



WWF

SUMMARY

SCOTLAND

2011

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Conservation

Climate Change

Sustainability

Maximising the Minimum: The need for minimum energy performance standards in private housing

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Minimum standards for energy performance in private housing
May 2011

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*CAG Consultants
is a co-operative
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in sustainable
development,
climate change,
regeneration
and stakeholder
involvement.*



Report by CAG Consultants for WWF Scotland
www.cagconsultants.co.uk
in association with Houghton Research



WWF works to create solutions to the most serious environmental challenges facing our planet, for a future where people and nature thrive. One of the biggest challenges we're tackling is climate change. As Scotland's housing accounts for 25% of Scotland's carbon emissions, we're committed to finding ways to reduce its impact.



25%

HOUSING ACCOUNTS FOR 1/4 OF SCOTLAND'S CARBON EMISSIONS



1 IN 3

1 IN 3 HOUSEHOLDS LIVE IN FUEL POVERTY



7%

7% OF HOMES ARE RATED F OR G - THE LOWEST ENERGY RATING



EXECUTIVE SUMMARY

Context – the need for minimum standards

Under the Climate Change (Scotland) Act 2009, greenhouse gas emissions in Scotland must be reduced by 42% by 2020 and by 80% by 2050. Homes account for a significant proportion of emissions (even without electricity, the residential sector contributed 14% of total emissions in 2008), so the sector will need to make a significant contribution to the achievement of these targets.

Although no sector-specific target has been set, *Low Carbon Scotland: Meeting the Emissions Reduction Targets 2010–2022* (Scottish Government, 2011a) envisages a 36% reduction in residential emissions (excluding electricity) on 1990 levels by 2020.

Along with the other devolved administrations, the Scottish Government also has the responsibility to address fuel poverty, and has a target to eliminate fuel poverty as far as is reasonably practicable, by November 2016 (Scottish Executive, 2002). The most recent data, however, suggests that the number of households in fuel poverty is rising rather than falling.

In order for these targets to be delivered, it is now clear that a step-change is required in the implementation of domestic energy measures. Alongside the existing support available, the introduction of the Green Deal and new Energy Company Obligation could play a significant role in delivering this step-change. However, experience from the new-build sector in the UK and experience gained in other countries, suggests that further regulation is now necessary if the climate change and fuel poverty targets are to be met.

This position was recognised in the Climate Change (Scotland) Act 2009, which includes enabling powers for the introduction of regulation for existing homes. The Scottish Government published its report *Regulation of Energy Efficiency in Housing*, in March 2011, setting out the Government's approach to these powers (Scottish Government 2011b). The report makes clear

