

Existing Homes Alliance Scotland response Scotland's Energy Efficiency Programme consultation 29 May 2017

The Existing Homes Alliance is a coalition of housing, environmental and anti-poverty groups calling for the improvement of the energy performance of Scotland's existing housing stock. We have called for energy efficiency to be a National Infrastructure Priority and welcome the development of Scotland's Energy Efficiency Programme (SEEP) as the cornerstone of the new Energy Strategy's whole system approach, giving recognition to the role energy efficiency can play in meeting our energy needs in the future.

This paper provides our responses to the questions provided in the SEEP consultation document.

1. 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?

- The combined approach of the current Home Energy Efficiency Programmes (HEEPS) of locally-led area-based schemes and a national fuel poverty programme which responds to the needs of individual consumers in fuel poverty in an integrated way.
- A nationally funded advice and support service for all energy users, providing a single point of contact for all energy efficiency inquiries, delivered through regional advice centres.
- Multi-year contract for Warmer Homes Scotland, which has allowed for multi-year contracts with the supply chain, set strong quality standards, and has an outstanding consumer satisfaction record.
- The increasing support for behaviour change in energy use, to make sure that solutions are people-centred and not measures-driven.

• What are the main delivery challenges faced at present and how might these be overcome?

Providing certainty

- Sufficient funding to support the number and level of energy upgrades required to meet fuel poverty and climate change targets.
- Lack of multi-year grants to local authorities for area-based programmes.
- Perception that energy generation programmes still receive greater political support.
- **Solution:** High profile, sustained leadership from the First Minister and her cabinet, demanding cross-portfolio support and engagement; and increased budget to reflect SEEP ambitions.

Lack of demand

- Market failure - energy prices don't reflect full costs to society
- Lack of access to capital.
- Lack of information/understanding regarding energy use behaviours, best energy efficiency and low carbon heat measures, and the benefits of taking action.
- Concerns about quality of workmanship.
- **Solution:** Regulation, finance, expansion of advice services, and consumer protection measures – all within a trusted and recognised brand for SEEP that is nurtured throughout the programme.

Policy nudges not in place

- Property market (sales, mortgages) don't recognise value of energy efficiency.
- Tax incentives are not used to motivate behaviour.
- Planning constraints (conservation areas) can be an obstacle.
- **Solution:** Regulation, new tax incentives and planning guidance – Warm Homes Bill provides a legislative vehicle for SEEP.

2050 vision – aims and objectives

2. 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?

The consultation document states that SEEP's 2050 vision is:

Scotland's buildings are near zero carbon by 2050 and this is achieved in a way that is socially and economically sustainable

Paragraphs 26 and 27 appear to provide the 'underpinning objectives':

- Emissions to fall by 75% from domestic buildings (2014 baseline).
- 80% of domestic buildings' heat demand is supplied by low carbon technologies.
- Improvements to the fabric of domestic buildings results in 6% reduction in heat demand.
- SEEP will support the delivery of the new fuel poverty strategy.

In addition paragraph 28 suggests a further objective could be to meet a 2030 energy efficiency target.

Vision statement

We agree with the proposal for a 2050 vision of 'near zero carbon buildings' in principle, but suggest it would be simpler to say 'zero carbon buildings' with the understanding it is zero carbon in use, and allows for technical constraints.

The vision statement should come with an explanation and/or illustration of what this means in practice. For example –

All buildings will be highly insulated and draught-proofed, dramatically reducing the demand for heat. Heat requirements will be met through low carbon technologies such as heat pumps, biomass heating, and highly efficient electric heating. Energy storage will also play a role in flattening out the peaks and troughs of energy usage. Those buildings heated by gas will have much reduced heating requirements and will have changed to other sources such as district and community heating and small-scale renewables, and there may be a place for low carbon fuels using the mains gas network in the future.

It would also be useful for SEEP to clearly define what is meant by the various terms: 'near zero carbon', 'nearly zero energy' (as per EPBD) and 'net-zero carbon' and 'zero carbon' buildings. We understand that the EPBD term 'nearly zero energy' for new buildings has a cost effectiveness test that means current standards already comply. We believe this is both confusing and inadequate to the task and should not be used by SEEP.

We agree that the vision should be reached in a way that is 'socially and economically sustainable.' This should not be understood as a caveat, or a limitation. Instead, both should be underpinning objectives of SEEP – 1) to eliminate energy performance of domestic buildings as a cause of fuel poverty and 2) to create and sustain local jobs and businesses throughout Scotland through the delivery of the SEEP programme.

SEEP target and interim milestones

We welcome the commitment to a 'large-scale' programme of 20 years. As the vision for SEEP extends to a date over 30 years in the future (and beyond the end of SEEP), we believe that the SEEP programme needs a final target and interim milestones for the duration of the programme to set a clear direction of travel and to measure progress.

Targets: There should be a target for the end of the SEEP programme, which is described as running for 'up to 20 years' (paragraph 5). We think this target needs to be expressed in terms of total energy use by the residential sector, as this will be an actual, rather than theoretical measure.

In our view, there should be *no increase* of energy demand, including any growth in population or households; and there should be an overall *decrease* in energy use by 2032.¹ The ambition for emissions reduction of 6% reduction in heat demand from fabric efficiency in the Climate Change Plan is inadequate and actually allows for a growth in demand of 9%.²

The energy use target should be accompanied by a target for the energy performance of the housing stock – measuring what SEEP is delivering through its activities. We think it would be appropriate to expect the domestic sector to have a target of 'zero carbon' homes for 2038, leaving the remaining 12 years for the non-domestic sector to catch up and reach that goal.

¹ Research by Ricardo Energy and Environment on the energy pathway to 2030, included a *30% reduction in energy demand* from buildings to meet climate change targets. For comparison, the Draft Climate Change Plan has an ambition for only 6% emissions reduction from heat demand due to energy efficiency measures.

² Scottish Government evidence to the Scottish Parliament states that domestic heat demand is forecast to grow by 2032 by 15%, reduced by 6% by conservation measures.

http://www.parliament.scot/S5_EconomyJobsFairWork/Reports/EJFWS052017R03.pdf

Milestones: To align with the target, there should be milestones based on reducing energy demand (linked to the Energy Strategy's energy demand reduction target) and on energy performance of the building stock. For the domestic sector, we recommend a medium term milestone for 2025 of the vast majority of homes reaching EPC band C or higher and a milestone that aligns with the end of the Draft Climate Change Plan (2032).

Once the new fuel poverty target is in place, there should also be a milestone which relates to SEEP's contribution to that target (eliminating poor energy performance as a driver of fuel poverty).

The end target and milestones will provide certainty to policy-makers, the public and industry – driving investment, inspiring engagement, and 'norming' low carbon homes. The target will need to be expressed in a way that is accessible to the public.

Underpinning objectives – how to achieve?

Energy efficiency and low carbon heat

In general, the objectives are welcome, but as noted above, we believe that the objective for a 6% reduction in heat demand is inadequate and that much more could be achieved, and more quickly. To help inform a more ambitious target, it would be useful for the Scottish Government to share the assumptions regarding the breakdown of measures and level of improvement to properties that would be required to achieve a 6% reduction.

The objective for low carbon heat is very ambitious, and again, requires a huge increase in low carbon heat installations. We cannot risk delaying until potential low carbon heating solutions, such as hydrogen, come on stream at some date in the future. The current proposals for decarbonised mains gas supply lack clarity on the mechanisms, by which it will be developed, tested and delivered.

