



National Retrofit Programme - Position Paper

The Existing Homes Alliance Scotland is a coalition of organisations calling for urgent action to transform Scotland's existing housing stock and make it fit for the 21st century. It includes representatives from WWF Scotland, Energy Action Scotland, the Scottish Building Federation, Scottish Federation of Housing Associations, the Energy Saving Trust, Chartered Institute of Housing, the Association for the Conservation of Energy, Consumer Focus and Camco.

See www.existinghomesalliancescotland.co.uk

Context

The Existing Homes Alliance Scotland (ExHA) believes that, while much good work is being done in the field of energy efficiency, current activity cannot possibly achieve the scale of change required to meet the ambitious targets to reduce carbon emissions by 42% by 2020, final energy consumption by 12% by 2020, and end fuel poverty by 2016.

Home energy use accounts for around a third of carbon emissions in Scotland and 85% of Scotland's current homes will still be in use in 2050. It is clear therefore that an effective and strategic approach to improving the energy efficiency of our existing homes should be central to energy and climate change policy. Greater action on domestic energy will also yield huge health, economic and employment benefits.

We therefore call upon the Scottish Government to commit in principle to bring together existing efforts and introduce new methods to deliver on these targets through a National Retrofit Programme (NRP) for existing homes. It is clear that such an approach would help co-ordinate the delivery of activity in this area, maximise the impact on the market and help ensure we fully realise the potential to create jobs in production and installation bringing economic benefits across the nation.

Delivery of a National Retrofit Programme would involve energy services providers, energy companies, the construction industry, housing providers, policymakers and a wide range of agencies working together at local, regional, Scottish and UK levels.

This paper outlines our current thinking on what the key elements of such a National Retrofit Programme should be. These elements will be developed over time as further research and analysis uncovers the effectiveness of efforts and identifies gaps in funding, policy, practice and legislation.

Overview

The aims of an NRP would be to achieve the Scottish Government's three key targets in this area: specifically, to remove Scots households from fuel poverty by 2016; cut carbon emissions from homes by 42% by 2020 and 80% by 2050, and to achieve a 12% reduction in energy use by 2020. This would be delivered partly through targeting support for the retrofitting of energy efficiency measures and micro-generation at low-income households and communities, thus helping deliver on both energy demand and fuel poverty targets. Additionally, owner occupiers and private sector landlords would be required to invest in energy efficiency improvements to bring homes up to agreed levels at certain trigger points.

Whole-house approaches are required to deliver sufficient improvements to the stock, thus all low and zero carbon technologies should be considered including micro-generation and solid-wall insulation, while basic loft and cavity wall insulation should be required as standard.

Area-based approaches, such as the Universal Home Insulation Scheme (UHIS) and the Community Energy Savings Programme (CESP), have been seen to deliver carbon and fuel bill savings most effectively and must be central to an NRP. Such an approach should prioritise areas of greatest deprivation, in both urban and rural settings. This will help stimulate the local economy through increasing disposable incomes and creating local jobs in installation, surveying and advice.

This should run concurrently with national **household-based approaches** such as that taken by the Energy Assistance Package to ensure that identified fuel-poor households can receive early help. Such national schemes, with a national referral infrastructure, will be important in providing a consistent framework of support and options for householders who live in areas without an active area-based scheme; as these schemes can only cover a minority of households at any one time.

Both schemes will, as is currently the case, depend heavily upon government and energy company funding mechanisms. These schemes should be continued and expanded upon.

Beyond fuel-poor households and low-income areas private householders must be expected to contribute. Requirements for homes to reach agreed levels of energy performance at certain trigger points, such as change of ownership, should be introduced so that all homes will eventually be improved. Safeguards must be developed to ensure those on the margins of poverty or fuel poverty can still receive assistance. Mechanisms for spreading costs, such as those proposed through the Green Deal, must also be developed so people can still freely buy and sell homes and fund energy efficiency improvements.