80%
EMISSIONS
REDUCTION REQUIRED
IN SCOTLAND BY 2050

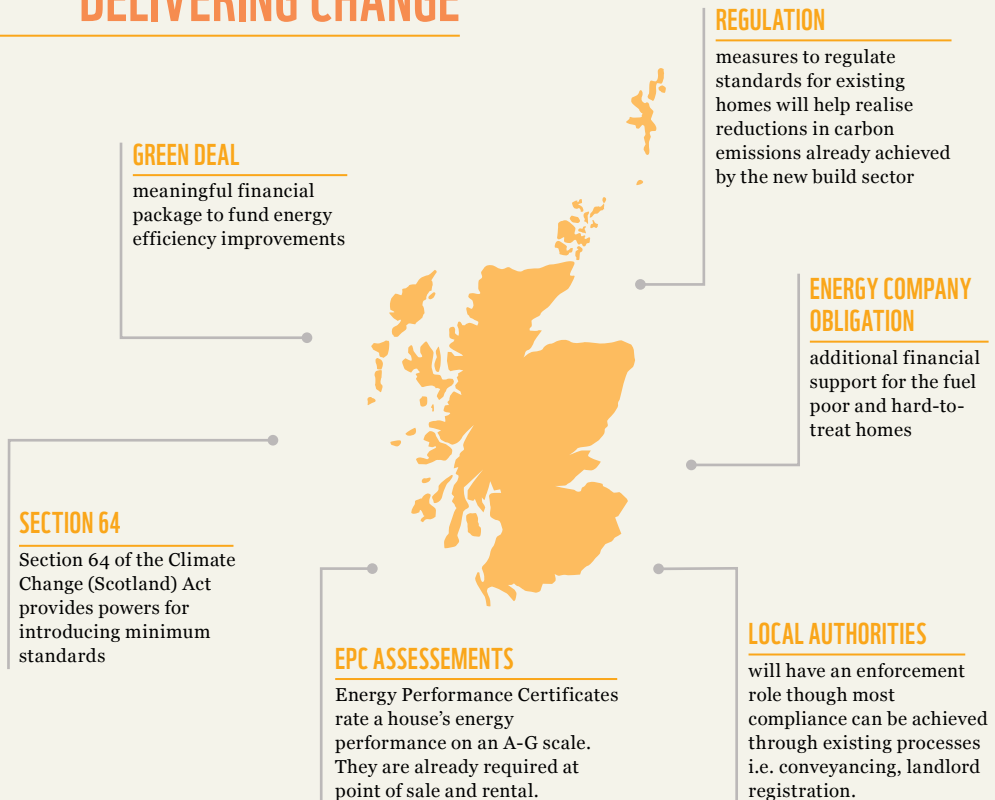


36%
IS THE REDUCTION
IN RESIDENTIAL
EMISSIONS ON
1990 LEVELS BY
2020 ENVISAGED
BY THE SCOTTISH
GOVERNMENT

the government's intention to use regulation where necessary to supplement support and advice. It also states that regulation should cover both rented and owner-occupied housing, and sets out a process to prepare for regulation.

Since the publication of *Carbon Countdown for Homes* in 2008, WWF Scotland has called for the introduction of minimum standards for energy performance for all private sector housing, with the standards escalating over time so that the housing sector can make the contribution which will be necessary if Scotland is to deliver its climate change targets. In *Carbon Countdown for Homes*, minimum standards were presented as a central measure in a balanced package of support, finance, regulatory and fiscal measures.

DELIVERING CHANGE



Purpose of this study

WWF Scotland commissioned CAG Consultants to carry out this study which is intended to supplement and inform the Scottish Government's own analysis and make a clear and reasoned argument for robust minimum standards. Some research in this area has already been carried out and some experience has been gained elsewhere. The purpose of this study is to draw together the existing evidence and experience and analyse the options in conjunction with key stakeholders in order to provide clear and persuasive recommendations for the Scottish Government.

Role of minimum standards

The provisions in Section 64 of the Climate Change (Scotland) Act provide an opportunity for the Scottish Government to introduce regulation which demonstrates a clear grasp of the challenges which need to be faced and the opportunities available, and which can act as an exemplar for the other UK administrations and internationally. There is a need to gear up for a large scale programme of whole-house energy packages, facilitated and incentivised by the Green Deal and other support, but backed by regulation which will play a key role in driving emissions reductions.

If regulation is simply utilised to 'fill the gaps', i.e. ensure the insulation of the remaining unfilled lofts and cavities, then we would argue that there is serious risk of the residential sector failing to make the necessary contribution to the emissions reductions needed by 2020 and beyond. Regulation will need to play a role in driving improvements even in hard-to-treat properties where expensive measures are involved. The experience of the new-build sector demonstrates the dramatic difference which regulation could make. Similarly bold regulation for existing homes should now be utilised and this ambition ought to frame the Scottish Government's formulation of its approach to Section 64 of the Climate Change Act.

Recommendations

Based on the research presented in this report, we make the following specific recommendations for the introduction of minimum energy standards in Scotland:



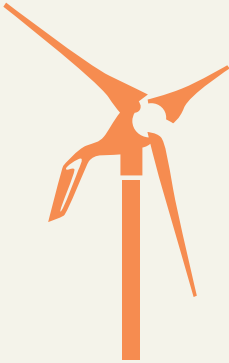
The Standard

1. From 2015, all homes being sold or rented which fall into bands F and G on the Energy Performance Certificate (EPC) should be required to be updated to band E or above. A trajectory should also be set for the standard to increase towards 2020, with the 2020 standard acting as an 'aspirational standard', i.e. allowing property owners to achieve the standard earlier than required and adopt whole-house approaches should they choose to. Figures from the Scottish Government's housing energy model suggest that to achieve a 40% reduction in emissions from housing by 2020, the vast majority of houses would need to be at band C or above by 2020.
2. Scottish Government should work with the UK Government to ensure close integration between the Green Deal and EPC assessment processes to avoid duplication, minimise costs to householders and ensure direct links between the measures identified by the EPC process and the funding available through the Green Deal and Energy Company Obligation (ECO).
3. Scottish Government should work with DECC and Ofgem to ensure that the current additionality rules relating to CERT do not apply under the ECO. This will allow regulation to act as a lever for increased Green Deal and ECO spend in Scotland, rather than a barrier to such spend.
4. The upcoming recast of the European Directive covering EPCs provides the opportunity to make the system a suitably robust mechanism for the implementation of regulations. This should include changing the methodology so that it is sensitive (a) to the very wide range of housing and construction types in Scotland, and (b) to the very significant climatic variations across the UK.



