

## Just Transition Commission – Call for Evidence

30 June 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. This submission represents the consensus view of the Alliance though individual organisations' views may differ slightly on finer policy details.

The transition to warm, low carbon and affordable to heat homes can and should be an exemplar for what a 'just transition' looks like. Indeed the Commission's interim report called energy efficiency a 'good example of just transition in action' because it not only helps address climate change and fuel poverty, it supports and creates jobs throughout Scotland, improves health and well-being, and provides greater energy security.

The Alliance made a submission to the Just Transition Commission in June 2019 and participated in a roundtable event and this evidence will update and build upon that earlier submission (provided alongside this evidence). It is based on our report, [Pathway to zero carbon homes by 2045: warm, climate friendly and affordable to heat](#), which translates the UK CCC advice on achieving net-zero into specific targets, policies and programmes. It also references our more recent [submission to the Advisory Group on Economic Recovery](#), which calls for accelerating and scaling up the Energy Efficiency Scotland programme as part of a 'fair and green' recovery.

### **1. What do you see as the main economic opportunities and challenges associated with meeting Scotland's climate change targets?**

#### Economic opportunities:

The Just Transition Commission called for the expansion of the Energy Efficient Scotland (EES) programme in its interim report in part because of the benefits in terms of jobs and saving on fuel bills – thereby alleviating fuel poverty. This issue is now more important than ever with many people staying at home due to the public health crisis for work, home schooling, shielding, and caring for family. We can expect more people to struggle to pay their energy bills given high unemployment levels and reduced incomes. This is especially true for those hardest hit by the COVID-19 economic crisis – young people, women, BAME communities and low income individuals and families.

Therefore, the case for an expanded EES programme is stronger than ever. The UK CCC included buildings retrofit as one of the five priority measures for immediate expansion in its advice on a

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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

green recovery to the Scottish Government.<sup>2</sup> The CCC's more recent progress report to the UK Parliament on reducing UK emissions<sup>3</sup> confirms this priority with the following recommendation:

***Low-carbon retrofits and buildings that are fit for the future.*** *There are vital new employment and reskilling opportunities across the country if Governments support a national plan to renovate buildings and construct new housing to the highest standards of energy and water efficiency, to begin the shift to low-carbon heating systems, and to protect against overheating. Roll-out of 'green passports' for buildings and local area energy plans can begin immediately.*<sup>4</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>5</sup> This report is highlighted alongside numerous others in the CCC progress report (Table 5.1) to illustrate the growing body of evidence supporting the economic benefits of green stimulus policies – and many specifically mention building retrofits.<sup>6</sup>

For a more comprehensive review of the economic case for retrofit, the Energy Efficiency Infrastructure Group has recently published a report, [Energy efficiency's offer for a net zero compatible stimulus and recovery](#), which covers this issue from a UK perspective.

For Scotland, research shows a £7.8bn boost in real GDP over the period of a 30 year energy efficiency programme can be realised, with 'sustained delivery of 0.2% GDP in the long term' as the impacts of energy efficiency gains continue.<sup>7</sup> This suggests there could be a return of £5 in GDP per £1 of government investment, though figures will vary as timescales are brought forward to address the economic and climate crisis.

Other economic benefits include:

- reduced household energy bills (potentially up to £7.5bn per year across the UK<sup>8</sup>)
- preservation of and investment in existing communities leading to improved sense of self-worth/ health and well being
- better, longer tenancies
- better adapted to climate impacts of warmer temperatures
- industrial growth opportunities in the wider renovation and maintenance market
- Skilled employment opportunities (6,000 jobs would be created and sustained into the longer term, with an additional 9,000 during the peak of activity<sup>9</sup>)

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<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> Reducing UK emissions: Progress report to Parliament, June 2020, UK CCC

<sup>4</sup> Ibid

<sup>5</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>

<sup>6</sup> Reducing UK emissions, UK CCC

<sup>7</sup> Potential wider economic impacts of the Energy Efficient Scotland programme, 2018, Centre for Energy Policy, University of Strathclyde.

<sup>8</sup> Energy efficiency's offer for a net zero compatible stimulus and recovery, 2020, EEIG

<sup>9</sup> Potential wider economic impacts of the Energy Efficient Scotland programme

- Reduce the need for costly upgrades to the electricity grid, new power supply and low carbon heat supply (avoided costs of electricity network investment for the UK of £4.3 bn<sup>10</sup> and avoided annual costs of decarbonised heat to 2050 of up to £6.2bn<sup>11</sup>)
- Avoided costs to the NHS due to health conditions made worse by fuel poverty – between £48m - £80m in Scotland.<sup>12</sup>
- Energy security is enhanced by reducing the need for gas imports and dependence on volatile oil prices.