Private landlords should be required to ensure their accommodation is fit for habitation and meets agreed energy performance requirements.

With such whole-house, area and national home-based approaches, coupled with requirements on homeowners and landlords, backed by adequate budgets and access to finance, ExHA believes significant progress can be made towards the Scottish Government targets.

Delivering a National Retrofit Programme

The remainder of this paper focuses on the main elements of an NRP and the mechanisms for delivering it.

Area-based approaches

Areas-based approaches have been shown to be cost-effective in delivering energy efficiency programmes¹. The 'cost-to-save' on carbon and fuel bills has been shown in some instances to be better in area-based approaches than in household-based approaches².

The ability to intensively market a programme in a local area increases awareness, trust and take-up meaning a greater portion of target groups, and particularly those normally seen as 'hard-to-reach', can be reached. The co-ordination of local and national funding streams can also contribute to the cost-effectiveness of this approach. Local people can be trained as energy advisors and surveyors and input into

¹ For example see Kirklees project <http://www.ashden.org/winners/kirklees09>

² [Achieving our potential: an analysis of area-based approaches to improving energy efficiency in Scotland's homes](#) (WWF& The Energy Agency, 2009)

the pre and post-installation phases of projects. With quality control borne in mind, methods should be developed to use local contractors and to train up and employ local people for installation. The geographical concentration of the work will also help bring down contractor, and therefore scheme, costs.

The potential to stimulate the local economy through fuels bill savings of several hundred pounds (depending on measures installed) each year for the lifetime of the measures can mean significant local cash injections. For example, a scheme managed by the Energy Agency in Girvan in 2008/09 saw residents' combined disposable incomes increase by between £250,000 and £500,000 per year through the installation of limited measures along with energy advice in 3,000 households³. Such an increase in disposable incomes can also be added to by effective benefits advice. It has been shown that increased disposable incomes among low-income communities are likely to be spent rather than saved, and more likely to be spent locally, thus increasing the effective demand for local goods and services⁴.

While recognising and welcoming the benefits of schemes such as UHIS, ExHA believes it is time to mainstream and expand such an area-based approach to tackling *both* fuel poverty *and* carbon saving.

ExHA recommends consideration is given to a regional focus for area-based approaches. For example it may be useful to split activities across Scotland to accord with Energy Saving Scotland advice centre (ESSAC) regions. This approach could then bring together all local authorities, housing associations, the ESSAC and other trusted intermediaries in the region to manage Scottish Government funds for area-based projects and draw in all other available support. This could be facilitated regionally and be based upon an identification and prioritisation of the most deprived and/or fuel poor areas in the region. Such an approach would benefit from a 3 – 5 year budget as this would allow for the development of a plan to tackle the worst areas within the region. This would bring about the benefits in terms of cost and impact listed above while tackling the regions poorest areas.

As this is based upon the most deprived areas consideration should be given to dropping means testing as this comes with its own costs and represents barriers for those not claiming their entitlements, and for those on the margins of such entitlements. Available measures for such schemes must include those effective on expensive-to-treat homes e.g. micro-generation and solid-wall insulation. In short, those measures which would be required to fuel poverty-proof the homes should be offered free of charge.

This approach would also require to be based upon detailed mapping covering fuel poverty, energy performance of stock and indicators of deprivation.

This would also need to link all relevant funds such as UHIS, CESP/CERT/ECO, Green Deal, District Heating Funds, the [Warm Homes Fund](#)⁵ and the Energy Assistance Package (EAP) under one strategic scheme, with a single brand and identity.