If indeed the intention is to 'highly insulate' all properties (where technically possible) we believe this will require a rapid acceleration of effort on energy efficiency in the early years of the SEEP programme as opposed to what is suggested in the Draft Climate Change Plan (doubling to 90,000 measures in 2018 and flatling out to 2032).

This is why we call for an interim milestone of EPC band C by 2025 for the vast majority of homes. In essence, this should mean that all insulation measures (loft, cavity wall, solid wall and draught proofing) that need to be done are done by that date. This would also include measures such as secondary or double-glazing where that will lead to the greatest energy savings. This 'fabric first' approach not only makes sense in terms of reducing heat demand, it is a pre-requisite for ensuring that the low carbon heat technologies maximise their potential. Importantly, it will also provide greater comfort and reduced energy bills for householders – alleviating fuel poverty and giving a positive experience to home owners and tenants.

In summary we believe:

- A much more ambitious target for heat demand reduction should be set.

- Effort on energy efficiency should be accelerated with the bulk of effort in the early years of the programme.
- Alongside fabric improvements, the installation of low carbon heat technologies should be brought forward in off-gas grid areas and for low and zero carbon district heating, where we have a good understanding of solutions.
- At the same time, SEEP should include a significant effort on ‘whole house’ or ‘deep retrofit’ approaches that will contribute to achieving zero carbon existing homes with little or no need for heating. These can prove cost-effective over a more incremental approach.
- The great potential for energy demand reduction by means of behaviour change must not be overlooked as an element of SEEP as it is at present. Well-aimed investment in public awareness/education is not only necessary but cost-effective.

Fuel poverty:

Given that the Scottish Government has all the powers it needs to eliminate energy performance as a driver of fuel poverty, we believe this should be an objective of SEEP (as per Scottish Fuel Poverty Strategic Working Group (SWG) recommendation 24³). The SWG report noted: “The statistics illustrate the important influence of energy efficiency on fuel poverty levels...the incidence of fuel poverty among the income poor rises to 99% among those in the least energy efficient properties, EPC rating E-G.”⁴

The Scottish Fuel Poverty Strategic Working Group also called for “all properties of fuel poor households to be upgraded to at least an EPC band C by 2025 with five-yearly targets set for progress towards EPC band B thereafter.”⁵ This should be a focus in the early years of SEEP, and ties in well with the fabric first approach, working alongside activity for households that are not fuel poor, or activity within the non-domestic sector.

Given concerns about how the methodology underpinning EPC’s may not always drive the most appropriate measures for the property type or to support low carbon heating, there may need to be some flexibility in how this target is measured. However, in the round, the EPC band C provides a good basis for eliminating energy performance as a cause of fuel poverty in most homes.

Jobs

The SEEP programme must be designed in a way that gives priority to local jobs and businesses. In addition, there should be a focused effort on the part of Scottish Enterprise, HIE, CITB, Energy Skills Scotland and Skills Development Scotland on developing skills, and in partnership with the Scottish Government’s Sustainable Energy Supply Chain programme supporting existing and new businesses in the supply chain. We go into this in more detail in our answer to question 17.

³ A Scotland without fuel poverty is a fairer Scotland, 2016, Scottish Fuel Poverty Strategic Working Group

⁴ Ibid.

⁵ Ibid.

3. 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.

As noted in our answer to question 2, we agree there should be interim milestones as well as a final target for SEEP which are related to the vision for 2050 (zero carbon buildings). In addition, there should be milestones tied to each underpinning objective to make sure SEEP is achieving across a range of measures – emissions reduction, fuel poverty, and employment. Our recommendations are set out in the following table:

Table 1: SEEP Targets and milestones

Overall SEEP Programme milestones		
	Energy performance of housing stock	Energy demand reduction*
2025	Vast majority of homes are rated EPC band C or above (where technically appropriate).	Energy use milestone (measured based on UK data)
2032	Climate Change Plan ambitions for the buildings sector translated to EPC ratings and low carbon heat description	Energy use milestone (suggested at least 15% reduction – no growth in energy demand)
2038	The domestic sector would (all but) achieve zero carbon buildings.	Energy use milestone
Underpinning objective – fuel poverty		
2025	EPC C or above	
2032	Poor energy performance eliminated as a driver of fuel poverty	
Underpinning objective – jobs		
	Milestones for jobs created and sustained through SEEP ⁶ for 2025, 2032, 2038	

*We have not provided specific milestones for energy demand reduction, however we believe that there should be no growth in demand, and that it is likely buildings will need to achieve a 30% reduction in energy demand by 2030 as part of an energy mix to meet climate change targets.⁷

To achieve these objectives, it will be necessary to bring together energy efficiency, low carbon heat and fuel poverty objectives such that low carbon heat is delivered at the same or less cost to the householder. This means the total amount of heat required will be less, thanks to the fabric first approach, and thus result in lower running costs of low carbon heat technologies (heat pumps, district heating, biomass). For example, air source heat pumps are estimated to be cheaper to run compared with gas.⁸ However, there are some perceptions that these technologies do not always perform well due to poor quality installations and these concerns will need to be overcome.

⁶ Existing Homes Alliance research suggests that up to 9,000 jobs could be created and sustained with an infrastructure programme aimed at raising the standard of the existing housing stock to EPC band C or above by 2025.

⁷ http://assets.wwf.org.uk/downloads/ricardo_energy_environment_renewable_energy_in_scotland_2030_2016.pdf

⁸ <http://www.energysavingtrust.org.uk/renewable-energy/heat/air-source-heat-pumps>

To support progress across all objectives, we also support milestones for the following areas:

- Off-gas grid – all homes highly insulated and heated by renewable, low carbon and affordable heat sources by 2025. This would include the replacement of old electric heating with heat pumps or efficient electric heaters.⁹
- District and communal heating – the government has already set a target of 40,000 homes by 2020 and further target/milestones should be set for the remainder of the SEEP programme. Research by Element Energy for WWF Scotland concluded that to get one-third of renewable heat from district heating by 2030, 350,000 dwellings will need to be connected.¹⁰ There is also the prospect of 4th Generation District Heating which combines multiple renewable resources to meet demands in very energy efficient homes.¹¹
- Innovation: Set a target of a certain percentage of homes to undergo ‘deep retrofit’ by 2025 – eg Passivhaus retrofit (EnerPhit standard)¹²; Energiesprong¹³; Building Passport¹⁴.

The role of regulation, standards and incentives

4. 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?

Our answers relate to standards in the domestic building sector, as this is the focus for the Alliance. However, we also note how standards in the non-domestic sector can have a positive impact on taking forward progress in all buildings.

We believe regulation and standards are critical to the success of SEEP. As in other areas of public policy, government introduces regulation to serve the public interest – in this case, addressing climate change, fuel poverty, and related health impacts. Regulation has been very effective in the social housing sector¹⁵, and we believe privately owned and rented housing should enjoy the same benefits of warm, dry, comfortable homes. Regulation should be designed so that the householder is ‘better off’ – through a combination of payback period, financial support and fiscal incentives.

