1. Introduction

Thank you for providing the opportunity for the Energy Saving Trust to provide evidence to the Committee’s call for written views. Our submission focuses on the policies and proposals relating to homes and communities and as such relates to a number of aspects of the plan that the Committee is considering, specifically, fuel poverty, renewable heat and reducing energy demand. It begins by providing a brief introduction to the Energy Saving Trust and our work and then outlines our views on the four specific questions posed.

Energy Saving Trust is the leading, impartial sustainable energy organisation. We work on behalf of governments and businesses across the UK providing services in the area of data, assurance, grant and loan administration, consumer engagement and advice. In Scotland the Energy Saving Trust is a principal delivery partner of the Scottish Government for home energy efficiency. We run comprehensive local and national advice and support programmes for the Scottish Government. Public engagement on energy is at the heart of our work. In total each year the Energy Saving Trust handles just under half a million energy efficiency advice calls on behalf of UK and Scottish governments.

2. Response to questions posed in the Committee’s call for written views

Progress to date in cutting emissions within the sector/sectors of interest and implementing the proposals and policies set out in the RPP2

Emissions reductions

In terms of activities to improve home energy efficiency and reduce emissions from the residential sector it is worth highlighting that Scotland in many ways already leads the way in the UK and as an organisation delivering activity across the whole of the UK we have first-hand experience of this. Evidence also suggests that Scotland is leading the UK on climate change delivery more generally with the Committee on Climate Change’s recent report on Scotland’s progress towards meeting emission reduction targets highlighting that Scotland is performing well, ‘especially compared to other countries in the UK and the UK as a whole.’ Despite this leadership, and on-going emissions reductions in this sector it is recognised¹

that further work needs to be undertaken in order to ensure future annual targets are met.

Progress to date in implementing the proposals and policies set out in the RPP2

We consider relevant policies/proposals in turn and as follows:

Domestic Building Energy Standards– New Build Standards. We welcome the continued downward trend in emissions from new build as a result of the on-going tightening of building standards (most recently with the introduction of new Regulations in October 2015). We would like to see the Scottish Government continue on the pathway laid out in the Sullivan report. In this context it is important to remember that every new home that is built in Scotland adds to Scotland’s overall CO₂ emissions, and new homes will be built every year between now and 2050 – so the cumulative impact of their emissions will not be negligible. We therefore support proposals to review standards in 2017.

Renewable Heat Incentive (Domestic) and low carbon heat. Progress on renewable heat has been an area of significant concern among decision makers, government advisors and industry: this is one of the reasons the RHI has been reformed and refocused. The Scottish Government should be congratulated on its activity to promote and encourage take up of the RHI together with FiTs and ECO in Scotland. However, it is clear that they should be seeking to ramp up its activity with more ambitious incentive schemes and a stronger central government commitment – longevity, stability and a well-evidenced and realistic policy pathway are key to support a thriving renewable heating sector. It is also important to note that district heating is a key part of the renewable heat agenda and we therefore support a positive regulatory environment for district heating.

Energy Company Obligation and Green Deal Since the publication of the RPP2 there have been two notable changes to UK energy efficiency policy that have significant implications for Scottish energy efficiency policy, these are:

- The end of UK government support for the Green Deal Finance Company – UK government support for the GDFCo ended in 2015.
- A reduction in the scale of the Energy Company Obligation (ECO) - at the Spending Review the Chancellor revealed that the next phase of ECO (post 2017) will be a much less ambitious programme and run for five years. BEIS has announced that 2017-2018 will be a transition year. The longer term changes will come into effect in 2018. The overall budget is being reduced to £640m a year, roughly a 40% drop in funding compared to current spending.

These policy changes reduce the amount of finance and funding available to Scotland to improve the energy efficiency of its housing stock and to meet relevant targets. We understand that the Scottish Government is looking closely at finance as part of its wider work to develop Scotland’s Energy Efficiency Programme (SEEP)
which will begin in 2018. This is important. There needs to be sufficient access to finance to ensure the necessary scale of energy efficiency improvements in the household sector. We believe that the pay-as-you-save approach should not end with the Green Deal finance company and that an offer needs to be in place. This will then allow private sector finance to be unlocked to help pay for energy saving measures which will complement available Scottish Government funding.

