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PARLIAMENTARY BRIEFING

Minimum standards of energy performance in private housing

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Summary

- One quarter of our greenhouse gas emissions come from home energy use. At the same time, one in three Scottish households are fuel poor. Tackling our leaky, damp homes will cut emissions, tackle fuel poverty, cut fuel bills and boost green jobs.
- Under the Climate Change (Scotland) Act 2009, greenhouse gas emissions in Scotland must be reduced by 42% by 2020 and by 80% by 2050. The Scottish Government also has a statutory duty to eliminate fuel poverty as far as is reasonably practicable, by November 2016 (Scottish Executive, 2002).
- WWF Scotland believes that a step-change is urgently needed to meet these targets. Experience from the new-build sector, the social sector (with its Social Housing Quality Standard), and from other countries, suggests that regulation for energy performance is now necessary if the climate change and fuel poverty targets are to be met. Voluntary measures alone are not delivering the change required.
- WWF recently published a report *Maximising the Minimum*, which explores the options for introducing such standards and how it can be done effectively, fairly and with least burden to the homeowner and government. We believe that minimum standards of energy efficiency must be a central measure in a balanced package of support, finance, regulatory and fiscal measures.
- WWF calls on the Scottish Government to set out a routemap and timetable for introducing and implementing regulation by 2015 so that householders and landlords are incentivised to take up the insulation and renewable schemes available.

Background

Scotland's homes account for about a quarter of our greenhouse gas emissions and a third of Scotland's households are in fuel poverty. The problem of energy inefficient housing in Scotland must be tackled head on to help us achieve the deep emissions reductions required. Policies that encourage home-owners to make their homes more energy efficient are low-hanging fruit – they cut emissions, tackle fuel poverty, cut fuel bills and provide a welcome boost to green jobs and local industries.



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The Scottish Government's own 2010 climate change plan, *Low Carbon Scotland: The Draft Report on Policies and Proposals*, envisages a 36% reduction in residential emissions (excluding electricity) on 1990 levels by 2020. WWF believes that, in line with the 42% target under the Climate Change Act, Government should draft a National Retrofit Strategy to make every home in Scotland a low carbon home by 2020. As part of this National Retrofit Strategy, we believe the Government should explore regulation - minimum standards of energy efficiency - as a central part of a balanced package of support, finance, regulatory and fiscal measures.

While there are UK programmes such as the Green Deal and the Energy Company Obligation, under development, WWF Scotland does not believe that this should preclude any earlier action by the Scottish Government to implement its own programme of energy efficiency schemes. There is a critical need to gear up for a large scale programme of whole house energy packages, facilitated and incentivised by the Green Deal and other mechanisms, but crucially, backed by regulation which will play a key role in driving emissions reductions.

Why minimum standards?

The Scottish Government's 2009 consultation *Conserve and Save* noted that despite the advantages associated with energy efficiency improvements, many owners and landlords have yet to implement them and suggested that a '*step-change is required to achieve significant reductions in energy demand*'. In their 2010 annual progress report, the Committee on Climate Change suggested there has been significant progress in installing basic home insulation measures but that the overall pace of progress in reducing residential CO2 emissions is slow relative to what is required by the climate change targets.

The provisions in Section 64 of the Climate Change (Scotland) Act provide an opportunity for the Government to introduce regulation to bring about a step change in home energy efficiency. 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. In March 2010, the Scottish Government indicated that it will develop regulations to require action where advice and support have been unsuccessful, and that this regulation should be applied at point of sale and rental. Indeed, the UK Government also recently announced changes to the UK Energy Bill to include new regulations to introduce minimum standards for homes rented from a landlord from 2018. Now is the time to explore the part a regulatory backstop has to play in the energy efficiency toolbox.

A range of other organisations support the introduction of minimum standards in Scotland. In December 2010, Consumer Focus Scotland set out a strong case for minimum standards, and WWF's call in *Maximising the Maximum* for an upgrade of Scotland's worst rated homes was supported by a number of other influential organisations:

Shelter Scotland
National Energy Action Scotland
Scottish Building Federation
Age Scotland
Royal College of Nursing Scotland

How and when?

WWF's research has concentrated on the most effective, fair options for introducing minimum standards, with least burden to the homeowner and government. Adequate finance will be critical in making regulation work for both the private and social sector. Costs will need to be met by a combination of private householder, public and private sector support. The Green Deal, Feed-in-Tariffs, loans and grants can all lever in significant funds to complement targeted Scottish Government programmes such as the Energy Assistance Package and Universal Home Insulation Scheme.

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. This is to ensure that there is equity across the housing sector, that energy efficiency opportunities are maximised and to accommodate the high percentage of mixed tenure domestic buildings in Scotland, where cooperation between householders is necessary for the implementation of many measures.

We believe multiple trigger points will be needed in order to ensure widespread application of the standards. They should include point of sale, transfer and change of title, during extension/refurbishment, linked to existing requirements under Building Regulations or point of rental, landlord registration and change to council tax. In Berkeley California, the seller has a duty to comply, which can be passed to the buyer, a provision WWF Scotland believes can be imitated in Scotland.

To meet the scale and pace of change required, WWF Scotland believes regulation should be introduced from 2015, enforced at the point of sale and rental, gradually eliminating F & G rated properties from the marketplace. Over time, the standard would be raised to ensure we are meeting climate change and fuel poverty targets. Scottish Government research already indicates that most homes would need to be at or above a 'C' rating by 2020 to meet a 40% cut in emissions from the housing sector.

How much will it cost?

Scotland has 2.33 million homes, of which 7% are rated F or G - 150,000 homes - , and 33% are E, F or G. The private sector, which makes up 73% of the total housing stock, has a higher proportion of homes with poor energy efficiency performance, with 10% in bands F or G and 40% in band E and below.

According to Energy Savings Trust research for WWF, all of Scotland's F & G rated private sector properties can be brought to an E band for an average of £2,600 per home, delivering an average annual fuel bill saving of £650. Improving properties in bands E, F and G to band D, would cost an average of £3,200 per property, with many costing considerably less, and deliver an average annual fuel bill saving of £580. Importantly, improving all properties to a D rating would achieve a 25% reduction in residential emissions on 1990 levels.

Now is the time

It is critical that minimum standards are introduced alongside the provision of sufficient finance and support mechanisms, in order to minimise negative consumer reaction. The Scottish Government should see the opportunity to combine minimum standards with the Green Deal and the future Energy Company Obligation (ECO) in order to prevent this happening and to maximise take-up.

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 the Universal Home Insulation Scheme) towards grants and loans for more expensive measures, particularly solid wall insulation.

For more information, or a copy of the full report and recommendations, please contact:

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