Throughout the winter, levels of interest in energy efficiency schemes rise significantly. This short briefing provides a summary of relevant domestic schemes in Scotland.

Because individual household circumstances vary widely (e.g. housing type, benefits received, local authority area), those seeking to improve energy efficiency are advised to call Home Energy Scotland for free and impartial advice on 0808 808 2282.
# CONTENTS

**EXECUTIVE SUMMARY** .......................................................................................................................... 3

**INTRODUCTION** ........................................................................................................................................ 4

**ENERGY EFFICIENCY IN SCOTLAND: POLICY CONTEXT** ........................................................................... 4

  - BOX 1: Individual Household Eligibility ................................................................................................ 5
  - BOX 2: Smith Commission Proposals ....................................................................................................... 5

**ENERGY EFFICIENCY SCHEMES IN SCOTLAND AND THE UK** ................................................................. 6

  **SCOTLAND-SPECIFIC ENERGY EFFICIENCY SCHEMES** ......................................................................... 6
  - Home Energy Efficiency Programmes for Scotland .................................................................................. 6
  - Recent Improvements in Energy Efficiency .............................................................................................. 8

  **UK-WIDE ENERGY EFFICIENCY SCHEMES** ....................................................................................... 8
  - Energy Company Obligation ...................................................................................................................... 8
  - ECO in Scotland ........................................................................................................................................ 9
  - Green Deal ............................................................................................................................................... 9

  **UK WIDE FUEL POVERTY MEASURES** ............................................................................................... 10
  - Warm Home Discount scheme ................................................................................................................ 10
  - Winter Fuel Payments ............................................................................................................................ 10

**ANNEX – HEEPS DOMESTIC CUSTOMER FLOWCHART** ............................................................................. 11

**SOURCES** .................................................................................................................................................. 12

**RELATED BRIEFINGS** ............................................................................................................................... 14
EXECUTIVE SUMMARY

- A house is considered energy inefficient if it is difficult to heat. This can be due to heat loss through walls, windows and/or a roof.

- Energy efficiency schemes are designed to counteract this, by funding a number of measures, including insulation, to make buildings more energy efficient and cheaper to heat, thus helping to alleviate fuel poverty and reduce climate change emissions.

- There were an estimated 845,000 households in fuel poverty in Scotland in 2014, equivalent to 34.9% of all households. The main factors influencing fuel poverty are household incomes, fuel costs and the energy efficiency of homes. Of these three factors, energy efficiency is the only area where the Scottish Government has direct control and, accordingly, this is where policy measures and budgets have been focused.

- Energy efficiency schemes to reduce carbon emissions are an integral part of Scotland’s drive to a low carbon society, and are a crucial measure if emissions reduction targets of at least 80% by 2050 and 42% by 2020, as set out in the Climate Change (Scotland) Act 2009 are to be met.

- With an increased emphasis on energy efficiency, the Scottish Government states that improvements have led to an 8% drop in the amount of energy required to heat the average home since 2010. Since 2009, the Scottish Government have allocated over half a billion pounds to make Scotland’s homes more energy efficient with over 700,000 households benefitting from measures like new boilers or insulation. However the existence of multiple Scottish and UK wide energy efficiency schemes and policies, and the manner within which they interact, creates a complex landscape.

- The main Scottish Government schemes aimed at tackling fuel poverty and energy efficiency are the Home Energy Efficiency Programmes for Scotland. The Energy Saving Trust provides referrals to these on behalf of the Scottish Government.

- In 2015/16, the Scottish Government has made £119 million available to tackle fuel poverty, including a new £14 million loans scheme offering homeowners interest-free loans of up to £10,000 for energy efficiency measures.

