

## Warm Homes Bill briefing series - Autumn 2017

This is one of a series of briefings proposing measures for inclusion in the forthcoming Warm Homes Bill. We wish to ensure the Bill addresses barriers and creates opportunities to bring low-carbon and affordable warmth to all households in Scotland.

### Legislative proposal – Energy performance targets

*We call upon the Scottish Government to include within the Warm Homes Bill targets and milestones in relation to energy efficiency improvements in homes which align with the Scottish Energy Efficiency Programme and the Scottish Energy Strategy*

We propose the Warm Homes Bill requires:

- a) That the vast majority of homes will be ‘zero carbon in use’ by the completion of Scotland’s Energy Efficiency Programme in 2038.<sup>1</sup>
- b) Ministers to specify within 12 months of enactment, and after consultation with stakeholders and Parliament, a mandatory target for the reduction in end use of energy in domestic buildings by 2038 which is consistent with that set in the Energy Strategy.

We propose the Warm Homes Bill includes the following milestones:

- a) The vast majority of domestic buildings to reach an EPC band C by 2025, and for further milestones beyond that.
- b) A specified reduction in end use of energy in domestic buildings by 2030, consistent with that set in the Energy Strategy, with more immediate interim targets to measure progress.

We further propose below that legislation lays out reporting, review and governance structures.

### Rationale

This Bill is expected to lay out the legislative framework for the new Fuel Poverty Strategy due out for consultation in Autumn. The Strategy in turn is expected to reflect, to a degree, the recent reports to the Cabinet Secretary from two expert groups.<sup>2</sup> Those reports outline four major factors which drive fuel poverty: price, income, energy performance of the home, and household energy use. They also detail recommended actions related to each of them.

Any strategy which genuinely hopes to tackle fuel poverty must take action to tackle those four factors. Therefore, the legislative framework for the Strategy should also refer to those four elements. Here we focus on home energy performance.

While we applaud the many substantial efforts and public spending programmes aimed at tackling fuel poverty and energy inefficiency in homes over the past 15 years, there has been no consistency of approach over that time. This has been due to a lack of agreed, clear and long-term objectives for such fuel poverty and energy efficiency programmes. We believe we must learn from that lesson and grasp this opportunity to agree clear and specific aims and focus efforts over the next 15 to 20 years on ensuring people are not driven in to fuel poverty because of poor housing standards.

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<sup>1</sup> This term is used with the understanding it allows for technical constraints, ‘in use’ means that any energy consumed in the building must be met by renewable sources.

<sup>2</sup> Reports of *The Scottish Fuel Poverty Strategic Working Group and The Scottish Rural Fuel Poverty Task Force to the Cabinet Secretary for Communities, Social Security and Equalities (Scottish Government 2017)*

A mandatory target for energy performance of homes would provide the necessary focus across successive administrations. The process of setting the target in legislation means it will be debated and agreed through the democratic process and therefore be more likely to be consistently pursued by successive administrations.

A central recommendation from the Strategic Working Group is '*...to virtually eliminate poor energy performance as a driver of fuel poverty*'. We agree with that goal and the remainder of this paper explores potentially effective and achievable targets to help deliver this within the context of the Warm Homes Bill.

### Detailed proposals

The Scottish Government has designated improving the energy efficiency of Scotland's buildings a National Infrastructure Priority and is developing the Scottish Energy Efficiency Programme (SEEP) to deliver this. We welcome the commitment for SEEP to be a 'large-scale' programme spanning 15 to 20 years.

We also note the findings of a report from the World Bank looking at energy efficiency institutional frameworks across the globe which found successful frameworks are underpinned by legislation and include;<sup>3</sup>

- Articulation of purpose and intent, in the form of a national energy efficiency policy
- Specific, quantitative, time-bound goals or targets
- Oversight arrangements including monitoring and reporting systems

Therefore, we believe SEEP should have a legislative basis.

We also look here at identifying potential *quantitative, specific long-term, timebound targets* and suggest an approach to *monitoring and reporting systems*.

Additionally, an IEA study found that, '*Targets set too far in the future risk being perceived as irrelevant and make it easy to justify slow initial progress... because progress will "ramp up" in later years... a long-term target has more urgency ... if it is accompanied by one or more interim targets.*'<sup>4</sup>

Therefore, along with final targets, we propose more immediate milestones to focus efforts.

### Targets and milestones

We propose the Warm Homes Bill requires Ministers to meet specific home energy targets and milestones consistent with SEEP and the Energy Strategy once finalised.