National household-based approaches

There must be two Scotland-wide approaches to tackling houses on an individual household basis. ExHA believes that those who cannot afford to improve the energy efficiency of their homes should be supported to do so through support schemes such as the EAP. Those who are more able to pay should be required to contribute through schemes such as the boiler scrappage scheme or be supported to take action through loan schemes such as those proposed within the Green Deal. A requirement for all homes to reach a

³ Achieving our potential (ibid)

⁴ Fraser of Allander Institute, The Effect of Citizens Advice Bureaux on the Glasgow economy, (March 2005)

⁵ See <http://www.existinghomesalliancescotland.co.uk/news/policy/1>

minimum energy performance standard at certain trigger points, such as point of sale, would also help ensure those who are able to pay contribute to the overall targets (see below).

ExHA therefore supports the continuation of means-tested schemes such as the EAP. However, ExHA is also calling for all houses to reach a level C on an EPC at sale or rental by 2020 and therefore similarly calls for EAP to help deliver this. This will require additional funds to be made available to tackle more expensive-to-treat homes and therefore an increase in the overall EAP budget. Further work is needed to model the costs of this and therefore the requirements on the EAP budget.

Minimum Standards

ExHA believes the success of the Scottish Housing Quality Standard (SHQS) in driving up standards in the social rented sector demonstrates that minimum energy performance standards can cut fuel poverty and transform cold, damp houses into warm, dry homes. We believe a minimum standard should now be set for private homes. We are calling for the standard to be set at a minimum energy performance certificate (EPC) score of E from 2015 onwards, and raised to a minimum EPC score C from 2020⁶.

The standard should be introduced for all private homes at point of sale or rental from 2015 onwards and apply to both the owner-occupied and the private rented sector. Other triggers such as home extensions and major refurbishments should also be considered.

ExHA believes this is a vital part of any NRP and call on the Scottish Government to consult early in 2012, and introduce secondary legislation later in 2012 which would come into force in 2015. The advantage of this long lead-in time is that householders and private landlords would be able to plan the investment needed to meet the new regulations, and the energy efficiency industry would be able to plan the investment and training required to deliver the new standards. By 2020 the standard should align the private sector with the social rented sector, requiring the same standard across different tenures from 2020 onwards.

It is essential that appropriate mechanisms, safeguards and support are put in place to ensure that regulation does not adversely affect disadvantaged groups. Specific support and finance should be made available to vulnerable consumers. Further mechanisms may also need to be developed to allow those who do not qualify for grants to carry out the required works.

We suggest that a number of areas of research are explored before the introduction of regulation. Specifically, consultation will be needed on what exceptions should be allowed. Although Scottish Government research shows that 99% of Scottish homes can technically achieve an EPC band E, and 83% can achieve band C⁷, there will nonetheless need to be some exemptions which will need to be based on further research and discussion with relevant stakeholders. Other areas which will need further thought and discussion include the interaction with any UK schemes including Green Deal and Energy Company Obligation; the role of the 'additionality rule' which currently forbids any subsidy for improvements required by legislation; the reform of EPC methodology to ensure this is sufficiently robust for use; and consideration given to enforcement.

Finance

Financing of an NRP must be based upon delivering a 42% cut in carbon emissions from housing by 2020. [Conserve and Save: a consultation on the energy efficiency action plan for Scotland](#) (Scottish Government,

⁶ See <http://www.existinghomesalliancescotland.co.uk/news/minimum-energy-standards-for-homes>

⁷ Scottish Government, [Impacts of Options for Regulating Energy Efficiency Standards in the Domestic Sector \(2011\)](#)

2009) calculated that this would cost in the region of £16 billion, although more recent analysis is believed to have identified a lower cost..

The scale of investment required to adequately improve energy efficiency in Scotland is considerably beyond that currently available from the public sector alone and ExHA recognises that such investment must come from a range of sources, often working alongside each other.

1. *Householder contributions*

A central role will be played by private household funds levered in, in order to meet minimum EPC standards in the owner-occupied and private-rented sectors within the context of safeguards for low-income households mentioned above.

