

## Existing Homes Alliance Scotland

### Submission to Advisory Group on the Economic Recovery Call for Views

31 May 2020

#### Introduction

The [Existing Homes Alliance Scotland](#) is a coalition of 10 founding member organisations<sup>1</sup> and 10 supporters representing housing, environment, anti-poverty, industry, and consumer groups arguing for greater investment in Scotland's existing housing stock to make it fit for the 21<sup>st</sup> century. The Alliance welcomes this call for views and will focus its submission on our areas of expertise – the role our existing housing stock can play in meeting our climate change targets and eradicating fuel poverty – while at the same time improving health and well-being, supporting local jobs and enhancing our resilience.

This submission represents the preliminary views of the Alliance (given the very short timescale to develop this paper), and individual organisations' views may differ slightly on finer policy details.

#### Why should retrofit of housing be a key component of the economic recovery plan?

The case for investing in retrofit of Scotland's housing as part of the economic recovery plan is very strong and recognised by government advisors and commentators. For example, the UK CCC included buildings retrofit as one of five priority measures for immediate expansion in its recent advice on a green recovery to the Scottish Government.<sup>2</sup> A report from Smith School of Enterprise and the Environment at Oxford University identified building energy efficiency retrofits as one of five policies with "high potential on both economic multiplier and climate impact metrics."<sup>3</sup> Previous to the Covid-19 crisis, the Scottish Infrastructure Commission and the Just Transition Commission had already recommended additional investment in building retrofits.

Building retrofit projects are value for money investments because they provide an immediate economic impact, all over the country. They are 'shovel ready' and use local labour and SMEs. In Scotland we are fortunate to have a strong delivery structure in place with Energy Efficient Scotland, with programmes ready to accelerate and scale up.

#### Detailed proposals

We are developing more detailed proposals on the various fiscal, regulatory and policy measures that could form part of the economic recovery and would appreciate the opportunity to share these with the AGER during w/c 1 June.

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<sup>1</sup> Association of Local Authority Chief Housing Officers, Changeworks, Chartered Institute of Housing Scotland, Citizens Advice Scotland, Energy Action Scotland, Energy Agency, Energy Saving Trust, Scottish Federation of Housing Associations, Shelter Scotland, WWF Scotland

<sup>2</sup> <https://www.theccc.org.uk/publication/letter-building-a-resilient-recovery-from-the-covid-19-crisis-to-roseanna-cunningham-msp/>

<sup>3</sup> Hepburn, C., O'Callaghan, B., Stern, N., Stiglitz, J., and Zenghelis, D. (2020), 'Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?', Smith School Working Paper 20-02 <https://www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-02.pdf>

1. Significant macroeconomic and fiscal implications will change the economic context for the foreseeable future

**What will be the shape and form of the recovery from the crisis and the what will be the implications for the future growth and structure of the economy?**

No reply.

2. Different sectors and businesses will be impacted in different ways.

**What are the medium- to long-term consequences of the lockdown on businesses, including loss of employees, debt overhang, loss of markets, reduced investment and unemployment?**

We are concerned that some of the SME's that make up the backbone of Scotland's energy efficiency and heating workforce will be severely impacted by the crisis and may struggle to restart due to constraints of operations due to social distancing rules. Yet at the same time, given the right support, these SME's represent a big growth opportunity for skilled jobs the length and breadth of Scotland. In terms of support we recommend:

- Set a clear long-term policy signal (targets, regulation) that give homeowners, landlords and the supply chain the certainty to invest.
- Fund training (including re-training and upskilling) programmes and apprenticeships for renewable heating engineers, retrofit coordinators, and assessors. Such a scheme would not only help existing SME's but retain skilled workers in the construction industry while on furlough and offer new opportunities for school leavers.
- Support SME's to adapt to social distancing requirements.
- Fund R&D in whole house retrofit and smart energy systems.

3. The crisis will impact differently on different groups in society, and on different parts of the labour market; and, has already revealed some thorny issues about relative wages across key occupations.

**What will the implications of the recovery be for different groups, unemployment and on the nature of work? How is the recovery likely to impact on socio-economic inequality as a whole?**

We are very concerned about the impact the crisis is having on vulnerable and low income households. Already the fuel poverty rate (as last reported) stands at 25%, and we fear it will increase due to three factors 1) falling incomes; 2) more people working from home; and 3) the delay in delivering energy efficiency and fuel poverty programmes due to the lock down and social distancing requirements. There is some small comfort in the fact that heating oil prices are very low and rural households will benefit from this. However, we believe this is a temporary situation, and we need to continue efforts shift away from high carbon fossil fuel systems with historically high fuel prices.

We believe increased investment in retrofitting our existing homes can help address all three of these factors:

1) Falling incomes: An ambitious, multi-year retrofit programme will create and sustain quality jobs all over Scotland. There should be funded opportunities for training, retraining and apprenticeships to grow the workforce.

2) Working at home: Now is a good time to engage with people about saving energy and improving the comfort of their home, as many will be spending more time in the home either working or home-schooling. Fuel poverty programmes should be scaled up to identify, reach and help those who may be at risk of falling into fuel poverty due to these circumstances.

