

## Environment, Climate Change and Land Reform Committee - Stage 1 Evidence Climate Change (Emissions Reduction Targets) (Scotland) Bill Existing Homes Alliance Scotland

### SUMMARY

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The Existing Homes Alliance Scotland is a coalition of housing, environmental, fuel poverty and industry organisations including the Association of Local Authority Chief Housing Officers, Changeworks, Chartered Institute of Housing Scotland, Energy Action Scotland, Energy Agency, Energy Saving Trust, Scottish Federation of Housing Associations, and WWF Scotland.

We are calling for an ambitious programme of low-carbon refurbishment of Scotland's homes, along with incentives, support and regulations aimed at cutting greenhouse gas emissions and tackling fuel poverty. Such a programme makes environmental, social and economic sense.

We welcome the opportunity to give evidence to the Environment, Climate Change and Land Reform Committee on the Climate Change (Emissions Reduction Targets) (Scotland) Bill in relation to our area of expertise on energy efficiency and housing.

We believe the Bill offers an exciting opportunity for Scotland to implement the Paris Agreement and to respond to the recent report from the IPCC special report on the impacts of warming to 1.5 degrees C. We would like to see the Bill:

- Include measures to progress policy action in energy efficiency
- Provide a statutory framework for Energy Efficient Scotland, including targets.
- Align the Scottish Budget with policy commitments on climate change, including energy efficiency.

Our evidence covers the following topics:

- Why energy efficiency
- Energy Efficient Scotland statutory targets
- Energy Efficient Scotland oversight body
- Benefits
- Aligning the Scottish Budget with Energy Efficient Scotland commitments

## WHY ENERGY EFFICIENCY AND HOUSING

In our view, including measures on energy efficiency would be consistent with meeting the aim set out in the Bill's introductory sentence (page 1) - to '*make provision about advice, plans and reports in relation to those targets*'.

Energy efficiency is widely acknowledged as being the area of climate action where the most positive impact can be made, on reducing emissions, creating jobs, boosting the economy and tackling fuel poverty and poor health. Across Europe, by 2040 two thirds of our low carbon energy infrastructure investment will need to be in energy efficiency if the Paris Agreement is to be met.<sup>1</sup>

The IPCC special report on the impact of 1.5 degree C of warming<sup>2</sup> states that "annual investments in low-carbon energy technologies and energy efficiency are upscaled by roughly a factor of six (range of factor of 4 to 10) by 2050 compared to 2015 (medium confidence). While these are global figures, they give a sense of the dramatic need to accelerate policy effort in this area for Scotland.

In Scotland we are fortunate to have a good track record to build on of energy efficiency and fuel poverty programmes, with delivery through Home Energy Scotland and other energy advice providers. We also have experience of the tried and tested technologies and support for behavior change that give confidence that we can do much more to make our housing stock warm, affordable to heat and low carbon.

We are aware that the Scottish Government has "committed to develop, if appropriate, a wider Energy Efficient Scotland Bill for later in this Parliament, and this would be the vehicle for any further legislative changes needed to support the Programme" in the Energy Efficient Scotland Route Map<sup>3</sup>. However, **lacking any firm ministerial commitment to introduce an Energy Efficient Scotland Bill in this Parliament to explicitly deliver on statutory targets and governance**, along with measures to facilitate energy performance upgrades, we cannot risk the possibility that energy efficiency falls between the cracks.

Therefore, we believe the Climate Change Bill should include additional measures on energy efficiency to ensure climate change and fuel poverty targets are met. We are also exploring the possibility of including these provisions in the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill which is also undergoing Stage 1 scrutiny in the Local Government and Communities Committee.

## ENERGY EFFICIENCY TARGETS

The Bill should include statutory targets relating to energy performance, energy demand, and fuel poverty. This would provide a strong statutory framework for the National Infrastructure Priority on the energy efficiency of buildings and its cornerstone programme – Energy Efficient Scotland (EES). These targets will provide certainty to policy-makers, the public and industry – driving investment, inspiring engagement, and 'norming' low carbon homes.