We believe regulation will have the following benefits:

⁹ While new, efficient electric heaters, combined with fabric efficiency measures can save 20-40% on electricity use, installing wet systems with heat pumps, alongside fabric measures, can save much more – up to 70-80%. These differences are not only important for saving on fuel bills, but also reducing pressure on the national electricity grid

¹⁰ The Burning Question: what is Scotland’s renewable heat future?, 2014, WWF Scotland

¹¹ <https://setis.ec.europa.eu/energy-research/sites/default/files/project/docs/Projectdescription4DH.pdf>

¹² <http://www.passivhaus.org.uk/page.jsp?id=20>

¹³ <http://www.energiesprong.uk/>

¹⁴ <http://bpie.eu/publication/renovation-passports/>

¹⁵ Nearly half (49%) of social housing is in band C or better, compared to around a third of dwellings in the private sector (Scottish House Condition Survey Key Findings 2015).

- Move the worst performing properties up the scale on energy performance.
- Encourage landlords and homeowners to think ahead and improve beyond the minimum standard.
- Create new norms – a property must have good energy performance to be seen as desirable.
- Drive private investment in energy efficiency.
- Create certainty and volume for the market.

A useful resource is the briefing from BPIE – Buildings Performance Institute Europe which provides examples of regulation in Europe¹⁶. For example, in France, all buildings with an EPC band F or G rating must be renovated close to new build standards by 2025, and by 2050 all buildings must be EPC band A or B.

We will provide a comprehensive response to the separate consultation on minimum energy performance standards in the private rented sector and look forward to the publication of a consultation on regulation for the owner/occupied sector. We think it is essential for regulation to be introduced for both the private rented and owner/occupied sector at the earliest opportunity.

5. What should be the trigger points for buildings to meet standards? Should this differ between domestic and non-domestic buildings, and if so, how?

As noted earlier, our focus is on domestic buildings. We believe regulation in private sector housing should be introduced at the point of sale and rental.

However, this will only capture a small percentage of the owner-occupied sector each year, and so we also call on the government to consider applying the minimum standard at the point of major refurbishment. From a practical point of view, this would mean improvements were done at the most cost-effective and least disruptive time, when works are underway already on the property. However, we are aware this could be seen as controversial and so could be introduced on a voluntary basis initially, with supporting incentives, and phased in over time.

We support requiring the minimum standard for any property in receipt of public funding for improvement works – eg Empty Homes, local authority improvement grants, Historic Environment Scotland grants.

The introduction of standards in the non-domestic sector will help remove barriers to upgrades in mixed tenure properties. It will also create greater certainty for development of low carbon heat generation such as communal and district heating which rely on guaranteed connections.

¹⁶ http://bpie.eu/wp-content/uploads/2017/05/Factsheet_B-170511_v4.pdf

6. 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.

We believe SEEP will need to include both financial and fiscal incentives to encourage the uptake of energy efficiency and low carbon heat improvements. We understand financial incentives to mean some type of monetary benefit to encourage action such as low interest loans, cash-back offers, and feed-in-tariffs. Fiscal incentives are about using tax policies to incentivise action. Government has a role to play in providing these incentives to overcome the barriers to uptake – namely that energy prices do not reflect the true social and environmental costs, information gaps, and lack of capital to cover upfront costs.

The Alliance commissioned the report, *Financing Scotland's Energy Efficiency Programme*¹⁷ to explore financial models for SEEP. It notes that finance is “a means to achieve a desired outcome, rather than a core driver. The drivers are such things as consumer engagement, strong communications of the benefits, and supporting incentives.” This report considered in depth how finance, in terms of loans and grants, could be resourced to support a programme raising the standards of the existing stock to EPC band C.

Financial and fiscal incentives have three key roles 1) attract and engage the consumer; 2) enable the investment; and 3) support regulatory compliance. We believe SEEP should include a range of financial and fiscal incentives to reflect the different needs and interests of Scottish households.

Financial incentives: These should include grants, low interest loans, equity release loans, and cashback offers. Grant schemes provide measures at zero or reduced cost and should be targeted at those most in need. Low cost loans would be subsidized by government (national and local) – using public sector funds to ‘buy down’ interest rate rather than fund full capital cost. These could include wider home improvement loans as part of a ‘package’ of measures.

Some of these products are already on offer by Energy Saving Trust on behalf of the Scottish Government. Indeed, EST Scotland has several years of experience marketing and managing loan and incentive programmes on behalf of the Scottish Government. We strongly recommend that there is a review of these programmes to inform the design of SEEP incentives for the future.

In addition, the Scottish Government should continue to engage High Street lenders to offer preferential rates on their own products (loans and mortgages) in recognition of the value of energy efficient homes. There are particular opportunities now, with very low interest rates meaning that householders can already access relatively cheap finance. It may be possible to match ‘cashback’ offers from government with a private sector loan (as has been done in the past with scrappage schemes).

¹⁷ Financing Scotland's Energy Efficiency Programme, 2016, Marksman Consulting, report to the Existing Homes Alliance.

Another possibility is for mortgage offers to take into account the lower running costs of an energy efficient property when determining mortgage affordability. This idea is being researched by the UK Green Building Council.¹⁸

Fiscal incentives include tax credits, rebates, deductions, feed-in tariffs, or simply lower tax rates. For these incentives, the householder or landlord has to pay up front and then get monetary reward when the work is complete. These can be appealing to those who are not fuel poor and have the upfront capital, but need a sweetener to clinch the deal. These policies tend to be longer-term and provide stability for investment plans.

We understand that recent research from the Consumer Futures Unit (CFU) at Citizens Advice Scotland suggested that a new scheme of Council Tax discounts could be the most promising form of incentive for making energy efficiency upgrades. The Alliance looks forward to studying the report in detail.

Examples:

The UK GBC conducted an extensive review of potential financial incentives for the domestic retrofit market¹⁹. The review concluded that the most promising proposals were: variable stamp duty, variable council tax, and an energy efficiency feed-in-tariff.

The UK Committee on Climate Change report Annex 3: *Best Practice in residential energy efficiency policy – a review of international experience*,²⁰ provides a useful summary of financial and fiscal incentives that have been used in programmes around the world.

A report commissioned by the Scottish Government by ClimateXChange: *A comparative review of housing efficiency interventions* for ClimateXChange.

The latter two reports shared some key success factors for financial incentives:

- Low cost and long term.
- Low administrative costs for the programme.
- Secure, eg backed by government guarantee.
- Self-sustaining, eg revolving loan.

In our response to the Draft Energy Strategy consultation, we suggest that the proposal for a Scottish Renewable Energy Bond be expanded to include energy efficiency. This is an idea that has been explored elsewhere, and could provide valuable private finance to support energy efficiency upgrades.

¹⁸

www.ukgbc.org/sites/default/files/The%20role%20of%20energy%20bill%20modelling%20in%20mortgage%20affordability%20calculations.pdf

¹⁹

http://www.ukgbc.org/sites/default/files/130705%2520Retrofit%2520Incentives%2520Task%2520Group%2520-%2520Report%2520FINAL_1.pdf

²⁰ UK CCC Annex 3 Best Practice in residential energy efficiency policy – a review of international experience

Examples:

- California, PACE (Property Assessed Clean Energy) Deutsche Bank structured the first-ever securitization of loans for residential energy efficiency with a \$104 million PACE bond in California. The bond helps fund upgrading home insulation and installation of solar panels.²¹
- Climate Bonds 'opt-out' model for large-scale projects that automatically include whole areas in retrofit programmes – domestic, non-domestic and industry.²²
- Qualified Energy Conservation Bonds – US Department of Energy.²³
- Energy efficiency Green Bonds in Mexico – Green Climate Fund.²⁴

7. 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?