2. *Innovative approaches*

ExHA welcomes the principle of making investment capital available for those who are able to pay and recouping it later. We will work with stakeholders to ensure that new programmes, such as the Green Deal, are developed and delivered in ways which integrate with existing public sector approaches, and which reflect the needs and circumstances of householders in Scotland. It is imperative that schemes developed in Scotland make the best use of all available funds such as the Green Deal, Feed in Tariffs and the Renewable Heat Incentive.

One model which seeks to integrate many of the successful elements of current programmes has been rolled out in Birmingham (Birmingham Energy Savers) and comprises public, private, voluntary and community organisations across the city. The scheme pays the up-front costs of energy efficiency measures and micro-generation installations, recouping its costs via FiTs and saving on energy bills. The scheme is council-led and a number of local authorities in Scotland have shown interest in this model.

This approach builds on the Pay as You Save model and ExHA believes it should be explored further in Scotland.

Moreover, a fully funded and effective Warm Homes Fund may well prove useful in generating community income to be re-invested in energy efficiency. Community benefit funds from private wind farm developers could also serve to support individuals and communities improve home energy efficiency. It may be appropriate for the Scottish Government to set expected levels of community benefit in relation to installed capacity, and to explore methods for ensuring more of these funds are spent on energy reductions measures.

3. *Scottish Government*

Currently the main Scottish Government programmes are the Energy Assistance Package (EAP) and the Universal Home Insulation Scheme (UHS).

The Alliance believes there is a strong case for both these programmes to be continued and expanded, so that, over time, all fuel-poor households receive all appropriate measures and support. The budget for these schemes must, within the context of a NRP/budget, be sufficient to deliver the 42% carbon emissions reduction target and the 2016 fuel poverty target.

ExHA would also welcome clearer information on the delivery of outcomes as well as outputs, and greater clarity of the relationship between the two programmes. This information would also help inform targeting and delivery of private sector programmes.

4. Registered Social Landlords (RSLs)

RSLs have already made significant progress in increasing the energy efficiency of their stock. For example, the most recent SHCS found that housing associations have the most energy efficient housing of all tenures in Scotland.

However, by 2015 all RSLs will be further required to have met the SHQS. The Scottish Government also proposes a Climate Change Standard for social housing to be met by 2020 while, at the same time, it has cut funding levels for new build affordable housing. In an effort to cut carbon emissions and reduce fuel poverty RSLs are therefore increasingly seeking to take advantage of the FiTs, the RHI, and the forthcoming UK Government's Green Deal and the ECO.

However, even allowing for these potential funds, it is likely there will be a significant gap between the funding required to meet the climate change and fuel poverty targets and that currently available to social landlords. Work is required to assess the extent of this gap and to develop methods for overcoming it.

5. Energy Company Funding

In the case of CERT and CESP ExHA believes it is vital to analyse the extent to which these programmes have been successful in Scotland, given the acknowledged barriers to delivery such as housing type and tenure, and geography, and that such analysis informs future programmes in Scotland such as the proposals for ECO.

6. Summary

As the scale of current investment is beyond that available from the public sector alone work is required to better understand and highlight the gaps between those resources currently available, and those required to ensure that Scotland's existing homes are improved to such a degree that the Scottish Government's climate change and fuel poverty targets can be met. ExHA will work with the Scottish Government and others to help develop and implement methods for overcoming these gaps and ensure an adequate budget is associated with a NRP.

A National Retrofit Programme

A National Retrofit Programme would be based upon an analysis of the current funding gap and seek to develop and implement radical methods for plugging this. Funding would be targeted at delivering a much wider range of measures via an area-based approach prioritising low-income areas. This would run concurrently with means-tested household-based approaches. Households which are more able to pay should be encouraged to do so through loans and pay-as-you save type schemes. Minimum energy performance standards must also be a central part of the jigsaw to help ensure that all homes are eventually brought up to at least a level C EPC from 2020 onwards.

The ExHA believes such a programme, and a Government commitment to it, is vital in order to make sense of what is a disparate policy and funding landscape and to bring clarity of focus for efforts and spending in this area.

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December 2011