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<sup>1</sup> Amon, A & Holmes, I; *Energy efficiency as infrastructure: Leaping the investment gap*; (2016) [https://www.e3g.org/docs/E3G\\_Energy\\_Efficiency\\_as\\_Infrastructure.pdf](https://www.e3g.org/docs/E3G_Energy_Efficiency_as_Infrastructure.pdf)

<sup>2</sup> Global Warming of 1.5 degrees C, October 2018, IPCC.

<sup>3</sup> Energy Efficient Scotland Route Map, May 2018, Scottish Government.

To ensure that the target is expressed in a way that is accessible to the public, we suggest the use of Energy Performance Certificate (EPC) ratings (or equivalent) and percentage reductions in energy use. This would need to be accompanied by a well-funded public education campaign to raise awareness of EPC ratings and energy efficiency.

We recommend the following targets:

- Long-term Energy Efficient Scotland target: the **domestic housing sector to be near zero carbon (where technically feasible) by 2038** (same as EES target for all buildings by 2050).
- Interim milestone for EES: For the domestic sector, we recommend a **medium-term milestone for 2030 of the vast majority of homes to reach EPC band C** or higher, allowing for exceptions where measures would be technically inappropriate or prohibitively expensive. Importantly, this target would support the Scottish Government’s commitment to remove poor energy performance as a driver of fuel poverty. This target is consistent with a recent motion passed by the Scottish Parliament on EES which stated “ That the Parliament welcomes the publication of the Energy Efficient Scotland Route Map, considers that the target for all homes reaching EPC ‘C’ rating, where feasibly possible, should be no later than 2030, not 2040, given the urgency to reduce carbon emissions and to ensure that every home in Scotland is warm and properly insulated...”<sup>4</sup>
- Energy demand target: there should be *no increase* of energy demand from domestic housing, even with any growth in population or households; and there should be **an overall decrease in energy use from domestic housing by 2032 (aligned with the Climate Change Plan)**.

## ENERGY EFFICIENT SCOTLAND OVERSIGHT BODY

The Existing Homes Alliance Scotland and others have argued that such an ambitious and complex programme as Energy Efficient Scotland requires the development of a national body tasked with its oversight. The independent body should have sufficient capacity to ensure an effective framework for the delivery of such a wide range of agencies, policies and programmes.<sup>5</sup>

In response to stakeholder support for such an oversight body, the Scottish Government commissioned an “*options appraisal on the various potential governance structures for a SEEP [the precursor to EES] National Delivery Mechanism*” which is expected to be completed by the end of 2018.<sup>6</sup>

Energy Efficient Scotland (EES) is set to run over the next 20 years and ‘*will help secure an investment in excess of £10 billion over the lifetime of the programme.*’<sup>7</sup> It will run over several administrations, and

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<http://www.parliament.scot/parliamentarybusiness/28877.aspx?SearchType=Advance&ReferenceNumbers=S5M-12140.1&ResultsPerPage=10>

<sup>5</sup> [http://existinghomesalliancescotland.co.uk/wp-content/uploads/2017/10/WHBill\\_Independent-body\\_Oct2017.pdf](http://existinghomesalliancescotland.co.uk/wp-content/uploads/2017/10/WHBill_Independent-body_Oct2017.pdf)

<sup>6</sup> [https://www.publiccontractsscotland.gov.uk/search/show/search\\_view.aspx?ID=JUN321296](https://www.publiccontractsscotland.gov.uk/search/show/search_view.aspx?ID=JUN321296)

<sup>7</sup> Scottish Government, *Energy Efficient Scotland: Route Map* pg. 11

impact numerous government portfolios, several administrations, and various levels of government. It will impact upon, and operate within, Scottish, UK and international legislative frameworks.

It will involve a wide range of agencies responsible for the existing and extensive range of policies and programmes aimed at tackling poor energy performance, climate change and fuel poverty. There are also expectations EES will develop new policies and programmes across a wide range of specialist areas, from building standards and low-carbon heat technologies to consumer advice and protection.