We need to be clear what the purpose for the assessment is, and how it will be communicated. We believe the assessment has the following purposes:

- Inform policy targets and measurement of progress against target.
- Set standard for regulation.
- Inform decisions for energy upgrades and energy management.

We support the continued use of the Energy Performance Certificate and the A to G bands as the main mechanism for communicating the general energy performance indicator of the property. The EPC has been in use since 2008, and the A to G scale is easy to understand. Similar banding is already in use with appliances and cars, and the property market is required to include the EPC rating in Home Reports and marketing materials. However, we acknowledge that there are a number of concerns which need to be addressed:

- EPC's are an asset rating (how the building performs in theory), designed to compare dwellings and not an operational rating (actual performance). Therefore, the predictions for energy use and carbon savings based on EPC's may not reflect actual performance of the particular building or the residential sector. Latest figures show that actual energy use can be as low as 65% of what is estimated from EPC's in existing buildings and that in new buildings SAP often underestimates performance significantly. Expected changes to SAP and RdSAP assumptions should narrow this gap and continued improvements to the methodology are planned.²⁵

²¹ <https://www.db.com/cr/en/concrete-energy-efficiency-retrofit-bond-securitization.htm>

²² <https://www.climatebonds.net/projects/models/energy-efficiency>

²³ <https://energy.gov/eere/slsc/qualified-energy-conservation-bonds>

²⁴ <http://www.greenclimate.fund/-/energy-efficiency-green-bonds-in-latin-america-and-the-caribbean>

²⁵ SHCS Key Findings 2015

- The EPC gives a rating per m2 rather than the overall energy efficiency of the property which can result in householders having incorrect assumptions as to whether they are high or low energy users.
- Quality assurance procedures are inadequate to guarantee consistency and quality.
- The EPC does not provide tailored recommendations for improvements.
- The EPC (energy efficiency rating) does not recognise the value of low carbon heat.

We believe the following steps should be taken to make the EPC fit for purpose, while at the same time keeping assessment costs manageable:

- Improve underpinning methodology: continue to work with UK process to improve the SAP and RdSAP methodology through a review process. This would include assumptions, greater flexibility in terms of recognition of new technologies and accurate costs.
- Home reports should include information on running costs as well as the EPC asset rating.
- There should be a greater focus on the overall modelled energy usage rather than the energy usage per m².
- Put in place more robust quality assurance procedures including on-site checks and accreditation of assessors.
- Adapt the EPC assessment report to support compliance with regulation – as proposed in the consultation on minimum energy efficiency standards in the PRS – a ‘minimum standards assessment’.
- EPC’s include a separate Environmental Impact Rating (EIR) that measures a building’s carbon performance, which should indicate the route for the low carbon heat transition. This has been acknowledged in the assessment proposed for compliance with the PRS regulation.

Appropriate level and sources of funding

8. 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?

Principles for SEEP Delivery Programme

The first priority is to consider principles to guide the SEEP programme. This would include guidance on the balance of funding, the role of local and national programmes, and consumer protection. The Alliance produced a report, *Realising the Potential of Scotland’s Energy Efficiency Programme*, in 2016²⁶ which recommends the following set of principles which we believe should guide the SEEP delivery programme. These principles (quoted below for reference) illustrate the importance of having a coherent package of SEEP interventions including advice and support, finance, and regulation:

- Continue to provide a **national fuel poverty programme** which responds to the needs of individual consumers in fuel poverty in an integrated way. Public funding in

²⁶http://existinghomesalliancescotland.co.uk/wp-content/uploads/2017/02/ExHA-SEEP_Finalreport_August2016.pdf

support of the wider delivery of SEEP should clearly be additional to existing fuel poverty programmes, and grants should be targeted so that recipients will avoid the risk of fuel poverty in the future.

- Create a **market for more energy efficient homes** (and non-domestic buildings), and therefore a more stable market for installation of measures through the **introduction of minimum energy efficiency standards for existing homes** which will rise over time.
- Use other **non-financial actions to encourage and facilitate action**, such as public sector purchasing, planning, building regulations, and approaches to the management of blocks of flats, particularly in relation to the roll out of district heating.
- Provide a **range of financial solutions** for consumers which can be offered in line with their individual circumstances and the measures that need to be implemented; there should be no barrier to installation of measures because of lack of finance for up-front costs. Support should be prioritised towards lower income groups, and towards consumers who will help build the market for newer measures.
- Introduce **loans, secured and unsecured**, for those who are property rich and/or have the necessary credit rating but may lack the cash needed to improve their homes; this approach may also be suitable for the private rented sector where both landlords and tenants might be expected to contribute.
- Provide **guidance on behaviour change, measures and finance packages** tailored to the householder, which are independent of the sale of specific measures. Support should also be available to maximise incomes and lower energy bills through tariff advice. Follow-up support should also be offered to ensure gains are maintained.
- Provide a series of **targeted, area- and thematically-based energy efficiency programmes**; for example, it would be possible to target different types of solid wall insulation towards areas depending on the concentration of different properties and / or work through trusted intermediaries to engage specific target groups of consumers.
- Provide **guarantee mechanisms** to ensure consumer confidence, such as accreditation systems for installers and clear systems for redress in the event of poor workmanship or faults.
- Put in place a **robust monitoring and evaluation** framework to ensure that the real impacts of the programme are understood and benefits are maximised.

We also support the SWG report recommendation 27: “The SEEP Programme should be designed and implemented according to key criteria provided in this report including meeting households’ needs, a targeted approach, and the best use of public funds, all building on the current Home Energy Efficiency Programmes for Scotland (HEEPS)”²⁷. There is some overlap with the principles noted above, but the ‘key criteria’ are repeated here for reference. It would be useful to consolidate these principles and criteria into one checklist for the SEEP programme.

²⁷A Scotland without fuel poverty is a fairer Scotland, 2016, Scottish Fuel Poverty Strategic Working Group.

Meeting householders' needs: Fuel poverty is about people. The design and operation of the programme should reflect people's needs and desires.

Timely support for those most in need: People most in need require help now and should continue to get it through a high quality national reactive scheme in place which is accessible, well promoted and of a sufficient scale.

Long-termed planned approach: A complementary planned approach covering all homes with poor energy efficiency to ensure householders not accessing the national scheme are included and to prevent full poverty developing as householder circumstances changes.

Support for householders: Provide government funded impartial advice, based on what people need and want, and in a way that they wish to access.

Delivers across all of Scotland: To ensure that rural communities are fully included in any programme there must be flexibility to ensure that the particular challenges of delivering in rural areas can be overcome.

Extended delivery: To maximise engagement and to support local delivery a multiyear programme within geographical areas is required.

Protection for householders: Energy efficiency works should be of high quality, and acceptable in terms of appearance and long term effectiveness. Sufficient protection and redress should be in place for householders.

Reap the benefits: Support for householders must be included to address the fourth driver of fuel poverty, so that people can make the most of any new heating systems or energy efficiency measures and know how to use their heating controls.

Making the best use of public funds: For those most in need, full public funding support is required. For others, finance and incentives are required to encourage, support and enforce improvement.

Resources to match ambition: Further work is required to establish the overall cost of raising most properties to a band C and options as to the split between public and private finance.

Targeting of funds: Targeting should result in a transparent and equitable distribution that provides an acceptable balance of helping those most in need and benefitting the greatest number.