- The Smith Commission report on further devolution of powers to the Scottish Parliament recommended the devolution of powers to determine how supplier obligations in relation to energy efficiency and fuel poverty are designed and implemented in Scotland. The resulting Scotland Bill looks set to bring more control over the management of energy efficiency measures to Scotland.
INTRODUCTION

Throughout the winter months levels of interest in energy efficiency schemes rise significantly. This short briefing provides a summary of relevant domestic schemes in Scotland. It does not consider the historical context, the regulatory framework, or associated renewable energy schemes. These are considered in detail in the SPICe Briefing on Fuel Poverty in Scotland (Liddell 2015).

ENERGY EFFICIENCY IN SCOTLAND: POLICY CONTEXT

“Improvements in the energy efficiency of homes can have multiple benefits including carbon reduction, fuel poverty alleviation, economic stimulus, and health benefits” (ClimateXChange 2015).

The Scottish Government aims to ensure that by November 2016, so far as is reasonably practicable, people are not living in fuel poverty in Scotland. A household is considered to be in fuel poverty if it is required to spend more than 10% of its income - including housing benefit or income support for mortgage interest - on gas and electricity usage. There were an estimated 845,000 households in fuel poverty in Scotland in 2014; equivalent to 34.9% of all households (Scottish Government 2015a). The main factors influencing fuel poverty are household incomes, fuel costs and the energy efficiency of homes. Of these, energy efficiency is the only area where the Scottish Government has devolved competence and, accordingly, this is where policy measures and budgets have been focused.

Improving energy efficiency is considered to be vital, as 55% of energy is used for heat, while 24% goes towards transport, and 21% towards electricity (and of the energy used for heat, 42% is domestic). In 2015 the Scottish Government published its Heat Policy Statement (2015b) ‘Towards Decarbonising Heat: Maximising the Opportunities for Scotland’, which designated energy efficiency as a National Infrastructure Priority. The cornerstone of the Scottish Government’s work in this area will be Scotland’s Energy Efficiency Programme (SEEP) which will “provide an offer of support to all buildings in Scotland – domestic and non-domestic – to help them achieve a good energy efficiency rating over the next 15-20 years” (Scottish Government 2015c). Most recently, the Scottish Government’s response (201d) to the Scottish Parliament’s Economy Energy and Tourism Committee’s (EETC) Security of Supply Report (2015) stated:

“The detail of the programme [SEEP] is being developed and over the next two years the Government will be working with stakeholders, piloting new approaches with local authorities and other delivery bodies, and undertaking further analysis to understand what is required and what is possible, before launching the new programme in 2018, after new powers over energy efficiency have been devolved to the Scottish Parliament.”

Energy efficiency schemes to reduce carbon emissions are an integral part of Scotland’s drive to meet its statutory emissions reduction targets of 80% by 2050 and 42% by 2020, as set out in the Climate Change (Scotland) Act 2009. By reducing energy consumption, energy efficiency schemes aim to reduce costs for consumers whilst improving levels of comfort, and to improve Scotland’s security of energy supply, while reducing its carbon footprint.

As well as reducing energy consumption, improving energy efficiency also has a number of consequences for other policy areas, including health. For more on this, see SPICe briefing Good for Climate, Good for Health (Finney 2015) which notes that circulatory diseases and respiratory issues are often closely associated with cold and damp houses.

1 These are considered in more detail in Box 2
In 2015/16, the Scottish Government (2015e) made £119 million available to help tackle fuel poverty, including a new £14 million loans scheme to offer homeowners interest-free loans of up to £10,000 for energy efficiency measures. However the existence of multiple Scottish and UK wide energy efficiency schemes (discussed later), and the manner within which they interact, creates a complex landscape.

**BOX 1: Individual Household Eligibility**

Individual circumstances in households and properties vary widely; factors include existing levels of insulation, housing type, benefits received, local authority area, and so on. This means that if someone is looking to insulate, or replace their boiler they are advised to call the Home Energy Scotland (HES) advice and support service (a free and impartial service on 0808 808 2282), who will consider a range of relevant details to assess eligibility and applicability given particular circumstances. HES is a Scottish Government service managed by the EST.