## Challenges

*Supply chain:* There are some concerns that the supply chain is not ready to deliver on an expanded retrofit programme, and there may be risks associated with quality, and failing to realise the home-grown jobs potential. We believe these concerns can be overcome by providing:

1) clear policy certainty regarding the direction of travel – through regulation, incentives, targets – positively communicated by political leaders. Industry representatives have indicated they could and would invest to make the most of this opportunity (see [Existing Homes Alliance survey](#) of the supply chain which concluded):

- The supply chain is ready to deliver EPC band C by 2030 and capitalise on job opportunities.
- Technologies are readily available, though innovation remains a priority.
- Costs are already lower due to current programmes, and some more reductions can be expected.

2) support for training, re-training, apprenticeships, and skills development

3) a robust and proportionate quality assurance scheme which builds on existing mechanisms.

We are aware that the Scottish Government is undertaking work in this area. It is critical this work is accelerated in partnership with industry as continued delay can only mean these job opportunities are taken up elsewhere, and Scotland misses out on developing a flagship retrofit programme which could be the best in Europe.

*Public awareness:* While homeowners, tenants and landlords are beginning to understand the need for energy upgrades to all homes, they are less clear about what it means for them and their property and what they need to do. A major engagement campaign is required, tailored to suit the needs, interests, and capacities of different households.

*Tenements:* Progress lags behind on improving tenements due to legal barriers. The recommendations of the [Scottish Parliamentary Working Group on Tenement Maintenance](#) on solutions to aid, assist and compel owners of tenement properties to maintain and repair their buildings – a critical precondition of any energy efficiency works - must be taken forward urgently and work by the Scottish Law Commission accelerated.

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<sup>10</sup> Rosenow et al, 2018 The remaining potential for energy savings in UK households

<sup>11</sup> Imperial College London 2018 Analysis of alternative UK heat decarbonisation pathways

<sup>12</sup> Economic impact of improving the energy efficiency of fuel poor households in Scotland, 2014, Citizens Advice Scotland.

## **2. What do you think are the wider social (health, community, etc.) opportunities and challenges associated with meeting Scotland’s climate change targets?**

### Opportunities:

Through an ambitious home retrofit programme, poor energy performance of the home as a driver of fuel poverty would be eliminated. This would contribute to the Scottish Government’s Housing 2040 vision which states that ‘fuel poverty is a thing of the past.’<sup>13</sup>

We know that spending time in a cold, damp house can aggravate conditions such as heart disease, strokes and flu and increase the risk of mental health problems.<sup>14</sup> And there’s an increased risk of illness and death among older people, young children and those with a disability.<sup>15</sup> It also contributes towards increased winter deaths, and additional visits to GPs and hospitals. These risks are amplified in the current COVID-19 public health crisis and highlight the importance of preventative action to improve everyone’s health resilience.

An interesting example is the research with the NHS, Energy Agency and Glasgow University which continues to examine the relationship between area-based solid wall insulation programmes and health outcomes.<sup>16</sup> There was self-reported evidence of improvements to existing health conditions, such as COPD and asthma, and of improved mood following the installation of insulation. Preliminary analysis also suggests lower hospital admission rates for respiratory and cardiovascular related conditions compared with a control group of postcodes who had not yet participated in the scheme, although it is difficult to establish a direct causal link.<sup>17</sup>

### Challenges

As noted in our answer to question 2, the numbers of households at risk of falling into fuel poverty is likely to rise due to the current economic crisis, and also the increased amount of time spent in the home (for work, home-schooling and shielding). We have an excellent fuel poverty programme, but it will need to be considerably expanded to address this increased risk. This means building on current partnerships in the community to identify, reach and help the fuel poor, and doubling the number of homes upgraded through the Warmer Homes Scotland and Area-based programmes.

Given concerns about a second COVID-19 outbreak in the autumn, we must take preventative measures so people are not put at additional risk due to cold and damp homes worsening health conditions.

## **3. What would a successful transition to net-zero emissions look like for your sector/community?**

A successful transition to net-zero emissions would mean warm, healthy, affordable to heat, and net-zero carbon homes and communities throughout Scotland.