Ensuring best value: Ensure that competition among suppliers is maintained and that maximum grant levels do not become the minimum price. Choose the most cost effective approach for delivery with a focus on particular types of measures or a whole house approach. Schemes should be delivered in terms of management, procurement, quality, scale and time frames so that best value is obtained.

Most appropriate work: Ensure that the most appropriate measures are installed for each property and that innovation is promoted.

Supply chain: The design of the programme should ensure that wider economic and community benefits are obtained in terms of sustainable jobs, wider community benefit and a competitive suppliers market.

Exceptions: A strict but manageable exceptions system will be required (including abeyances, relaxations and exemptions) that excludes some properties from treatment. There will be an even smaller number of properties where the standard of construction is so poor and levels of disrepair so high that further works are not appropriate and new build options should be considered.

Total cost

The Scottish Government has estimated the SEEP Programme could cost up to £10bn. We believe this is an underestimate. Our research shows the cost of raising all domestic properties up to an EPC band C standard over a 10 year programme at £10.7bn. Our suggested approach would have £6.2 bn come from private investment, and £4.5bn from the public sector in the form of grants, loans and fiscal incentives (or £450m per annum, including ECO).²⁸

These budget estimates suggests current budget provisions are not adequate, and the next budget (17/18) should set out a trajectory for public investment in SEEP that rises over time. Table 2 gives an indication of what we believe the trajectory should look like over the term of this parliament.

Table 2: Current and required spending on domestic energy efficiency in Scotland

	Historic spend		This budget (Scot Gov anticipated) ²⁹	This budget required (ExHA recommended)	Target spend required (ExHA recommended)
	2015/16	2016/17	2017/18	2017/18	2020/21
Scottish Government spend	£119m	£105m	£125m	£190m	£390m
ECO spend in Scotland (funding raised by UK Govt set rules)	Est. £93m ³⁰	Est. £60m ³¹	Est. £60m	Est. £60m	Est. £60m
Total public spend in Scotland (est)	£219m	£165m	£185m	£250m	£450m

Who pays?

We believe SEEP should use the approach to funding in HEEPS, with some adjustments to allow for the introduction of regulation of minimum standards. In our view, this would mean the following:

- For low income/fuel poor owner occupiers, the owner would receive free measures (grants) to achieve an EPC band C rating or above. We do not believe it is

²⁸ http://existinghomesalliancescotland.co.uk/wp-content/uploads/2015/05/EXHA_policybriefing_May2015.pdf

²⁹ Based on figures included in the Programme for Government.

³⁰ Based on figures for 2014/15 included in this SPICE briefing - http://www.parliament.scot/ResearchBriefingsAndFactsheets/S4/SB_16-18_Fuel_poverty_in_Scotland_2016.pdf (see page 16)

³¹ Based on figures included in the report of the Scottish Fuel Poverty Strategic Working Group: <http://www.gov.scot/Resource/0050/00508195.pdf>

appropriate to encourage fuel poor households to take on the full cost of these measures even if supported by low cost loans.

- For fuel poor tenants, assuming regulation as proposed in the separate consultation is introduced, the landlord will be required to upgrade to E and then D. The landlord should be offered low cost finance to support compliance and financial support explored to help the landlord reach the same standard as provided through the fuel poverty programme for owner/occupiers.

Those homeowners who are not fuel poor should be offered low cost finance – such as low interest loans subsidised by the government and advice and support. Or, they could be encouraged, through a cash-back offer for example, to access finance from their existing mortgage provider. Tax incentives can also be used to support the costs of measures.

9. 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?

As noted in question 3, regulation is absolutely critical to achieve the transition to highly insulated properties heated by low carbon technologies. The evidence suggests, from Scottish, UK and other programmes around the world that relying on voluntary approaches will only have a gradual and incremental impact. See our answers to questions 6 and 10.

10. 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?

Loans and grants

Scotland is in the fortunate position of having run several loan and grant programmes for energy efficiency and renewables over the last 10 years. It is essential that we learn from this experience. Therefore, as a first step, the Scottish Government should undertake a review of the various loan and incentive programmes operated by Energy Saving Trust on its behalf, and also of any complementary local authority programmes. We need to understand what programmes had the greatest take up and why. The evaluation process will need to include interviews with those who took up the loans, those who did not pursue it, and what their experience was. The review can also look at lessons learned in terms of marketing and administration, the balance of local and national branding, and the added value of community involvement.

Incentives

Tax incentives are seen as useful levers to drive action as taxes are not popular, so any reduction is a key motivator. However, there has been a historical reluctance on the part of government to introduce such incentives. The administrative costs and additional complexity have to be assessed as part of the consideration of any schemes. We are aware that Citizen Advice Scotland has conducted research into consumer perspectives on

incentives which will help inform the development of incentives, alongside an evaluation of current experience.

The **council tax discount** for improving the energy efficiency of a property enabled by the Climate Change (Scotland) Act has not been well implemented. The intention was for the rebate to add value (incentive) to existing schemes, but instead they were set up to compete. It would be worth evaluating the schemes to see how this incentive could be deployed more effectively, and if any amendment to the Warm Homes Bill is required (this could be done through the Warm Homes Bill).

One alternative would be to introduce a variable rate of council tax based on the EPC rating of the property, with discounts for higher bands, and increases for lower bands. Safeguards would need to be in place to be sure the fuel poor were not penalised (for example, they would not be subject to any increase until after they had received an energy upgrade through the fuel poverty programme). Another approach would be to offer a one-off rebate for upgrading a property to a certain standard.

The **Land and Buildings Transaction Tax** offers another opportunity to use tax incentives to drive action on energy efficiency. The Alliance proposed varying the level of tax for the LBTT as a way to encourage energy efficiency investment when the LBTT was introduced in the Scottish Parliament. This would mean that the most energy efficient homes become cheaper to buy as the transaction costs decline. Therefore, demand for energy efficient homes might increase and thus incentivise sellers to invest to improve ratings. Alternatively, sellers might increase the asking price in the knowledge that savings in transaction costs would be realised by the buyer. Both scenarios would add value to better performing homes and are likely to encourage investment by sellers.

Finance

Other approaches that should be explored are:

- Energy upgrades paid for through energy savings, such as Energiesprong.
- Local energy systems in off gas grid areas where local supply could be offered directly to the community.
- Energy efficiency tariff³² - payment over the lifetime of the measure(s) based on energy use.

Advice, information and consumer protection

Advice and information

11. 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?

There is an overarching requirement for the government to demonstrate its leadership and commitment to the National Infrastructure Priority and SEEP through top-level

³² <http://www.ukgbc.org/policy-and-advocacy/task-groups/retrofit-incentives>

communications, giving a consistent message about SEEP's targets and how they will be achieved. These communications will need to be tailored to specific audiences – industry, homeowners, landlords and tenants so the SEEP objective and route map is clear, and people understand their contribution and how they will be helped.

The Scottish Government already funds Home Energy Scotland to provide a national energy advice service and this should be continued and amplified. HES has a good track record, and has evolved to meet changing needs as programmes have moved from simple measures to more complicated and expensive upgrades. In our view, SEEP will need to extend these support programmes, working at both a national and local level. These programmes should include behaviour change advice, home visits, and tailored assessment of energy needs, and selection of appropriate measures. This service should be integrated into the delivery of SEEP from the outset, to ensure that physical measures deliver in practice the benefits they provide in theory.

The recommendations (33-36) in the SWG report relating to how energy is used in the home are relevant here. The SWG report emphasises the need for people-centred solutions, focusing on householders' energy needs and how they use energy.

