

Consultation Title	Energy Efficient Scotland - Improving Energy Efficiency in Owner Occupied Homes
Date	26/03/20
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Scottish Land & Estates is the voice of rural businesses throughout Scotland. We are a membership-based organisation representing a wide range of rural businesses, including farmers, foresters, tourism operators, housing providers, leisure companies, and renewable energy providers.

Our members provide a wide range of economic, environmental and social benefits which are vital to the success and survival of communities throughout rural Scotland. They play a critical role in ensuring sustainable, healthy and empowered rural communities, providing housing, employment and a wide range of economic, environmental and social benefits.

1. Do you agree or disagree that there should be a legally binding energy efficiency standard for owner-occupied housing?

We disagree. We support the Scottish Government's desire to improve housing stock across all sectors. Still, we do not feel there should be a legally binding standard to improve the energy efficiency of Scotland's buildings. We are concerned that much of Scotland's housing stock will not be able to achieve high energy efficiency levels while also maintaining the condition of the building. Instead of improving the condition of housing stock, legally requiring people to try and achieve high levels of energy efficiency could have a detrimental impact on housing condition.

2. Do you agree or disagree that EPC Energy Efficiency Rating Band C is the appropriate standard to use? Please explain.

We disagree. We feel EPC Energy Efficiency Rating Band C is too high to be the appropriate standard. We are concerned that the Scottish Government does not have an accurate picture of the number of properties that fall below EPC level C in Scotland. Many houses in Scotland will currently be below an EPC level E. Expecting these properties to reach EPC level C is unrealistic. We understand that the Scottish Government will require properties to reach at least EPC level C, where it is technically feasible and cost-effective to do so. However, without more detail regarding the definition of technically feasible and cost-effective, we cannot support this standard.

We would also like to highlight our concerns regarding the use of the EPC Energy Efficiency Rating (EER). Using this approach on its own is leading to inconsistencies. We urge the Scottish Government to address these inconsistencies before implementation of any standard is considered. We recommend that consideration is given to using the Environmental Impact rating (EIR) as the target rating, as it refers specifically to carbon dioxide emissions – with the EER as the additional information.

In addition to this we recommend that the Scottish Government ensure both the standard and full assessments are made more accurate through reducing reliance on default values and instead require simple on-site measurements and observations and use of local data. This moves towards the use of full data set SAP (Standard Assessment Procedure) but does not require disruptive investigations such as borehole drilling to identify wall composition. This would result in an

assessment that provides a rating and recommendations that are more accurate and appropriate to the property.

3. What are your views on the “fabric first” approach as described section 1.1?

We would support a “fabric first” approach. Fabric improvements have the most significant long-term impact and will inevitably be required to reduce the need for heating. These energy efficiency measures are also critical to reducing the cost of heat decarbonisation by reducing heat demand. One of our major criticisms of the current EPC methodology is that individuals who install renewable fuel sources can get a lower EPC certificate than if there were on a fossil fuel source. This is at odds with the efforts to reduce carbon emissions. We are concerned that the current disparity between the EPC methodology and low carbon fuel options mean that property owners are discouraged from investing in renewables. This, in turn, means developers and contractors are also disincentivised from investing in them. Adopting a “fabric first” approach could change this.

4. In your view, how can we ensure that when EPCs are used to determine compliance with the standard they are robust and not easily open to misuse?

We do not feel that the EPC methodology as it stands is appropriate as a regulatory because they are not robust or accurate enough. The methodology needs to be improved to allow much more accurate data can be recorded. As well as giving much more useful recommendations to property owners, this would also aid compliance with the standard.

5. Do you think the standard should be fixed, or should it be subject to periodic review and change over time? Please explain your view.

Until the EPC methodology is accurate and robust, we feel that having a standard, whether it is fixed or subject to periodic review is inappropriate. It is acknowledged that frequently a properties EPC band has little relevance to the emissions of the property. Many of our members have invested significant amounts of money in their properties. They feel the benefit of the changes, in the comfort of living and the cost of their energy bills. However, when they have applied for a new EPC certificate there has been little to no change in the band achieved.

6. Do you agree or disagree that 2024 is the right start date for the mandatory standard to start operating? Please give your reasons, whether you agree or disagree.