**Home Energy Efficiency Programmes Scotland and Warm Homes Fund.** As noted above, Scotland’s existing energy efficiency programmes provide a solid foundation on which to build. However, there is now a need for a substantial rethink (drawing on successful elements of existing approaches together with new, innovative approaches) of how measures installation programmes are funded and delivered to ensure delivery at the necessary increased scale and pace to meet climate change targets. The designation of energy efficiency as a National Infrastructure Priority and the proposed new Scotland’s Energy Efficiency Programme provides the perfect opportunity to do this.

**Regulation of Private and Social Housing.** Regulation of private sector housing appeared as a proposal in RPP1 (2010) and again in RPP2. We continue to support the introduction of regulation in the private sector and are pleased that the Scottish Government has committed to consult on the regulation of private rented sector housing and on phased regulation of other existing buildings. However, the period between the suggestion that regulation of the private sector might be required in the future (2010) and the commitment to publish a consultation on regulation of a small part of that sector (the private rented sector) has been notably long – with a consultation due this year. Progress in this area is considerably behind that in the rest of the UK.

In addition, we would ideally like to see the regulation of other existing buildings happen at the same time as the private rented sector and in a non-phased way. We are concerned that without this approach there will not be sufficient numbers of energy efficiency measures being installed to allow the housing sector to play its full role in helping to deliver Scotland’s climate change targets.

In a regulatory environment it will be more important than ever that people have access to free, impartial advice to ensure that they are able to meet the new regulatory standards in that way that is most cost effective, and appropriate to them. It will also be important to ensure that people are able access appropriate funding and finance in order to support the installation of measures.

In terms of progress with regulation in the social housing sector we note the on-going improvements to the energy performance of homes and welcome current moves to consider post EEESH standards.

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Additional technical potential through improvements to carbon efficiency of the housing stock. One of the main concerns that we raised about the RPP2 in our response to the [then] Infrastructure and Capital Investment Committee’s call for views in 2013 was that a considerable amount of abatement would be delivered by policies that had not yet been defined. We noted that ‘The abatement attributed to unlocking this technical potential makes up a considerable proportion of total abatement from the housing sector in 2020 and 2027’ and that ‘…this represents too large quantity of carbon reduction for there not to be any specified policies or proposals to ensure its delivery’.

The RPP2 committed to ‘include a proposal on how we may realise this potential in the next RPP’. However, it is not clear from the information provided within the draft RPP that much progress has been made in this area with the CPP noting that the Scottish Government will work with others to ‘…determine the best approach to heat decarbonisation for buildings currently heated by natural gas.’ and that they will ‘…look to put forward a more detailed proposal on how we will realise this potential in subsequent Climate Change Plans as our understanding of the best approach develops’. It is concerning that considerable uncertainty still surrounds the delivery of significant carbon savings from the household sector.

The scale of reductions proposed within their sector/s and appropriateness and effectiveness of the proposals and policies within the draft RPP3 for meeting the annual emissions targets and contributing towards the 2020 and 2050 targets.

The recently published SPICE briefing on the CCP notes that the emissions reductions proposed in the residential sector equate to a 76% reduction in emissions between 2017 and 2032 and we very much welcome this level of ambition. We do however believe that there is scope to strengthen the proposed level of the energy efficiency ambition (i.e. the 6% reduction ambition) and associated policies and proposals given that:

- demand side activity can be implemented far quicker than changes in the supply side and will allow delivery of carbon reductions with lower levels of low carbon supply,
- energy efficiency helps improve security of supply by reducing the demand for primary energy, and hence dependence on supply side investment and energy imports,
- most energy saving options are more cost effective than investing in any new supply capacity,

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4 http://www.parliament.scot/parliamentarybusiness/103311.aspx
- energy efficiency can meet multiple government objectives (including climate change mitigation, fuel poverty alleviation, improved health and well-being, employment etc.).

Table 8.4 in the draft climate change plan details the number of insulation measures that will be installed as a consequence of the policies and proposals (once policies) to reduce heat demand. It proposes that between 2018 and 2032 90,000 measures will be installed each year, with 45,000 measures installed in 2017. This equates to a total of 1.395 million measures. This is broadly in line with the number of measures that the ExHA (of which EST is a member) estimates will be necessary to bring the vast majority of homes in Scotland up to an EPC C rating. This ambition in terms of absolute numbers is therefore a welcome first step. However, we believe that these measures could and should be installed significantly earlier than proposed - this is discussed in our answer to the following question below. We also believe that there is considerable additional potential for deep energy efficiency retrofits to further reduce emission from Scotland’s housing stock and that there is a need to additional policies and proposals in this area.