These would be highly insulated homes, with appropriate ventilation, and low carbon or renewable heating technologies. Because the homes are so well insulated, heating demand is dramatically reduced and so are running costs. Fossil fuel heating will be phased out starting with off-gas homes and replacing it with low carbon or renewable heating technologies – heat pumps, heat networks, energy storage.

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<sup>13</sup> Housing to 2040, Scottish Government draft vision and principles, 2019

<sup>14</sup> Fuel Poverty Evidence Review, Scottish Government

<sup>15</sup> Building the future: the economic and fiscal impacts of making homes energy efficient. 2014

<sup>16</sup> NHS Ayrshire and Arran with the Energy Agency – latest evidence to be provided.

<sup>17</sup> [http://www.parliament.scot/S5\\_Local\\_Gov/Inquiries/LGC\\_S5\\_18\\_FPB\\_15\\_EnergyAgency.pdf](http://www.parliament.scot/S5_Local_Gov/Inquiries/LGC_S5_18_FPB_15_EnergyAgency.pdf)

The transition has been carefully planned, involving stakeholders, and engaging with householders and communities to identify the tailored solutions to suit the people, properties, and the opportunities in the area / neighbourhood. In this way, householders, landlords and tenants are supportive of the transition, understand what they need to do, by when, and why, and receive financial and handholding support to ensure they are not disadvantaged.

The transition has been delivered through a highly skilled supply chain, involving SME's all over Scotland, backed up by a robust quality assurance scheme. The supply chain includes installers, engineers, and manufacturers – who together have sustained and created thousands of jobs. The quality of programme management and delivery on the ground has led to export opportunities, providing further potential for more quality jobs.

Fuel poverty has been eradicated, and the housing sector as a whole has achieved net-zero emissions by 2045.

#### **4. What actions do you think the Scottish Government should take to manage the opportunities and challenges referenced above?**

Double the funding, more than double the benefits

Scotland is fortunate to have the infrastructure in place to achieve this vision – Energy Efficient Scotland and its delivery programmes – the national fuel poverty programme Warmer Homes Scotland, the local authority led area-based insulation schemes which are targeted at fuel poor households, and Home Energy Scotland, the nationally funded energy saving advice service.

These programmes have a good track record and should be doubled in scale to tackle fuel poverty more quickly. They should also be expanded to include decarbonisation of heat so that fuel poor households do not get left behind in the transition to net-zero, with 'stranded assets' of fossil fuel heating technologies.

Thus, we should use the existing delivery infrastructure to mainstream energy efficiency and low carbon heat, which will provide the necessary certainty to business to invest in training, re-skilling, and apprenticeships.

This will require a significant increase in funding for energy efficiency, low carbon heat and fuel poverty programmes. We acknowledge that funding was increased in the 2020/21 Scottish Budget, though it still fell short of our estimated requirement for £240m for energy efficiency and fuel poverty programmes. This estimate did not include the extra funding required for heat and social housing. The economic recovery package is an ideal opportunity to seize the multiple benefits housing retrofit provides and scale up the Energy Efficient Scotland programme.

#### **5. Are there specific groups or communities that may be, or feel that they may be, adversely affected by a transition to a net-zero carbon economy? What steps can be taken to address their concerns?**

There are concerns that the transition to decarbonised heat could disadvantage households due to the increased costs of installation and running costs. This is particularly the case at the moment, with heating oil costs at a historic low, and households hit hard by the economic impacts of COVID-19.

We believe these concerns can and must be overcome as follows:

- Fuel poor households should receive grants for the capital costs of upgrading the energy performance of their home, including for renewable / low carbon heating.

- Consideration should be given to the support (including financial support and advice on energy management) that can be provided if a household is put at risk of falling into fuel poverty due to increased running costs of a low carbon heating system (this situation should be kept under review as comparator heating prices change).
- Households should receive ongoing support on the management of energy in the home, to maximise the benefit of the new heating system.
- As part of the upgrade, the fuel poverty programme must act on all drivers of fuel poverty to ensure the running costs for energy are not increased. This may take the form of additional income support to plug the gap until energy prices are aligned with net-zero ambitions.

We support the use of partnerships with community groups to help engage and support households, as they are often best placed to identify, reach, and be trusted by people in their community.

**6. Please provide here any other information, evidence, or research you consider relevant to the work of the Commission.**

References provided through previous questions.