

REPORT TO SUSTAINABILITY COMMITTEE – 22 MAY 2019

ENERGY EFFICIENT SCOTLAND CONSULTATION: MARCH 2019

1 Recommendations

The Committee is recommended to:

- 1.1 Consider and comment on the draft Aberdeenshire Council response to the Scottish Government consultation: 'Energy Efficient Scotland Consultation: March 2019' (Appendix 1);
- 1.2 Note that the Communities Committee will also be asked to consider and comment on the response at its meeting on 6 June, 2019; and
- 1.3 Agree to delegate authority to the Director of Infrastructure Services to approve the final response following consultation with the Chairs, Vice-Chairs and main Opposition Spokespersons of both this Committee and the Communities Committee.

2 Background / Discussion

- 2.1 This Scottish Government consultation seeks further feedback on the delivery of heat decarbonisation and energy efficiency objectives of the Scottish Energy Efficiency Programme, as laid out in the route map defined in 'Energy Efficient Scotland': <https://www.gov.scot/Resource/0053/00534980.pdf> . This lays out proposed standards and target dates for energy efficiency levels (as defined by the Energy Performance Certificate (EPC)) in domestic properties (social rented, private rented and owner occupied) and in non-domestic buildings.
The consultation can be found here:
<https://www.gov.scot/publications/energy-efficient-scotland-consultation/>
- 2.2 The closing date for submission of the consultation response to the Scottish Government is 17 June, 2019, and a response on behalf of Aberdeenshire Council will be submitted. Four Council Officers have contributed to the draft response – the Sustainable Development Officer, Fuel Poverty Officer, Housing Manager (Strategy) and Principal Energy Management Engineer.
- 2.3 This consultation will additionally be reported to the meeting of the Communities Committee on 6 June, 2019, given that Committee's remit for housing matters. Given the involvement of both Committees, it is recommended that authority be delegated to the Director of Infrastructure Services, following consultation with the Chairs, Vice-Chairs and the main Opposition Spokespersons of both Committees to approve and submit the final response.

- 2.4 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and had no comments to make. They are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

- 3.1 The Committee is able to consider this item in terms of Section S.1.1(b) of the List of Committee Powers in Part 2A of the Scheme of Governance: “To respond, on the Council’s behalf, to the Scottish Government and other relevant bodies regarding sustainable development and climate change issues, including reporting on Scotland’s Climate Change Duties Report and the Covenant of Mayors for Climate & Energy”.

4 Implications and Risk

- 4.1 An equality impact assessment is not required because the reason for the report is for the Committee to comment and consider. There will be no impact, as a result of the report, on people with protected characteristics and it does not have a differential impact on any of the protected characteristics.
- 4.2 There are no staffing and financial implications.
- 4.3 The following Risks have been identified as relevant to this matter on a Corporate Level - ACORP002- Changes in government policy, legislation and regulation. The following Risks have been identified as relevant to this matter on a Strategic Level - ISSR004- Climate Change.
- 4.4 This report, as a response to a consultation, will have no direct impact on town centres.

Stephen Archer
Director of Infrastructure Services

Report prepared by Eric Wells, Sustainable Development Officer (Climate Change) 26 April, 2019.

Appendix 1

Energy Efficient Scotland: Consultation: March 2019

Draft Aberdeenshire Council Response

The following officers have contributed to the response:

SDO: Sustainable Development Officer
PEME: Principal Energy Management Engineer
FPO/HMS: Fuel Poverty Officer / Housing Manager (Strategy)

Pace of Delivery

1. With regards to achieving an accelerated delivery of the standards proposed, do you think mandatory action for owner occupiers would be required? Please provide a rationale for your answer.

SDO: It is likely that mandatory action will be required but this should only be considered if promotion of a scheme (together with appropriate low/no interest loans) fails to reach the targets for delivery over an initial period of for example 5 years.

FPO/HMS: In our experience, owners who are not eligible for Home Energy Efficiency Programme Scotland Area Based Scheme (HEEPS ABS) grant funding are reluctant to participate in schemes that offers an increased thermal comfort to their home.

Mandatory action would perhaps generate more interest and increase awareness of their requirement to improve the energy performance of their property. A significant investment may be required to bring their property up to the necessary standard. In theory this is a good idea however, in practice the finance is the stumbling block for many. Many owners are asset rich but cash poor and those owners miss out on obtaining financial assistance as they are on the cusp of eligibility. To date through either Energy Efficient Scotland or the draft Fuel Poverty strategy there does not appear to be a full financial assessment undertaken of the cost implications for the housing sector as a whole of delivering the proposed standards.