One example of a new approach that could deliver additional savings from the housing sector is the Energiesprong approach which is being taken forward in Holland and more recently in England. It focuses on refurbishing homes to a net zero carbon standard and is a whole-house approach to insulating homes that essentially involves wrapping–up the home’s external walls for maximum thermal efficiency and installing small-scale renewable systems to generate the electricity the home needs. It’s a unique approach since it’s a modular build with the external wall cladding produced off– site and then delivered in sections. The financing mechanism is also innovative. Within the social housing sector in Holland the Energiesprong model works by replacing the bill that the residents would have paid to the energy companies with an Energy Plan (that costs the householder no more than the bill that was previously paid to the utility) that is paid to the housing provider.

Current policies to improve homes in Scotland focus on improving them in an incremental way, and indeed this appears to be the way that future policy interventions are also being considered, and while not all properties will be able to be refurbished now to meet a net zero carbon standard, some will – and this implies that we need a two pronged policy approach – to improve the energy efficiency of some properties on an incremental basis (as outlined above) in the knowledge that additional interventions will be required in the future, and to start the process of bringing some homes up to a net zero carbon standard. We note that Energiesprong\textsuperscript{5}, is already delivering net zero carbon retrofits in the Netherlands, and that this approach is also being explored at a UK level\textsuperscript{6}.

\textsuperscript{5} For more information see: http://energiesprong.nl/transitionzero/
\textsuperscript{6} For more information see: http://www.energiesprong.eu/
The appropriateness of the timescales over which the proposals and policies within the draft RPP3 are expected to take effect

As noted above, we believe that the installation of the 1.395 million energy efficiency measures could and should happen earlier than 2032. The recent SPICE briefing notes that ‘The Home Energy Efficiency Programmes for Scotland Summary Delivery Report 2014/15 notes that in 2014/15, 87,000 insulation measures were delivered across both HEEPS/ECO in 14/15’. This suggests that proposals to install 90,000 measures per year do not stray significantly from business as usual and as such it is difficult to reconcile the proposed installation rates with the Scottish Government’s designation of energy efficiency as a National Infrastructure Priority. We believe that these 1.395 million energy efficiency measures can and should be installed by 2025.

We note that the CCP proposes that activity to decarbonise the heat supply of domestic buildings will ‘commence after 2025’. It is currently unclear what a ‘decarbonised’ residential will look like. However, the implication is that it is proposed that there will be a 7 year window for the majority of households in Scotland to replace their heating systems. Given that the lifetime of a gas boiler is around 12 years this raises some concerns about whether there might be a need to replace some systems before the end of their life. There are would be both economic implications if this were to be the case together with potential implications in terms of consumer acceptability. In addition existing solutions (e.g. micro-renewables, district heating) can play an important role between now and until 2025. We would therefore encourage the Scottish Government to consider whether any of this work could be brought forward to allow a longer delivery timescale for this challenging policy outcome.

The extent to which the proposals and policies reflect considerations about behaviour change and opportunities to secure wider benefits from specific interventions in particular sectors.

The CCP recognises the wider benefits of actions to improve the energy performance of Scotland’s homes and we very much welcome the publication of the evidence review alongside the draft CCP. As noted above we believe that there is scope to bring forward a considerable amount of activity. In doing so the wider benefits associated with this activity would be realised earlier than would otherwise be the case.

In terms of behaviour change, we note and welcome the attention given to the role of ‘behaviours in achieving transformational change’ within the draft CCP. It is clearly important that assumed savings from energy efficiency measures are actually delivered in practice and behaviour change will obviously have a key role to play here. Given that heat is responsible for such a significant proportion of emissions
from the household sector it is particularly important that people use their heating systems effectively, otherwise there is a significant risk that the full potential savings (in terms of comfort, energy, money and CO₂) from energy efficiency programmes will not be realised in practice. In recognition of this, the Energy Saving Trust working in partnership with Changeworks and SCARF (who both operate Home Energy Scotland advice centres under contract to the Energy Saving Trust), with funding from Scottish Government has been undertaking pilot work to identify the techniques that work best in terms of encouraging people to make best use of their heating controls. Initial results suggest that there could be considerable benefits associated with making additional support to available householders in order to help them make better use of their heating controls.