12. Are the current mechanisms for providing advice sufficient? What changes, if any, do you think are required?

As noted in question 11, Scotland is fortunate to have Home Energy Scotland and its network of regional energy advice provision. In addition, several local authorities have energy advice services, and there are several community initiatives (some funded through the Climate Challenge Fund) focused on advice, behaviour change support, and installation of measures. HES works in partnership with many of these services, and there is a need to extend such local partnerships throughout Scotland.

This would align well with the SWG recommendation on collaborative partnerships: "Local partnerships that are focused on improving wellbeing should be developed and resourced to take a lead responsibility for ensuring the eradication of fuel poverty in their areas. They should be coordinated through Community Planning Partnerships and work Scottish Government, Community Planning Partnerships with national services, such as Home Energy Scotland, as required. Funding for prevention and early intervention should be ring-fenced to support this approach."³³

We believe there is a need to increase the capacity and reach of advice services for the following reasons:

- Increase in pace and scale of retrofit activity.
- Shift to more complicated and expensive measures, especially for low carbon heat.
- Introduction of regulation for minimum standards.
- More emphasis on behaviour change advice.

³³ Scottish Fuel Poverty Strategic Working Group report.

- Added value of community engagement to support take up and behaviour change.

13. What are the opportunities to link SEEP delivery with other initiatives, including the UK Government’s smart meter rollout, so that we maximise the benefits for the people of Scotland?

SEEP will need to link closely with the following government strategies:

- Fuel poverty strategy.
- Economic strategy – training, apprenticeships, business support.
- Community and local energy plans.

We agree there are opportunities to make links with the smart meter rollout:

- Link energy advice at point of smart meter installation to HES and SEEP opportunities.
- Support option for HES advice to be informed by smart energy data (with permission of householder) to provide more tailored advice.

As noted in question 12, it will be very important for SEEP programmes to collaborate with the local well-being partnerships taking a lead on fuel poverty eradication (addressing all causes) as envisioned by the Scottish Fuel Poverty Strategic Working Group.

Consumer protection

14. 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?

We should learn from experience of previous programmes such as HEEPS how to develop a trusted brand for SEEP and nurture it over the course of the programme. The risk is that lack of consumer confidence undermines take-up of measures.

Key success factors include:

- Ownership of SEEP by the First Minister and the cabinet will inspire trust, as with any major infrastructure project.
- Good communication to support the householder throughout the process – a single contact point for SEEP.
- High quality installations of measures and good customer service.
- Consumer protections are in place for any substandard practices.

In our answer to question 7, our principles and criteria for the SEEP programme state:

- Provide **guarantee mechanisms** to ensure consumer confidence, such as accreditation systems for installers and clear systems for redress in the event of poor workmanship or faults.

- **Protection for householders:** Energy efficiency works should be of high quality, and acceptable in terms of appearance and long term effectiveness. Sufficient protection and redress should be in place for householders.

We also support the SWG report recommendations on consumer protection:

49: The Scottish Government should support a single contact number for consumers concerned about any aspect of delivery of energy efficiency measures in their homes provided by the public sector or through energy suppliers obligated by the public sector.

50: Monitoring and evaluation of the consumer experience of fuel poverty programmes is essential to confirm that high standards are consistently met during programme delivery.

In our view, the current Warmer Homes Scotland programme offers a gold standard for quality assurance with 100% internal checks, 10% external checks for systems post installation. The quality assurance for HEEPS-ABS is less consistent than this, and depends on the local authority. For example, the Energy Agency does 100% checks on the publicly funded schemes.

There is a concern that there might be a gap in consumer protection in circumstances where work is undertaken partly because of SEEP, for example as a result of complying with regulation or through use of a government grant or loan.

We recommend that SEEP should:

- Facilitate unbiased advice from qualified people on the appropriate technologies and rough estimate of costs at the start of the process: basically what happens for renewable heating just now through HES, but for everyone who wants it.
- Allow funding only to be used by 'quality assured' individuals; not sufficient to look at organisations, has to be operatives as well.
- Undertake post-installation monitoring, with minimum percentage for each installer plus anyone who wants a visit on top.
- Provide assistance and backstop redress for anyone who has used Scottish Government funding who subsequently needs it.

This will require further funding than is currently provided through SEEP, but is necessary to build a trusted brand and avoid failures that will discredit the programme.

15. Is there a tried and trusted form of consumer redress that should be adopted or, if not, what should such a mechanism look like?

For SEEP to become a trusted brand, one component will be free, independent advice and support. Another key element will be a robust redress process. We agree with the general

approach set out in *Each Home Counts*, including a consumer standard³⁴ (see also answer to question 16).

16. How should SEEP look to integrate the findings of the Each Home Counts Review – e.g. could it be used a basis for developing a consumer protection framework for SEEP?

The Each Home Counts Review covers:

Consumer advice and protection

What supports consumers' decisions ahead of the installation, and what assistance is available when things go wrong?

Standards framework

What ensures that the right products are fitted to the right properties in the right way during the installation?

Monitoring and enforcement

What ensures that poor quality work is dealt with effectively, and do arrangements for audit, compliance-checking and sanctions provide sufficient assurance of this?

The EHC Reports covered all aspects of the current energy efficiency offering in the UK, making 25 recommendations in all, to improve the key elements of these approaches, including:

- Consumer Protection
- Advice and Guidance
- Quality and Standards
- Skills and Training
- Compliance and Enforcement
- Insulation and Fabric
- Smart Meters
- Home Energy Technologies
- Application to Social Housing

Central to the recommendations of the EHC Report are wide ranging changes that are required to deliver the assurance and peace of mind for consumers that the right retrofit product(s), for the right reason, to the right standard will be recommended; will then be installed by a competent work force with right knowledge, skills and application, and finally if failure does occur, a clear and single mechanism for redress is available.

While the report has no 'teeth', if taken as a Government endorsed way forward, it does provide opportunities to enforce best practice through SEEP. This requires a process that

³⁴

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/578749/Each_Home_Counts_December_2016_.pdf

ensures only appropriate measures are proposed in terms of fabric, materials and climate, and that SEEP includes a formal system of redress for all ‘customers’ – from tenants of social and private landlords, to owner occupiers.

Establishment and sustainability of local supply chains and trusted delivery agents

17. How can local supply chains be expanded and up-skilled to ensure that maximum economic benefit and job creation is secured across all of Scotland?

We believe SEEP should have a clear objective and targets to create and sustain local jobs and businesses. Our research concludes that a SEEP programme with a milestone of raising the standard of the housing stock to EPC band C or above by 2025 would provide a net increase in jobs of 8-9000 per year. These jobs would be spread around Scotland unlike other infrastructure projects. It would also be a ‘value for money’ project – creating more jobs and benefits for the wider economy than a fiscally equivalent spending package.³⁵

Given long term political and financial commitment, we believe the infrastructure and support is largely in place (training, certification etc) to enable the industry to grow sufficiently to meet the demands of SEEP.

Employment can be generated in the manufacture, maintenance and installation of energy efficiency and heat generation measures. There is an added benefit of involving local businesses in the delivery of SEEP because they will have a local customer base and can also help drive trust and engagement with SEEP. Over the medium to long term, a critical mass of skills and capacity can be created, resulting in lasting economic benefits. In addition this should create a growing band of well-informed members of the general public who would become early adopters/ champions of the initiatives.