**BOX 2: Smith Commission Proposals**

As previously noted, the Scottish Government currently has responsibility for the promotion of energy efficiency; however the regulation of the energy market, and therefore the design and implementation of schemes involving energy companies, is reserved under Schedule 5 Head D of the Scotland Act 1998, with DECC responsible for UK Energy Policy. The Smith Commission report recommended the devolution of powers to determine how supplier obligations in relation to energy efficiency and fuel poverty, such as ECO and Warm Home Discount (discussed later), are designed and implemented in Scotland (Smith Commission 2014).

Following Smith’s recommendations, clauses 55, 56, and 57 of the Scotland Bill (2015) would amend the Gas Act 1986, Electricity Act 1989 and Energy Act 2010 to provide the Scottish Government with powers to design how such ‘supplier obligation’ schemes are implemented in Scotland, to better target funding and support. However, setting the way the money is raised by these schemes (the scale, costs and apportionment of the obligations as well as the obligated parties) would remain reserved to Westminster. The Scotland Bill confirmed that these powers will be devolved (House of Commons Library 2015) but that Scottish Ministers must obtain consent to exercise these from the UK Secretary of State.

Reserving control over the fundamental aspects of ECO for example, ensures that the supplier obligation framework can continue to operate as part of the single GB energy market, thus preventing competitive distortions that could disadvantage some consumers. Yet holding powers over the design and implementation of energy efficiency and fuel poverty measures will enable the Scottish Government to more accurately meet the specific needs of households. Indeed, Scottish Ministers have written to the UK Government on a number of occasions to stress the importance of improving delivery to rural and remote areas, in particular because of the high rates of fuel poverty in these areas (Liddell 2015). Therefore, as Professor David Sigsworth said of the recent developments in Smith and the Scotland Bill, “…there is a chance for us in Scotland to ensure that those funds are deployed satisfactorily and that we get best value from them in dealing with our problems and our situations. I believe that that would be the right outcome from the devolution through Smith of the energy efficiency obligations” (EETC Official Report 2015). Further detail of the timescale for devolution of these powers and any transition is still to be determined, and as yet there is no indication of how the Scottish Government intends to proceed with implementation.
ENERGY EFFICIENCY SCHEMES IN SCOTLAND AND THE UK

SCOTLAND-SPECIFIC ENERGY EFFICIENCY SCHEMES

The Energy Saving Trust (EST) provides referrals to the Home Energy Efficiency Programmes for Scotland (HEEPS), on behalf of the Scottish Government. However, the Scottish Government designed HEEPS to work in tandem with a UK-wide scheme, the Energy Company Obligation (ECO), which is funded by the larger energy suppliers who are obliged by the Energy Act 2011 to support energy efficiency and heating measures that will reduce domestic carbon dioxide emissions and fuel bills. Accordingly, ECO is one of the largest sources of funding for fuel poverty and energy efficiency work in Scotland. The Annex shows a flowchart setting out how domestic customers might benefit from relevant energy efficiency programmes.

Home Energy Efficiency Programmes for Scotland

HEEPS is the Scottish Government’s main vehicle for tackling fuel poverty and improving domestic energy efficiency, having replaced earlier schemes such as the Energy Assistance Package, the Boiler Scrappage Scheme and the Universal Home Insulation Scheme. The Scottish Government is making available a total budget of £119 million for fuel poverty and domestic energy efficiency programmes in 2015-16, with the ambition that this money will ‘lever-in’ a further £120 million from the private sector through UK-wide ECO money. In 2015-16, HEEPS consists of four separate programmes: Area Based Schemes (ABS), Warmer Homes Scotland (WHS), HEEPS: Cashback, and HEEPS Loans. Included in this £119m there is £9m available to fund advice and support services, primarily the Home Energy Scotland hotline and advice centres.