2. What trigger points, e.g. sale, renovation etc. could be used to require owner occupiers to undertake energy efficiency improvements?

SDO: Sale of a property is the obvious trigger point, which would bring it in line with rented properties at change of tenant. Requiring a property to be of a required standard before it is offered for sale would encourage owner occupiers to maintain properties to that standard in the knowledge that it would be offered for sale at some point in the future. There may however be some situations where it would be more practical for a property to be sold prior to the necessary upgrades, for example ill health or death of the owners. It would then be incumbent on the new owners to undertake the necessary works prior to taking possession. (This may provide

opportunities for agents or developers to buy properties and undertake the required renovations before then selling on.)

Major renovation or extension to a building would be another obvious trigger point where planning/building control would require the whole property to meet the required standard.

The elderly or those on low incomes may be less inclined to undertake renovations, especially if the added value is unclear. Some market testing may be helpful.

FPO/HMS: An ideal time to undertake energy efficiency improvements could be when an Area Based Scheme is offering insulation in the area. At that point, financial packages would be available ie, HEEPS ABS grant alongside Energy Saving Trust interest free loan with possible cashback. This would be seen as a great timely incentive to the owner occupier. At that point there may be other measures available via alternative sources depending on the owners circumstances (other than external or internal wall insulation).

The point of sale would also be a good time to encourage owners to carry out energy efficiency improvements. Owners may see this as a negative to go the extra mile to carry out such works however, others may see the benefit in improving the property and perhaps increasing the value for a lesser cost.

3. When should mandatory energy efficiency targets be introduced for the owner occupied sector? Should they be introduced before 2030?

SDO: 2025 would be an alternative date if the required targets were not being met following a campaign of awareness raising.

FPO/HMS: The recent proposal to provide a statutory target to reduce fuel poverty to no more than 5 percent of Scottish households by 2040 has relevance to the timescale for accelerating the delivery of these standards. This target is ambitious given recent fuel poverty statistics published and shows the scale of the problem. This is only achievable with a significant level of investment to install energy efficiency measures and provide energy advice and support for householders in terms of stimulation energy investment in their homes and adopting good behaviours within the home.

Although we state before 2030, adequate time is required to householders that the mandatory action will be required.

We must remember that whilst we feel the national target is realistic, we do not want to disadvantage rural areas and communities. Aberdeenshire consists of many off gas rural, remote settlements and other sources of heating are difficult to fund and identify. There is a risk in bringing the target date forward that technological innovations to reduce the cost of heating have not yet materialised within the market. This in turn may force homeowners to use interim solutions that may not be the most cost effective or energy efficient in the long term

It is essential that we continue to work with appropriate agencies to ensure we are targeting the correct audience that may be experiencing fuel poverty or at risk of falling into fuel poverty.

Impact of Pace on Supply Chain

4. From a supply chain perspective, do you think bringing forward the timescales for the Programme would have a positive or negative effect on quality, skills & capacity and consumer protection? Please provide a rationale, and evidence where possible.

SDO: Five years should provide sufficient time for the supply chain to develop an offering. Further Education colleges would need to provide appropriate training courses, which may take time to develop.

FPO/HMS: Education will be required not only amongst householders but amongst Energy Efficiency Contractors. Although it would guarantee the future of their business, ensuring they have an adequate, experienced and trained workforce in place will require a timely approach.

Once again we need to remember our geographical location in Aberdeenshire does not always lend itself to accessible workforces. It offers the opportunity to educate a younger workforce to train towards a skilled trade within the energy efficiency sector. The proposed cost of working in rural remote areas is something that needs to be taken into account as the householders may be faced with increased costs compared to urban areas. A capped cost for main energy efficiency measures would be welcomed to ensure fairness across all areas.

It is essential that a joined up approach be taken with all relevant parties to continue to work with appropriate agencies which will ensure we are targeting the correct audience that may be experiencing fuel poverty or at risk of falling into fuel poverty.

All organisations should be consulted within the wider part of the process, including, Energy Suppliers, Energy Company Obligation Suppliers, National Grid, Distribution Network Operators, Ofgem, Business Energy and Industrial Strategy and the Competition and Markets Authority who will all be required to work effectively towards the final outcome.