We disagree. We feel that 2024 is too soon to be an appropriate start date. A great deal of work needs to be achieved before a workable regulatory standard can be introduced. We do not think this can be completed within the next four years. For example:

- The EPC methodology needs to be improved.
- EPC assessors will also require a significant amount of new training and oversight.
- The construction industry will require significant investment to be able to facilitate the necessary improvements.
- Suitable contractor training will be required, and as yet no specific courses or apprenticeships are available.
- Local authorities and planners will require a significant uplift in the amount of support they get in terms of financial aid and personnel.

7. Do you agree or disagree with point of sale as an appropriate trigger point for a property to meet the legally binding standard?

We agree. Point of sale is an appropriate trigger point for a property to meet the standard.

8. Do you agree or disagree that responsibility for meeting the standard should pass to the buyer if the standard is not already met at point of sale, as described above? Please explain your views and give any evidence you have, whether you agree or disagree.

We agree. However, we have concerns about the suggested timeline being put in place. Twelve months is far too short a time to bring a property up to standard if it requires significant works.

9. What, if any, unintended consequences do you think could happen as a result of these proposals? For example, any positive or negative effects on the house sales market.

We are concerned that these proposals could flood the market with properties in poor condition before 2024. We are also concerned about the valuation of the intended works and how this will affect the sale price. Buyers could be reluctant to buy property below a band C if they cannot get an accurate picture of how much they will need to spend to bring it up to standard.

10. Do you agree or disagree with point of major renovation as an appropriate trigger point for a property to meet the legally binding standard?

We agree that the point of significant renovation is a logical time for homeowners to make energy efficiency improvements. However, we do not support this being a legally binding trigger point. We are concerned that this would disincentive people from making significant renovations to their properties. The Scottish Government should incentive people to make energy efficiency improvements during major renovations. For example, by altering the tax treatment of renovation works.

11. What is your view on how “major renovation” should be defined? Should the Energy Performance of Buildings Directive definition, as described in Annex B, be used? Please explain.

We have no specific comment on this question.

12. How could a requirement to meet the energy efficiency standard at point of major renovation be checked and enforced? Who should be responsible for this?

We have no specific comment on this question.

13. What do you think would be a fair and appropriate method to ensure compliance, if the legally binding standard is not met? What type of penalty system would be appropriate? Please explain.

We have no specific comment on this question.

14. Should a penalty for failing to comply with the standard be one-off or recurring?

We have no specific comment on this question.

15. At what level, approximately, should any penalty be set?

We have no specific comment on this question.

16. Are there any particular groups of people who could be adversely affected, more than others, by enforcement processes and charges?

We feel homeowners in rural areas are likely to be adversely affected by the enforcement processes and charges. Houses in rural areas are more likely to be of a lower EPC band and are harder to treat. Therefore, it will cost more money to bring them up to standard. House prices in rural areas tend to have a lower EPC rating. Consequently, the cost of bringing them up to standard will have a significant impact on either the seller, the sale price or the buyer. This means that any enforcement charges are likely to impede further their ability to make the necessary changes.

17. Which body or bodies should check if the standard has been complied with at the trigger point, and should be responsible for levying any penalty?

We have no specific comment on this question.

18. Considering the information above and in Annex D, what are your views on the best way to approach cost effectiveness, taking into account the trade-offs between how easy to understand and how sophisticated different definitions are, and how the different definitions might affect the number of homes that actually achieve the EPC C standard?

We would be concerned about the introduction of a cost cap as has been done in the private rented sector. Having a blanket cost cap is arbitrary and inappropriate. It takes no account of the type, location or size of the property or the rent can attract and therefore does not follow logical investment considerations. It also takes no account of the investment owners have already made into improving the energy efficiency of the property. This punishes those who have strived to upgrade their properties already.

A cost cap is also not usually a genuine cap as it does not take into account a swathe of other costs which will have to be endured to complete the job. For example, getting permission for the work, rehusing tenants during more disruptive works, the rent foregone and redecoration etc.

19. Other than technical feasibility and cost effectiveness, are there any other reasons why a homeowner may not be able to bring their property up to EPC C at point of sale or renovation, and would need to be given an exemption or abeyance? (For example, difficulties of getting permission from other owners for common parts of buildings.) Please explain.

It is not straightforward to comment on this without a definition of technical feasibility and cost-effectiveness.

However, an exemption should be given where planning permission has been refused on the grounds of listed buildings or landscape importance. Furthermore, it seems senseless for the homeowner to keep reapplying (with the costs involved) every 5 or 7 years when planning policy has not changed, and the outcome will be the same.