HEEPS: Area Based Schemes

The majority of the Scottish Government’s fuel poverty budget is committed to HEEPS: ABS, with £65 million in 2015-16 going to Scotland’s 32 local authorities to provide a range of energy efficiency measures for private sector properties within fuel poor geographical areas. Around two-thirds of HEEPS: ABS funding, or £48 million, is allocated to local authorities through a ‘needs-based’ formula as set out by the Scottish Government. Councils can also bid for additional ABS money of around £17 million. The Scottish Government explains that “local authorities will be expected to target areas of fuel poverty and work with Housing Associations, energy companies, installers, owner-occupiers and private rented landlords to ensure all households in that area receive an offer to have the energy efficiency of their home improved” (Scottish Government 2014a). The case studies on pages 12-13 of Fuel Poverty in Scotland (Liddell 2015) show how HEEPS: ABS, ECO and other funding streams are currently being used to improve the insulation and energy efficiency of housing stock in two diverse, local authority areas – Dundee and the Western Isles. These case studies demonstrate the differing ways in which energy efficiency schemes can be utilised – from insulation measures in detached croft houses off the gas grid in the Western Isles to external wall cladding of multi-tenure flats in Dundee.

HEEPS Warmer Homes Scotland

This national scheme, which is worth at least £16m per year for up to seven years, is available to vulnerable private sector households (tenants or owner-occupiers) in receipt of certain benefits. HEEPS WHS offers insulation, as well as heating measures to improve the energy efficiency of homes and to sustainably reduce fuel bills. The scheme is available across Scotland but it is delivered on a regional basis by Warmworks Scotland (including a separate Islands region) to ensure that all households, including those living in more remote parts of the country, get the same level of service regardless of location. The Scheme was officially
launched by the First Minister and Cabinet Secretary for Social Justice, Communities and Pensioners' Rights on 14 September 2015.

**HEEPS Cashback**

**HEEPS: Cashback Scheme** (formerly Green Homes Cashback Scheme) was launched on 2 April 2015. The scheme, with funding of £15 million for 2015-16, is for householders across all tenures, including social landlords, and provides a contribution toward the installation of energy efficiency measures recommended by a Green Deal Assessment (as set out below). There are two elements: £10 million is available for individual private sector households, and is restricted to properties in Council Tax bands A-C. The remaining £5 million is available for social landlords — funding for social landlords is prioritised for those with off-gas grid properties to ensure that social tenants in the least energy efficient properties, and needing the most assistance, are able to receive it (Scottish Government 2015d). Funding is divided into various categories:

- up to £500 available for installing a new boiler;
- £400 for insulation measures; and
- £300 for other measures like draught proofing or secondary glazing.

On 23 July 2015 the UK Government announced the closure of its equivalent Green Deal Home Improvement fund (as set out below) which formed the basis of the funding for HEEPS: Cashback. As a result, on 18 September Scottish Ministers announced that there would be no HEEPS: Cashback scheme in future years. Due to all available funding being committed, HEEPS Cashback Scheme was closed to new applicants on Friday 27 November 2015.

**HEEPS Loan**

HEEPS: Loans launched in 2015 and are available to all private sector households in Scotland (both owner occupiers and private sector landlords) who wish to install energy efficiency measures, such as solid wall insulation, double glazing or a new boiler. The Loans scheme has a budget of £14 million in 2015/16 and offers an interest-free loan of up to £10,000 per household. The loans can be combined with ECO, HEEPS: ABS and HEEPS: Cashback.

- **HEEPS Gas Infill Loans Scheme:** Under this programme loans are available to help owner occupiers and private sector landlords with the costs of connecting to the gas grid. The Gas Infill Loans scheme provides interest free loan funding between £500 and £5,000 for gas connection costs and installation of a gas central heating system. In areas on, or very close to, the existing gas grid, connection to the grid is in most cases a cost-effective way of reducing energy bills and tackling fuel poverty.
- **HEEPS ABS loan scheme:** This scheme provides interest free loans of up to £5,000, repayable over ten years, to help households receiving efficiency measures through the HEEPS: ABS scheme when a householder contribution is required.

