LPG, Oil and some homes with direct electric heating like panel radiators and storage radiators will not be able to meet a band C. If this policy is introduced an exemption would need to be given to these homes.

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

EUA disagrees.

21. Do you agree or disagree that any exemptions or abeyances from the standard should be time-limited?

22. Which body or bodies should take decisions about granting abeyances? Should this be done at a local level or centrally at a national level?

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

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

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

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

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

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

There is a risk of significantly substandard insulation measures being installed if there are no check on workman ship and product quality. Ideally a well certified scheme would be available to provide assurance. There is the Trustmark scheme but it remains very expensive and would further penalise homeowners who are struggling to afford to bring their home up to standard.

In the 'Big Energy Conversation' report it was found that most people were sceptical of insulation measures and felt in the past there had been widespread mis-selling of insulation measures.

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

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

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

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