3) Warmer Homes Scotland and Area-based schemes: We understand plans are underway to adapt these programmes to meet social distancing requirements. We believe these programmes should be scaled up in ambition and scope in order to spend the 20/21 budget allocation, and scale should be significantly increased, with multi-year commitment, in the following years. For example, these programmes should be addressing both energy efficiency and decarbonisation of heat, and aiming to reach EPC band C or beyond, rather than requiring multiple interventions.

4. What can be done now to ensure the transition to a wellbeing-oriented, inclusive economy on a transition to net zero

### **How can the wellbeing of the people of Scotland flourish and what are the environmental implications of the crisis?**

The starting assumption of an economic recovery plan must be that we are not ‘recovering’ to what was ‘normal’ but rather ‘renewing’ our economy to be aligned to our ambitious wellbeing and climate goals. The report from the Smith School of Economics and the Environment quoted earlier “found that green projects create more jobs, deliver higher short-term returns per dollar spent and lead to increased long-term cost savings, by comparison with traditional fiscal stimulus.”<sup>4</sup>

This means every stimulus measure must be assessed against these goals in terms of the potential to reduce emissions in the near term and out to 2045; and how the measures maximise the wider benefits for local economies, public health and well-being, and energy security.

An accelerated and scaled up Energy Efficient Scotland programme is one of the best investments to achieve these goals. Energy Efficient Scotland provides a strong foundation to build from – with a strong track record and trusted delivery structures in place.

5. There will be big changes in the form, nature, and interactions between different institutions.

### **How will the crisis change the role and relationships between the UKG/SG/LAs, business and other institutions?**

The crisis has put a spotlight on the critical role local authorities play in our communities. The availability, affordability and quality of our housing stock are all critical to our resilience to the covid-19 crisis, but also to future crises related to our changing climate.

Local authorities must have the capacity to support, deliver and drive forward improvements in our housing stock. This means extra resource funding for accelerating the completion and implementation of Local Heat and Energy Efficiency strategies. In many areas it will be possible to

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<sup>4</sup>Hepburn, C., O’Callaghan, B., Stern, N., Stiglitz, J., and Zenghelis, D. (2020), ‘Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?’, Smith School Working Paper 20-02 <https://www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-02.pdf>

start implementation on easy wins – such as prioritizing heat network extensions and targeting investment in smart energy systems.

6. The pandemic is a shock which will provide insights and data across a range of areas

**How do we ensure that we learn from the impact of the crisis and respond accordingly?**

The impacts of the crisis have been chaotic, sudden, costly, with those on low incomes bearing the brunt of economic and social impacts.

We draw the following lessons from the crisis (as well as lessons learned from the 2008/9 stimulus) linked to the housing sector:

- Invest in the future we want and need – warm, affordable, healthy and net-zero homes.
- Provide for a well-planned, rapid, and just transition to decarbonized buildings to protect us from the worst effects of climate change.
- Create and sustain meaningful employment in the housing supply chain for those individuals and communities most severely impacted by the crisis by providing skills, training and apprenticeships.
- Develop our preparedness and resilience to future crises, making sure homes are well-adapted to climate change impacts (overheating, increased rainfall, flooding).
- Capture public interest in their homes and energy use by incentivizing home energy upgrades.
- Develop both central and local approaches, involving stakeholders, local communities and the wider public, to ensure they reflect local circumstances whilst maintaining overall focus.
- Stimulus measures should be linked to medium to long term pathways that provide certainty for investment in order to sustain the economic and wider benefits. This could be clear policy targets, regulation or multi-year investments.

More than ever we can understand the importance of a just transition to net-zero. The Just Transition Commission recommended building on the success of energy efficiency initiatives and supported CERG’s call for the funding of these schemes to be expanded. The commission called energy efficiency programmes ‘a good example of just transition in action’<sup>5</sup> because of the many benefits they deliver – in terms of health, jobs, and the climate.

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To conclude our submission, we have explored a range of possible stimulus measures to support the improvement of a key component of Scotland’s infrastructure – housing. These proposals are still in development but are provided here as an indication of the kind of measures which would be appropriate in a stimulus package. We will provide a more complete list of suggestions as a follow-up to this submission.

- **Set long term policy signal on energy performance standards** at point of sale and major refurbishment to provide for private investor and supply chain certainty

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<sup>5</sup> Just Transition Commission Interim Report February 2020

- **Expand and accelerate Energy Efficient Scotland programmes** on energy efficiency, fuel poverty and decarbonising heat.
- Develop and implement **major communications and engagement campaign** by Home Energy Scotland – making the most of household interest in comfort and energy savings. This should come with highly discounted/free heating system controls (smart thermostats, TRVs, weather compensation); draughtproofing, check to ensure gas/oil systems are condensing, and raise awareness of other incentive / grant programmes and the consumer protection measures.
- Expansion of current Scottish Government funded (through Home Energy Scotland as delivered by the Energy Saving Trust) promotion, advice, and interest free loan support for the **domestic heat pump market**.