Finance and Support

5. The Green Deal and future ECO, alongside other measures, will be critical to the acceptance and success of regulation. Once the arrangements for the Green Deal and ECO have been finalised, Scottish Government will need to examine what further finance and support will be needed, to incentivise a large scale programme of whole-house packages. This might include, for example, shifting the balance from basic measures (as in HIS and UHIS, for example) towards grants and loans for



more expensive measures, particularly solid wall insulation. In addition, the UK Government should give consideration to extending the Landlords Energy Saving Allowance (LESA) for private rented homes to help incentivise whole-house approaches in the private rented sector.

6. Scottish Government should closely monitor the level of energy savings being achieved by the regulation in conjunction with other measures over time and adjust its financial support for energy efficiency as necessary to keep emissions reductions on track towards the 2020 target. In particular, it will be imperative to ensure that the package of subsidies and financial incentives alongside regulation is helping to drive genuine whole-house approaches to improving energy performance.
7. Scottish Government should ensure that the awareness raising and support associated with the introduction of the standards, to emphasise the financial benefits of compliance, so as to encourage compliance even outside of these triggers.
8. The provision of sufficient finance and support mechanisms will be critical in minimising negative consumer reaction and this would be one of the principal benefits of aligning regulation with the Green Deal.

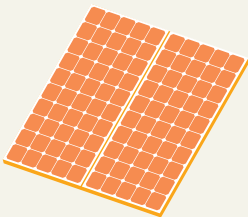
Scope

9. Although there is a higher percentage of homes with poor energy performance in the private rented sector, the regulations should apply to all private housing, i.e. private rented and owner-occupied homes, in order to:
 - i. ensure equity across the housing sector;
 - ii. achieve emissions reductions on a scale which is commensurate with the climate change and fuel poverty targets; and
 - iii. accommodate the high percentage of mixed tenure domestic buildings in Scotland, where cooperation between householders is necessary for the implementation of many measures.
10. Multiple trigger points will be needed in order to ensure widespread application of the standards. They should include:
 - i. point of sale, transfer and change of title;

- ii. during extension/refurbishment, linked to existing requirements under Building Regulations; and
 - iii. point of rental, landlord registration and change to council tax.
11. 'Hard-to-treat' properties will need to make a very significant contribution to the emissions reductions needed by 2020 so exemptions from the regulations need to be avoided, whilst allowing some flexibility for the hardest-to-treat or most sensitive properties. Instead, ongoing work is needed to ensure that planning policy is consistent with the challenges of climate change and to mainstream the measures for hard-to-treat homes, particularly solid wall insulation.
 12. The standards for private sector housing and the energy aspects of the Scottish Housing Quality Standard (SHQS) need to be aligned in order to avoid difficulties in mixed tenure buildings.

Enforcement, Capacity and Skills

13. Local authorities will need to play an enforcement role with regard to the private rented sector. Concerns regarding their capacity to play such a role, and carry out their existing related regulatory activities in relation to the private rented sector, need to be addressed.
14. Tenants could also play a significant role in the enforcement process. To encourage this, passing on information regarding the standards and the benefits of compliance, should be a requirement for landlords.
15. At point of sale, buyers and sellers will be informed of the regulation through the conveyancing process. Solicitors will assist with compliance with the regulation and enforcement for any non-compliance will rest with the local authority. This is similar to the process for implementing the EPC requirement. Flexibility should be allowed, such that the buyers can take responsibility for carrying out the upgrade requirements within 12 months. A further enforcement mechanism will be needed to account for these instances. Local authorities will need to be responsible for ensuring that the EPC is updated following completion of the measures, and it will be important to ensure that the costs of carrying this out are incorporated within the upgrade requirements so that the enforcement function can be properly resourced.





16. The Government's work, in association with partners, on the low carbon economy, needs to give urgent consideration to the capacity of industry to deliver the large scale programme of upgrades which are needed in Scotland. In particular, consideration needs to be given to skills, quality assurance and the supply of materials and technologies.

Minimum standards of energy performance clearly have a role to play as part of a package of measures to tackle climate change emissions and eradicate fuel poverty. This report sets out how effective regulation can be introduced which helps householders save money, does not place undue burden on owners, landlords or tenants, or on regulatory authorities while at the same time moving Scotland's homes up the scale towards low and zero carbon. This bold approach is necessary to make meeting Scotland's ambitious climate change targets a reality.

Minimum standards in numbers

100%
RECYCLED



25%

Houses account for 1/4 of Scotland's greenhouse gas emissions

ZERO

UK Government states that emissions from homes need to be at or near zero by 2050



£3,000

The average cost to upgrade 2/3 of Scotland's E, F and G rated homes is less than £3,000 per property

42%

Greenhouse gas emissions reduction required in Scotland by 2020



Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony and nature.