Until recently, there has been little monitoring of the impact of fuel poverty and energy efficiency programmes on local supply chains. However, it is well known that the stop – go nature of ECO and Scottish Government programmes based on annual budgets and changing rules have hampered the industry. SEEP offers a great opportunity to provide consistent, long-term planning with a 20 year horizon which will give industry the certainty to invest. We recommend that programme budgets are set at 5 yearly intervals to give industry the confidence to invest, and extend what is achievable through multi-year programmes.

The policy commitment to the infrastructure priority must be matched by long term spending plans. The Programme for Government has made a step in the right direction with a commitment to invest at least £.5bn in this parliament (up to 2020). This multi-year commitment is welcome, however, the total spend is inadequate to meet the task set out in the Draft Climate Change Plan and to eradicate fuel poverty. We would like to see longer-

³⁵ Existing Homes Alliance Policy Briefing on the National Infrastructure Priority, May 2015

term spending plans, akin to commitments to other infrastructure priorities which run over more than one parliament.

The Warmer Homes Scotland programme provides an interesting example, as it has used the procurement process to engage local contractors. This has been possible because of multi-year budgets, and the ability to guarantee long-term work for these contractors. As part of the Warmer Homes Scotland contract, Warmworks and its supply chain are committed to creating over 700 jobs, apprenticeships, placements and training opportunities by 2020 and have 34 local contractors registered with the scheme, all paying the Living Wage.³⁶

We support the Scottish Fuel Poverty Strategic Working Group's recommendation 5 which states: "Scotland's Energy Efficiency Programme should be designed to maximise economic and social benefits for local communities with appropriate targets set for the creation of training places and job opportunities for local people."

We are pleased to see the government's response to the SWG and Rural Task Force which says the government will "look to create a substantial Scottish market and supply chain for energy efficiency services and technologies that will, once fully operational, support 4,000 jobs per annum across Scotland, including in remote areas." However, we note that the jobs estimate is half what our research has concluded (8-9000 jobs), which is very similar to the findings of the Consumer Futures Scotland report, Economic impact of improving energy efficiency of fuel poor households in Scotland, which found 8,900 jobs would be created.³⁷ It would be useful to understand the assumptions behind the Scottish Government estimate and why it is so much lower.

We are concerned that there are no specific actions either in the response to the fuel poverty reports or in this consultation to actually achieve this aim – for example through procurement, supporting apprenticeships, support for businesses to bring products to market, and skills development.

We recommend the following actions should form part of SEEP:

- Public procurement for energy efficiency and renewables schemes (advice, installation, maintenance) giving priority to local businesses and workers, and include requirements to train local people. Payment of a minimum of the Living Wage should be included in any contracts awarded.
- Enterprise agencies promote and support local businesses to deliver schemes.
- Colleges, CITB, Energy Skills Scotland and Skills Development Scotland should collaborate on developing the required skills where needed, working with trade bodies as required.
- The Local Heat and Energy Efficiency Strategies should provide a vehicle for setting out these actions.

³⁶ http://www.changeworks.org.uk/sites/default/files/WARMWORKS_Annual_Review_2015-2016.pdf

³⁷ Economic impacts of improving the energy efficiency of fuel poor households in Scotland, Verco and Cambridge Econometrics for Consumer Futures Scotland.

- The impact of SEEP on local economies should be measured and reported as part of SEEP's overall performance.

18. How can communities best benefit from the expected job creation?

The SEEP programme should include a formal "way in" for community organisation to get involved. At present, local authorities usually engage with community groups through HES, but there also needs to be an option for community input to be funded.

Greener Kirkcaldy, a community group with several years of experience providing energy efficiency advice, has anecdotal evidence that their involvement in the Fife HEEPS: ABS schemes has increased uptake. Households feel comfortable asking Greener Kirkcaldy for advice – this can be as simple as checking the credibility of the scheme. Greener Kirkcaldy's involvement also means that the participating households get access to other support as well as energy efficiency measures – such as income maximisation, debt advice etc – a holistic support service.

Another example is the South Seeds community group in Glasgow. They support residents to save energy in their homes and have also applied the same friendly and effective approach to local micro businesses. South Seeds says, "One of the issues we are particularly good at dealing with is tenure. We know that owners need to be persuaded, landlords need pressure from tenants and more often than not government schemes are difficult to get to grips with without a little face to face explanation. South Seeds is well placed, with our high street office and easy to approach staff, to explain the benefits and support the client (owner, tenant, landlord or business) along the journey."

Case studies in the SWG report (section 4.4) all include community organisations playing key role in delivering energy efficiency and fuel poverty interventions. The SWG report also notes that the review of the Climate Challenge Fund reported that "there is significant evidence that the locally-based services offer additional benefits beyond fuel poverty alleviation, including mental and physical health, confidence, peace of mind, employment, and social cohesion." There is also evidence that "local, trusted providers are often best placed to offer behavioural advice."³⁸

We recommend that SEEP should promote and encourage community involvement in its programmes, and include provision for funding community support as a regular part of the fuel poverty and area-based programmes.

19. 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 local delivery of SEEP, particularly in the rural and remote areas?

The main priority is for government to provide industry with long term certainty to support their investment and staffing plans. This can be done through policies, setting targets, multi-year delivery programmes and multi-year budgets.

³⁸ A Scotland without fuel poverty is a fairer Scotland, 2016, Scottish Fuel Poverty Strategic Working Group.

The Sustainable Energy Supply Chain Programme delivered by the Energy Saving Trust has helped support the supply chain in rural and remote areas over recent years and offers useful insights.³⁹ Local contractors believe there are two key needs: 1) long term certainty of government support and consistent policy; and 2) a skills development strategy including training, apprenticeships and work with schools and colleges to promote this area as an attractive career with good job prospects. We recommend the following:

- SEEP delivery programmes in all areas of Scotland should operate on a multi-year basis.
- Support should be provided for meeting accreditation requirements so small rural firms can and will compete.
- Mechanisms to ensure that contracts are awarded on the basis of understanding of the local context and best practice approach for the dwelling type, fabric and climatic conditions.
- The government should put in place a SEEP Skills Development Strategy.

20. What do companies need to do to increase their skills base to deliver a programme of this nature?

The government should work with CITB, Energy Skills Scotland, Skills Development Scotland and HES to develop and deliver bespoke training courses for companies wishing to undertake SEEP work). This would also build confidence in smaller companies with regard to bidding for SEEP work.

The nature of programme delivery

21. 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?

- SEEP's overall targets and milestones should be set by the Scottish Government. The Local Heat and Energy Efficiency Strategies should identify the contribution each local authority will make to meeting those targets.
- SEEP should build on the HEEPS model, with area-based programmes which give priority to those most in need and a national fuel poverty programme to ensure anyone in fuel poverty can get help no matter where they live.
- SEEP area-based programmes will also include programmes of support and incentives for households that are not fuel poor.

The SEEP programme needs to be linked to the outcomes of the consultations on Local Energy Efficiency and District Heating Strategies so as to make SEEP part of the overall integrated energy strategy. Non-domestic and domestic energy demand and supply will need to be jointly considered with regard to load management for district heating, novel

³⁹ <http://www.energysavingtrust.org.uk/scotland/businesses-organisations/supply-chain/research>

and innovative system integration, and renewables potential (e.g. through 4th Generation District Heating incorporating renewable heat and power), and the future use of the mains gas network. To do this effectively will require consideration of transport in the longer term. If this is a bridge too far for now, it is critical that decision-making takes account of our best guess at transport futures and locations of centralised energy resources.