Impact on Fuel Poverty & Climate Change

5. In your view, how would accelerating Energy Efficient Scotland help, and/or how would it hinder, plans to address fuel poverty?

SDO: It is the occupier not the property that is in fuel poverty, and that is down to individual circumstance. By accelerating the programme this should make more energy efficient properties available in the market which should help to alleviate fuel poverty.

FPO/HMS: Although we agree that Energy Efficient Scotland needs to be accelerated, we need to be mindful of the fuel poor households who are in

immediate need but may be overlooked in the wider community during the process of making this mandatory.

It is imperative we continue to work with other organisations such as SCARF to enable advice and assistance to those in need. Working jointly with Care and Repair for example can pick up relevant potential cases to make every opportunity count by visiting officers.

6. With regards to reducing the emissions associated with the supply of heat, what are your views on consideration of energy efficient improvements alongside changes to heating systems?

SDO: Energy efficiency improvements will reduce the heat demand, and highly insulated buildings built to passive house standards may have little or no heat demand other than that required for domestic hot water. A house with low energy requirements will offer more scope for low carbon heating options such as heat pumps. Energy demand may then be further reduced by on-site renewables such as solar PV and/or solar thermal panels.

FPO/HMS: It is our view that a whole house approach would always be preferable, providing adequate funding streams are available to do so. We are wholly supportive of national fuel poverty schemes such as Warmer Homes Scotland that provides practical help and funded measures for eligible households.

A joined up approach is required alongside delivery partners to ensure alternative heating choices are available and realistic and practical information on these heating choices are available to the householder. This should apply to all households but particularly those in "off gas" areas, whether upgrading existing heating systems or installing renewable technologies.

PEME: Q.1-6 Forcing acceleration of improvement may be required to ensure compliance – however actions are not being taken due to cost of implementation vs paybacks. Access to grants and funding only available to those on benefits - lost section of population that do not receive benefits but cannot afford upgrades, no matter what the enforcement penalties will be. Older buildings will require full refitting - Off Grid gas properties have little or no choice. Differential between Oil Costs and Electricity cost prohibitive to run properties on electricity. All contribute to increased fuel poverty in the middle sector. Those now graded as in Fuel poverty may be assisted, those that cannot access grants or assistance will likely move into the fuel poverty bracket as a result of not considering 'off grid' rural older properties.

Private Rented Sector

7. What are your views on using change of tenancy as a trigger to require the increased standard?

SDO: Change of tenancy is the obvious trigger point as this will allow the Landlord time to implement measures without inconveniencing the tenant. For long standing tenants there may need to be date set by which renovations are implemented to bring a property up to the required standard.

FPO/HMS: From a landlord and in some cases a tenant's point of view the change of tenancy is a sensible trigger point as this would cause less disruption for tenants and easier access for trades if significant works are required (e.g. cavity wall insulation), however, there will be tenants who intend to have a long term tenancy and this could provide landlords with a reason for delaying the works for a period of at least 2 years.

Bringing properties up to a specific band should be relatively easy for most. Information on the measures available and the impact that these measures have on EPC levels should be available to landlords to give them an early indication of what may be required and to get them on board early.

There will also be some tenants who may be on low rent due to the EPC rating who are happy enough with the rent and are prepared to live without the energy efficiency improvements for fear of a rental increase and affordability – this may cause difficulties with access for landlords and tradesmen – exceptions may have to be considered in these cases.

In terms of enforcement it is going to be difficult for a LA to police this at the change of tenancy date as we do not get notification of a change in tenancy as a matter of course. The likelihood is that the LA will check EPC rating at the point registration or renewal or if a complaint is received from a tenant.

8. What are your views on using 1 April 2025 as the date to start applying the minimum standard of C when there is a change in tenancy?

SDO: This would bring the private rented sector more in line with the social rented sector, but the cost of renovations may result in increased rents. There would also be a risk of properties being lost to the rental sector.

FPO/HMS: Our view is that this is an ambitious target, particularly for properties that require a fair amount of investment to reach this standard, however, we are hopeful that the EPC Engineers will proactively provide landlords with specific information and assistance on the type of measures that landlords will be required to install to ultimately achieve a band C.