The Bill offers a good opportunity to establish such a body, timed to be put in place as EES moves from its transition phase (2018-2020) to implementation in 2020. Such an agency would help oversee the effective and efficient delivery of policy if designed to fit within the current energy efficiency system, filling identified gaps, providing a coordinating/leadership role, avoiding duplication, and providing specialist services and support for other agencies, including local authorities.

## BENEFITS

If EES was given a statutory framework with targets and an oversight body, it could deliver significant benefits for people, the economy and the environment. It is important to remember that around 80% of Scotland's existing homes will still be in use in 2050 and only with action to improve the quality and energy efficiency of existing homes can we ensure that everyone in Scotland has a comfortable, warm and affordable-to-heat home to live in.

- **Tackling fuel poverty.** By getting the vast majority of Scotland's homes to an EPC band C and increasing those targets over time to the end of the Scottish Energy Efficiency Programme, the Scottish Government can help ensure that no one lives in a cold damp home, thus supporting nearly 650,000 households to escape fuel poverty.<sup>8</sup> This is achievable with appropriate investment and householder support in place.
- **Creating new jobs.** 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.<sup>9</sup> Delivering a long term energy efficiency programme with statutory targets would give businesses the confidence they need to invest in new staff, apprentices and training, and would ensure that the supply chain has the capacity and quality to deliver on Scotland's ambitions.
- **Saving the NHS millions.** Improving the energy efficiency of our homes means that fewer people will suffer the health impacts of living in a cold, damp home such as increased levels of lung disease and respiratory problems. The NHS in Scotland could save between £48-80m a year if fuel poverty was eliminated.<sup>10</sup>
- **Improving health and saving lives.** The National Institute for Health and Care Excellence (NICE) recommends that as a minimum, properties should be raised to an EPC band C and ideally to a

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<sup>8</sup> Scottish House Condition Survey Key Findings 2016, Scottish Government

<sup>9</sup> Verco & Cambridge Econometrics for Consumer Futures; *Economic impact of improving the energy efficiency of fuel poor households in Scotland*; (2014) <http://www.cas.org.uk/publications/economic-impact-improving-energy-efficiency-fuel-poor-households-scotland>

<sup>10</sup> Ibid. Verco and Cambridge Econometrics base their estimate of £48-80million annual savings to the NHS in Scotland on figures in the Hills Review which calculated the costs of fuel poverty to the NHS across the UK. These figures are based on the absolute elimination of fuel poverty.

band B to avoid the risk of death and ill health associated with living in a cold home.<sup>11</sup> The most recent figures<sup>12</sup> for winter mortality in Scotland were at an 18 year high, at over 23,000 people, making cold homes an urgent concern.

- **Boosting the economy.** Research from Cambridge Econometrics and Verco shows that investing in energy efficiency could boost GVA in Scotland by 0.27%.<sup>13</sup> Research from Strathclyde University found “a 10% improvement in the energy efficiency of all UK households leads to a sustained GDP expansion of around 0.16%.”<sup>14</sup>
- **Protecting Scotland’s energy security.** Investment in energy efficiency as an infrastructure priority would mean that Scotland’s economy and its households would be less vulnerable to energy price fluctuations, and less dependent on imports and fossil fuels. For example, improving the energy performance of UK households could mean a 26% reduction in gas imports.<sup>15</sup> Similarly, research from the UK Energy Research Centre shows that the cost-effective energy saving potential of UK homes is the equivalent of six Hinckley Point C power stations, demonstrating that investing in energy efficiency saves energy and money whilst reducing the need for additional generation or imports.<sup>16</sup>

## ALIGNING THE SCOTTISH BUDGET WITH ENERGY EFFICIENT SCOTLAND COMMITMENTS

We believe the forthcoming Climate Change Bill should include the following measures to align future finance budgets with Scotland’s energy efficiency, fuel poverty and climate ambitions:

- a. **Close the loophole** in Section 94 of the Climate Change (Scotland) Act 2009 so that the Scottish Government must publish accurate and transparent information about the complete long-term effect of each budget on Scotland’s climate change emissions.
- b. **Align the Scottish Government’s budget with its Climate Change Plan and Fuel Poverty Strategy.** The Climate Bill should create new legislative duties to require the Scottish Government to align its budget and its Climate Change Plan.
- c. **The infrastructure commission** should be tasked to advise the Scottish Government on major infrastructure projects, including energy efficiency, that are needed for Scotland to achieve its zero carbon ambitions. The commission would also be responsible for analyzing the

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<sup>11</sup> National Institute for Health and Care Excellence; *Excess winter deaths and illness and the health risks associated with cold homes*; (2015) <http://www.nice.org.uk/guidance/ng6/resources/excess-winter-deaths-and-morbidity-and-the-health-risks-associated-with-cold-homes-51043484869>

<sup>12</sup> <https://www.nrscotland.gov.uk/files//statistics/winter-mortality/2018/winter-mortality-17-18-pub.pdf>

<sup>13</sup> Verco & Cambridge Econometrics for Consumer Futures; *Economic impact of improving the energy efficiency of fuel poor households in Scotland*; (2014) <http://www.cas.org.uk/publications/economic-impact-improving-energy-efficiency-fuel-poor-households-scotland>

<sup>14</sup> Figus, G., Turner, K., McGregor, P. & Katris, A. (2017). Making the case for supporting broad energy efficiency programmes: Impacts on household incomes and other economic benefits. *Energy Policy*, 111(September), 157–165. <https://doi.org/10.1016/j.enpol.2017.09.028>

<sup>15</sup> Washan, P., Stenning, J., Goodman, M. for Verco and Cambridge Econometrics; *Building the Future: Economic and fiscal impacts of making homes energy efficient*; (2014) <http://www.energybillrevolution.org/wp-content/uploads/2014/10/Building-the-Future-The-Economic-and-Fiscal-impacts-of-making-homes-energy-efficient.pdf>

<sup>16</sup> UK Energy Research Centre; *Unlocking Britain’s First Fuel: The potential for energy savings in UK housing* (2017) <http://www.ukerc.ac.uk/news/unlocking-britains-first-fuel.html>

Scottish Government's capital budgets to ensure that they are aligned with meeting climate and fuel poverty targets.

## CONCLUSION

The Climate Change Bill is being scrutinized in Parliament at the same time as the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill. Together, these Bills offer the opportunity to provide complementary statutory frameworks to tackle climate change emissions from housing and to eradicate fuel poverty. In our view, with statutory targets and legislative measures for both energy efficiency and fuel poverty, the intention of the promised Warm Homes Bill<sup>17</sup> would be realized.

The Scottish Government has stated in the Draft Fuel Poverty Strategy and in the Energy Efficient Scotland Route Map that it is considering the potential for a wider **Energy Efficient Scotland Bill** for later in this Parliament. This could be another way to form the other 'half' of the Warm Homes Bill, and together with the Fuel Poverty Bill they would form a strong legislative foundation for the new Fuel Poverty Strategy and Energy Efficient Scotland.

However, without ministerial commitment we cannot be confident there will be an Energy Efficient Scotland Bill, or that such a Bill would include the statutory targets and governance measures we are calling for. Therefore, we believe the **Climate Change Bill offers an appropriate legislative vehicle to include additional measures on energy efficiency to ensure climate change and fuel poverty targets are met.** We are also exploring the potential to include these measures in the Fuel Poverty (Target, Definition and Strategy) Bill. Importantly, these legislative opportunities are available now, and avoid any further delay in action.

Specifically, we are calling for the Climate Change Bill to:

- Provide a statutory framework for Energy Efficient Scotland, including targets on energy performance of domestic housing and an independent oversight body.
- Align the Scottish Budget with policy commitments on climate change, including energy efficiency.

We welcome the opportunity to discuss this evidence with Committee members and can provide additional information or comment to them on request.

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<sup>17</sup> SNP 2016 Manifesto