22. 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?

We believe the HEEPS-ABS area-based schemes have generally worked well, although we recognise that they have been relatively small scale and often focused on a single type of property. This is because local partnerships have been able to define the 'area' flexibly to suit local circumstances. The area-based programmes have been targeted at the fuel poor by using SIMD index and council tax bands as proxies, and there are concerns that these proxies are not as suitable for less homogenous areas. They have also been used to target certain 'hard to treat' construction types such as 'no-fines'.

Since all of Scotland will have to be covered to achieve the targets, having expanded area based schemes will be necessary or else only the low hanging fruit will be tackled. The SEEP programme will need to introduce new areas for focus, given its objective to reduce emissions, for example: high energy users, off gas grid properties that can readily transition to low carbon heat, areas with good potential for district heating, and mixed tenure properties that can be treated with a whole building approach.

The intensive area-based approach, combined with awareness of regulation for minimum energy performance standards, should help drive engagement from householders. However, we would stress the need to take this up a level in terms of assured outcomes for customers. This will require consideration of the true cost of best practice installations, avoidance of unintended consequences, combined fabric and climate considerations and support for users.

23. How best can we align nationally set standards with local, area-based delivery?

As stated in our answers to questions 1 and 2, we believe SEEP should have a statutory target and milestones. Through LHEES, local authority areas will set their own targets for their contribution to the national target. The Scottish Government and/or SEEP delivery body will oversee the LHEES and ensure that the local contributions 'add up' to achieving the national target.

It is understood that each local authority will have its own trajectory for achieving the SEEP target of near zero carbon homes by 2050, but ultimately it will be the Scottish Government's responsibility to ensure the target for Scotland is met.

Local Authorities should be given responsibility for ensuring quality control and for setting and achieving best practice in delivery to a standard set by the Scottish Government. We understand that currently a fixed percentage of the funds provided to local authorities by

the Scottish Government for retrofit is set aside for on-site inspections. We believe that this should be formalised into a set programme including a percentage of buildings inspected and at what stages, in order to achieve a uniform approach across the country.

Balance between local and national

24. What should the overall balance be between national and local target setting? Should local authorities set local targets with the flexibility to determine whatever methods they want to meet the Programme vision? Or should there be a greater degree of setting the target(s) and delivery methods by national government?

See response to questions 21 and 23.

25. What would a good governance structure to oversee any framework of responsibilities between national and local government look like? What examples are you aware of within the UK or elsewhere?

The Alliance believes there should be an independent body with the remit for delivery of SEEP. This would be established for the duration of SEEP, charged with strategic oversight and delivery of any national programmes, though the majority of SEEP would still be designed and delivered at local level. The national body would report to Ministers and the Parliament against the SEEP strategic plan. It would also have a board with external stakeholders. The independent body and its remit should be set out in the forthcoming Warm Homes Bill.

The establishment of this body would address concerns that Scottish Government officials do not have adequate capacity or expertise to deliver such a large infrastructure programme and ensure value for public sector investment. This new body could provide the necessary skills, drive and leadership for a programme that will span several governments, delivering Scotland-wide, with a budget of £10bn or more, and with a role in regulation. This would be similar to the way other infrastructure projects are managed, eg Transport Scotland was established to manage transport infrastructure projects.

Key success factors emerge from reviewing 'lessons learned' on other infrastructure projects such as the Glasgow Commonwealth Games and the London Olympics that are relevant to SEEP:

- Large scale project over defined timescale, so deserving of dedicated body to design and delivery.
- Sufficient staff capacity, expertise, and continuity are key success factors.
- Regular reporting to Cabinet Delivery Group – so involvement right from the top.
- Authority to make relevant public sector bodies align priorities and resources to deliver programme.
- Strategic partnership of key players in public sector established from the start.
- Clear accountability and leadership to delivery best value.

The National Audit Office (NAO) produced a progress report on measures to improve the delivery of major UK infrastructure projects in January 2016.⁴⁰ The NAO expressed concern about the number of infrastructure projects rated in doubt or unachievable (1/3) and highlighted the following key issues (quoted from summary):

- absence of portfolio management at both departmental and government level.
- lack of clear, consistent data with which to measure performance.
- poor early planning.
- lack of capacity and capability to undertake a growing number of projects.
- lack of clear accountability for leadership of a project.

We believe an independent body would provide the best structure to fulfil the success factors and address these concerns.

Although local authorities are expected to have a leading role there are a number of activities which will be better carried out a national level through the support of a suitable national body. For example:

- Developing clear methodologies for LHEES.
- Providing procurement guidance.
- Setting quality standards.
- Facilitating best practice.
- Improving guidance on appropriate measures for the housing stock.
- Supporting enforcement of standards.
- Providing a single national point of consumer engagement, advice and support that can refer into local schemes and support.

Monitoring and review

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

SEEP should establish a monitoring framework from the outset, working closely with delivery partners on the national and local measures that will be compared and reported. There will be a need for regular quantitative measures as well as periodic qualitative measures to assess impact against SEEP outcomes and outputs.

This will improve on current programmes, which have not assessed impact on fuel poverty, actual change in energy used and carbon emissions reduced, or co-benefits such as impact on health outcomes and job creation. This has made it difficult to learn which interventions are most successful and why. There have been some recent improvements, eg an evaluation of a HEEPS ABS programme and its impact on health, and also a comprehensive evaluation

⁴⁰ <https://www.nao.org.uk/report/delivering-major-projects-in-government-a-briefing-for-the-committee-of-public-accounts/>

of the SEEP pilots. However, in general HEEPS monitoring is not comparable across local authorities, and lacks a structured approach to learning best practice between local authorities and delivery partners.

The objectives of the SEEP M&E framework should be:

- Continuous improvement - learning lessons and informing the development of existing or new programmes.
- Understanding the impact of interventions, including wider benefits such as for health, jobs and local economies.
- Providing important evidence to support continued investment.

We also support the SWG recommendation 50: *Monitoring and evaluation of the consumer experience of fuel poverty interventions is essential to confirm that high standards are consistently met during programme delivery.*

M&E will be an extra cost, but will save money in the long run by improving the programme and providing a better evidence base for understanding the wider benefits.

In addition to the monitoring and evaluation framework, there is an important role for parliamentary scrutiny of SEEP. We recommend regular reporting to parliament on SEEP's progress against targets and milestones, as with any other infrastructure project. The scrutiny arrangements and reporting requirements should be set out in the forthcoming Warm Homes Bill, which provides the legislative vehicle for SEEP.

27. We would welcome feedback and expertise on any other issues in relation to SEEP that aren't covered by the questions above.

We believe we have provided sufficient information through this response. Two points that would merit further work with stakeholders:

- 1) Gap analysis to assess what legislative provisions are needed to achieve SEEP's objectives and could be included in the Warm Homes Bill.
- 2) Discussion paper on options for an independent delivery body for SEEP.

We are also concerned by the apparent lack of ongoing stakeholder involvement in the development of SEEP. This involvement will be particularly important following the analysis of responses to this consultation. We are aware that there are proposals to changes to the SEEP Programme Delivery Group but these have not been set out and/or consulted on. We believe this engagement can help ensure the ongoing support, commitment and expertise necessary to develop a strong and effective SEEP programme.

The Alliance would welcome the opportunity to participate in such a group. It may make sense to subdivide the group around SEEPS key workstreams, and acknowledging the difference between policy and delivery.