**Survey of the property**

Stipulated as an eligibility criterion for most Scottish Government energy efficiency schemes, there must be a **Green Deal Advice Report** carried out at a property before installation starts (Consumers should call HES on 0808 808 2282 to initiate this process). The Green Deal closed to new applications on 23 July 2015 (see below), but the Green Deal assessment and the Green Deal Advice Report are still available.
Recent Improvements in Energy Efficiency

With an increased emphasis on energy efficiency, the Scottish Government shows (2015a) that recent improvements have led to:

- Two out of five dwellings are now in Energy Performance Certificate\(^2\) (EPC) Band C or better, an increase of over 70% since 2010 and 11% in the last year.
- Half of all dwellings are now rated 67 or higher. This compares to a rating of 62 in 2010 and 66 in 2013 for the average dwelling.
- Just over a third of dwellings (35%) have an energy efficiency rating of C or better and half of all dwellings are rated 65 or better.
- The share of homes with lofts insulated to 100 mm or more remained unchanged between 2013 and 2014 at 91%. Lofts insulated to 300mm or more increased by three points to reach 27%.
- Levels of cavity wall insulation have risen to reach 71% of all cavity wall dwellings, increasing by 2% since 2013.
- The share of insulated solid wall dwellings was up by three points, at 14% compared to 11% in 2013.

The following table shows the trend in EPC ratings for Scottish domestic properties since 2010:

![EPC ratings chart](image)

UK-WIDE ENERGY EFFICIENCY SCHEMES

One of the main recommendations of the Fuel Poverty Forum’s 2012 Interim Report was that “Scottish Government funding should be used to help maximise the leverage of ECO [Energy Company Obligation] funding into the country by making Scotland the easiest and most cost-effective part of Britain in which to discharge the obligation” (Scottish Government 2012).

Energy Company Obligation

In autumn 2012 the UK Government introduced the ECO, provided for by the Energy Act 2011. The scheme places an obligation on the larger energy suppliers to support energy efficiency and heating measures that will reduce domestic carbon dioxide emissions and fuel bills. It is

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\(^2\) An EPC is a document which states the energy efficiency of a building based on a standardised assessment, and provides the owner with a number of recommendations in which the efficiency could be improved.
funded via obligated energy suppliers, with costs recouped through electricity bills, and it is split into three parts, each with their own particular delivery criteria:

1. Carbon Emissions Reduction Obligation (CERO) – under this obligation, obligated suppliers must promote ‘primary measures’, including roof insulation (covers flat roof, pitched roof, and room-in-roof), standard cavity wall insulation, and connections to district heating systems. Other ‘secondary measures’, which improve the insulating properties of a building, can also be installed at the same premises that utilised a primary measure option. The CERO is available to all households of any tenure that can receive qualifying measures. Funding is based on cost per tonne carbon dioxide saved.

2. Carbon Saving Community Obligation (CSCO) – under this obligation, energy companies support insulation measures and connections to domestic district heating systems in areas of low income. This focusses on people living in the bottom 25% of the UK’s most deprived areas (this is calculated in Scotland using the Scottish Index of Multiple Deprivation) and the bottom 25% of rural areas by income. The CSCO is available to households of all tenures, with funding based on cost per tonne carbon dioxide saved.

3. Home Heating Cost Reduction Obligation (HHCRO) – under this obligation, energy suppliers are required to provide measures which improve the ability of low income and vulnerable households (the ‘Affordable Warmth Group’) to heat their homes (social housing tenants are not eligible for HHCRO). This could include actions that result in heating savings, such as the replacement or repair of a boiler for example, as well as insulation measures. There are complex eligibility criteria for this scheme, with qualification based on benefits, income and vulnerability. HHCRO funds are based on a cost per pound lifetime fuel bill saving for householders.