The cost of bringing properties up to a C could be very costly for landlords, particularly those who have multiple properties. Good quality information and advice should be available outlining the most standard measures that are available and required to meet the standard

9. With regards to providing a useful tool to landlords planning and executing improvement works, what are your views on basing any cap of required works on a definition of cost-effectiveness and technical feasibility?

SDO: A cap needs to be defined, but regardless of a cap high costs of renovation may force sale of properties, removing them from the rental market. High renovation costs may also result in increased rents, above savings made by reduced energy costs.

FPO/HMS: The £5K cap appears to reflect all properties regardless of size or value. This could mean that it's easier for landlords with bigger properties to get around exemptions. It may be fairer for landlords if the cap could reflect variable factors – e.g. property size, value, geographical location, availability of contractors, cost of installation. Local Authorities could be given authority to develop their own exemption levels dependent on the factors outlined above. There is a £5K cap from E to D and then a further £5K from D to C – it may be better to have the cap based on achieving an E to C.

PEME: Q7-9 At point of COT upgrading is probably the best point of opportunity – as those that purchase may only have available funds at this time. However, the costs of upgrade to either sell or buy may prevent movement in the housing market. Again recognition has to be given to rural off grid properties – assistance through grants specifically for those with no other options. Not means tested, but location and property build type tested. No action will be taken for these properties otherwise as Costs Effectiveness and technical feasibility will come into play – again losing the sector that most probably needs upgrading – older rural detached properties.

EPCs need to be assessed on Energy Consumption performance also (DEC as per England) – not just what is installed in a property but how it is being used. SMART metering technology allows a record of performance, adjusted for building occupancy also. A poor EPC rating does not mean a building is wasting energy, a good EPC rating does not mean the building is efficient in its use of energy.

Impact on Supply Chain: skills and capacity

Considering the recommendations made by the Quality Assurance Short Life Working Group:

10. The Short Life Working Group have made recommendations which they believe represent the actions required to ensure that Energy Efficient Scotland will achieve consistently high levels of quality, health and safety and consumer protection. Do you agree? If not, what more or less should be done?

SDO: All of the recommendations make sense but there is no indication as to how these would be implemented. Perhaps lessons can be learned from the MCS (Micro generation Certification Scheme) where installers of renewables were certified but little or no follow up was undertaken to ensure quality of installation.

11. Do you have any views on how this can be achieved whilst at the same time ensuring maximum participation from suppliers across Scotland regardless of their size and geographical location?

SDO: Many aspects of the MCS scheme can be replicated – certification by a national body and providing a searchable database of installers, listed by distance from the proposed site. This could however be taken further by requiring or encouraging customers to provide feedback or rating of suppliers (a star system covering cost and quality). Any scheme needs to be simple to join to encourage

engagement with small local suppliers – This could include funded or part funded training/certification.

12. What do you think the role of Scottish Government should be in ensuring the quality criteria are consistently met?

SDO: A national agency would be required to ensure that training and certification is consistent. A national agency would also be required to ensure that quality assessment is consistent across all regions of the country although assessments could be carried out locally – a possible role for trading standards/Local Authorities which would require additional funding.

Heat Networks

13. Taking the above into account, what further incentives could drive further heat demand onto networks?

SDO: Heat networks work well in areas of dense housing as typified by the Aberdeen Heat and Power network which started by converting tower blocks from electric heating to wet systems with heat supplied from Gas CHP systems (high cost electric heat moving to much lower cost gas heating). It is much harder to make district heating schemes commercially viable in less dense housing areas, especially where there is no daytime anchor load.

There is an argument that in new build housing the heat demand is too low to justify district heating infrastructure – this would depend upon the type and density of housing. Regardless of this developers do not like to include additional infrastructure such as district heating as this is additional cost which detracts from profits. There is also the issue of who takes over ownership and maintenance of the infrastructure (pipes and energy centre) once the development is complete. What is required is an agency that will take over cost and ownership of the infrastructure during and subsequent to completion of the development.

There is also the issue of rateable value of the district heating infrastructure – an additional cost born by the owner/manager of the district heating scheme. To encourage further development of schemes the requirement to pay rates on infrastructure should be removed.

14. Taking the above into account, what further assistance could support the growth of approximately-sited, low carbon heat networks?

SDO: The District Heating Loan scheme works well but needs to be sized to cover larger schemes. A default agency that will manage the development and management of heat networks. This agency would act when no private sector developer is willing to manage/develop the network, or in the event of the failure of the developer / managing agency.