#### SEEP target

***The Warm Homes Bill should require that the vast majority of homes will be zero carbon in use, where technically feasible, by the completion of Scotland's Energy Efficiency Programme in 2038.***

The target for SEEP is currently expressed in its 2050 Vision, '*Scotland's buildings are near zero carbon by 2050 and this is achieved in a way that is socially and economically sustainable.*'

This aligns with the Draft Climate Change Plan which states that '*... by 2050 all buildings will be near zero carbon – homes will be highly efficient and the heat supply will be largely decarbonised.*'

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<sup>3</sup> Limaye, D.R., G. Heffner and A. Sarkar, *An Analytical Compendium of Institutional Frameworks for Energy Efficiency Implementation, Energy Sector Management Assistance Program Formal Report 331/08, October (World Bank, 2008)*

<sup>4</sup> International Energy Agency, *Energy Efficiency Governance, (2010).*

In our view, the vision statement could be simplified to ‘zero carbon in use’, with allowances made for technical constraints.

We also propose that while the targets relate to all buildings, the final target for homes should be set for the end of SEEP in 2038. Such prioritisation is justified by the social imperative of ending fuel poverty. This leaves the following 12 years to focus on non-domestic buildings.

Therefore, we propose the long-term energy performance target for homes adopted within SEEP is laid out in the Warm Homes Bill as above.

#### *SEEP milestone*

***We propose an interim target for the vast majority of domestic buildings to reach an EPC band C by 2025, and for further milestones beyond that.***

There are clear advantages to using the EPC banding as a milestone. The EPC provides a simple A to G scale and is already used and understood. The wide bands provide for flexibility in reaching the target, and allow tailored approaches rather than prescribing measures.<sup>5</sup>

Research finds that tackling fuel poverty could create and sustain around 9,000 jobs whilst getting the vast majority of homes to an EPC rating of C would sustain around 6,500 jobs. This would also see fuel poor households save an average of £245 p.a. (after accounting for 40% increase in comfort), and a reduction of 26% in gas imports.<sup>6</sup> The NHS in Scotland could save between £31-52million a year by bringing the vast majority of homes to an EPC rating of C by 2025 and save between £48-80million a year if fuel poverty was eliminated entirely, while at the same time creating an increase in Scottish GVA by around 0.27%.<sup>7</sup>

This milestone is like that proposed in the Strategic Working Group report which requires that no fuel poor household is living in a house below an EPC C by 2025. The report also goes further and proposes five-yearly targets be set for further progress towards EPC band B thereafter.

We support such recommendations and therefore propose the Bill requires EPC band C by 2025 with further interim targets beyond that, in support of getting all homes to be zero carbon in use by 2038.

#### *Energy use target*

***We propose the Bill requires Ministers to specify within 12 months of enactment, and after consultation with stakeholders and Parliament, a mandatory target for the reduction in end use of energy in domestic buildings by 2038 which is consistent with that set in the Scottish Energy Strategy.***

We believe it is vital there is a clear and quantifiable target set for the end of SEEP.

We posit no specific proposal as the Scottish Government is currently consulting on an economy-wide target to *improve energy efficiency* by 30% by 2030 (compared with 2005-07 baseline) to align with European Commission (EC) proposals.<sup>8</sup> As SEEP runs beyond that date any SEEP targets will need to both align with that target, and be projected beyond 2030.

However, while we support the development of a new target, and look forward to the government’s decision, we are concerned the new economy-wide target might be based on *energy efficiency*

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<sup>5</sup> However, we recognise that there are weaknesses in the SAP methodology that need to be addressed – particularly for valuing low carbon heat, flexibility to incorporate new technology.

<sup>6</sup> Energy Bill Revolution et al, *Building the Future: The economic and fiscal impacts of making homes energy efficient, (2014)*

<sup>7</sup> Consumer Futures, *Economic impact of improving the energy efficiency of fuel poor households in Scotland, (2014)*

<sup>8</sup> Scottish Government, *Draft Scottish Energy Strategy: The future of energy in Scotland (Jan. 2017)* &

European Commission, *Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2012/27/EU on energy efficiency* [http://ec.europa.eu/energy/sites/ener/files/documents/1\\_en\\_act\\_part1\\_v16.pdf](http://ec.europa.eu/energy/sites/ener/files/documents/1_en_act_part1_v16.pdf)

improvements, while the existing target is based on a *reduction in end use of energy*. We believe the target should continue to be expressed in terms of a *reduction in end use of energy*, as this will be an actual, rather than theoretical measure. This also has the benefit of building on the current target and allows for easy comparison over time.

### Governance and reporting

In its report on energy efficiency governance across 100 countries the IEA noted that, '*A target by itself is of little use without a responsible agency. Many experts said that progress against targets is not adequately monitored and evaluated.*'

The WHB should therefore lay out;

- a timescale for reviewing and updating of SEEP.
- clear reporting arrangements, including a timeframe for reporting on the current position, progress and actions, to be provided to the Scottish Parliament.

The WHB should also set out clear governance arrangements for SEEP including the establishment of an independent body responsible for overseeing the delivery of SEEP (similar to arrangements for other major infrastructure projects like the Commonwealth Games and bodies such as Transport Scotland). We lay out our proposals for such a body in a separate briefing.

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*ExHA is a coalition of housing, environmental, fuel poverty and industry organisations calling for urgent action to transform Scotland's existing housing stock.*