**ECO in Scotland**

The way the ECO is designed means that it can be used in conjunction with some Scottish Government loan and grant schemes. Since ECO was introduced in January 2013 and up to June 2015, over 1,504,898 measures were delivered in Great Britain. These break down as follows:

- In Scotland 173,320 measures have been delivered, representing 11.5% of the GB total. Of those delivered (DECC 2014):
  - 45% (78,202) were provided under the Carbon Saving Target (CERO);
  - 30% (52,610) were under the Carbon Saving Communities Obligation (CSCO);
  - and
  - 25% (42,508) were under the Affordable Warmth (HHCRO) obligation.

**Green Deal**

The Green Deal was a UK Government scheme that provided loan finance to install energy efficiency measures (heating and insulation) in domestic and non-domestic properties.

As previously noted, funding for the Green Deal was withdrawn on 23 July 2015 (DECC 2015). The Energy and Climate Change Secretary Amber Rudd announced that in “light of low take-up and concerns about industry standards there will be no further funding to the Green Deal Finance Company, in a move to protect taxpayers”. Furthermore, the “Government will work with the building industry and consumer groups on a new value-for-money approach [which] provide better value for money, supporting the goal of insulating a million more homes over the next five years and the Government’s commitment to tackle fuel poverty”. This decision has no
impact on existing Green Deal Finance Plans or existing Green Deal Home Improvement Fund applications and vouchers.

**UK WIDE FUEL POVERTY MEASURES**

As previously noted, measures aimed at tackling fuel poverty and energy efficiency are closely linked. The following schemes are not directly relevant to improving energy efficiency, however relate to reducing the burden of domestic fuel bills for relevant households.

**Warm Home Discount scheme**

The *Warm Home Discount* (WHD) scheme came into effect in April 2011 and requires obligated domestic energy suppliers to provide support to fuel poor customers. The scheme was originally planned to last for four years – coming to an end in March 2015 – but the success of it ensured that the UK Government extended it by one more year. With this extension, those eligible for winter 2015 to 2016 could receive £140 off their electricity bill. The money is not paid direct, but is a one-off discount on an electricity bill, usually between September and March.

Ofgem, whose role is to administer the WHD scheme and monitor suppliers’ compliance with their obligations, recently released its annual report examining the WHD scheme (Ofgem 2015). The report showed that relevant suppliers met their obligations for the fourth year of the scheme, providing a total of £326 million of support, including £140 rebates to nearly 2.2 million vulnerable consumers.

**Winter Fuel Payments**

The UK Government also provides *winter fuel payments* of £100-£300 to all people of state pension age, with most payments made automatically between November and December.

Both Winter Fuel Payments and the Warm Home Discount are to be devolved to the Scottish Parliament via the Scotland Bill as a recommendation of the Smith Commission; however it is not yet clear how the Scottish Government intends to utilise these new powers in relation to its overall energy efficiency strategy.
ANNEX – HEEPS DOMESTIC CUSTOMER FLOWCHART

Entry point 1 – Home Energy Scotland hotline

Entry point 2 – Contact local authority scheme, which refers to Home Energy Scotland

Entry point 3 – Home Energy Scotland referral partner

Energy Advice from Home Energy Scotland including assessment of eligibility for all the different types of help on offer.

Tariff check via referral to own energy supplier

Benefit and tax credit check
Via referral to DWP or Citizens Advice Direct

HEEPS ABS Referral to local HEEPS ABS scheme

Warmer Homes Scotland
DWP eligibility screening, survey booking plus referral to WHS managing agent

Other support Referral and signposting to relevant local schemes and support

Scottish Government financing
Grant and loan funding – schemes may be time limited and availability will be advised at point of contact

UK Government financing – where available
SOURCES


RELATED BRIEFINGS

SB-15-13 Fuel Poverty in Scotland

SB-15-40 Good for Climate, Good for Health

SB 14-78 Scotland's climate emissions targets and trends: November 2014