In this case, there must be a method of allowing a 'sustained exemption' and a list of these held by the relevant authority with the homeowner only being required to reapply for permission if local policy changes (with the council required to inform the homeowner of this policy change).

20. Do you agree or disagree that, even if a property can't fully meet the standard, it should be required to get as close as possible to it?

We agree that property owners should make an effort to improve the energy efficiency of their home. However, for this process to be valid, there needs to be a methodology that homeowners can trust.

21. Do you agree or disagree that any exemptions or abeyances from the standard should be time-limited?

We believe there should be a combination of time-limited exemptions and sustained abeyances. We recognise that there will be technological advancements that will allow homeowners to make improvements which previously weren't cost-effective or technically feasible. However, there are also cases where there have been no relevant developments; for example, no changes to planning policy. In these circumstances, it does not make sense for homeowners to be obliged to incur the costs of applying for another exemption.

22. Which body or bodies should take decisions about granting abeyances? Should this be done at a local level or centrally at a national level?

We have no specific comment on this question.

23. The SLWG on Assessment propose that any new assessment regime should exist on two levels, comprising both a mandatory asset-based assessment and an optional occupancy-based assessment. What are your views on this approach? Do you agree that an occupancy assessment should be optional? Are there specific inputs that should be included in both? Please explain your answer.

We feel the assessment should only recommend a package of measures which improves both the energy efficiency and the environmental impact scores of the property. The assessment should be advice and not a requirement. The assessor should not “tell the owner” as there are usually a variety of options that will improve the property to meet the standard. The only requirement should be to raise the SAP level to the required standard. The owner must have the flexibility to decide what works they carry out to reach the standard.

24. The SLWG on Assessment propose that the output of the assessment should be a report with tailored recommendations that set a clear pathway to both regulatory compliance (i.e. EPC band C) and zero carbon. There are conflicts between meeting the EPC rating and zero carbon. What are your views on how this can be handled/mitigated? Please explain your answer.

The conflict between the EPC band and zero carbon is a key barrier in supporting homeowners to make energy efficiency changes. We are concerned by the level of focus on fuel bills. This causes a situation where highly efficient heating such as direct-acting electric heating has a high CO₂e co-efficient attached to it. There is a significant difference in fuel bills for similarly efficient mains gas and LPG boilers because of the considerable differences in the associated cost of fuel. Some cheaper to use fuels have a higher carbon co-efficient associated with them (such as solid fuel) compared to wood or biomass.

Some of today's technologies may not tick all of the boxes in terms of improving energy efficiency, reducing emissions, and lowering fuel bills. For example, electric heating storage heating may be an issue because of its current poor fuel price comparison with mains gas. The higher associated emissions because of the current electricity generation mix, means it also compares poorly in terms of CO₂e emission reductions. Yet, when you couple higher thermal capacity and electric storage heaters with increasing world gas prices, more volatile world gas supply chains, and the increasing decarbonisation of the grid, electricity may become the fuel of choice in the future.

We feel the most significant factor in determining the energy rating of a dwelling should be its carbon emissions.

25. The new assessment proposals from the SLWG on Assessment include more of an advisory role for the assessor. What are your views on the additional skills and training required to deliver this role? Are existing Domestic Energy Assessors best placed to provide the tailored recommendations? What risks and conflicts do you foresee and how would you propose to mitigate them? Please explain your answer.

We agree that EPC assessors have the core knowledge and skills required to deliver an assessment. Advice on energy efficiency measures is complex, covering a wide range of disciplines, and there is a significant amount of expertise and knowledge required. It is also likely that installers and manufacturers' technical support departments will also be involved. However, it is crucial that advice comes from independent advisors not from those who have a vested interest in selling products and services.

Current EPC assessors could undergo enhanced training, and a recruitment drive will be required. The assessment process must be fair and as reliable as possible, that relies on both the system being fit for purpose and the assessors' input is correct.

Training should cover:

- All heating technologies.

- Building health, especially for pre-1919 archetypes w
- appropriate materials and methods of application, e.g. wall layer design.
- Ventilation strategies.
- The impact of external factors (private water supplies, designations, listings, space for oil tank and access for tanker etc.)

However, we are concerned that there are existing skills shortages, and it will take a significant time to recruit and train assessors to the required standard.

26. The SLWG on Assessment propose that the tailored recommendations to improve energy efficiency and achieve zero carbon should consider the legal designation of buildings, obvious defects or condition issues, and local costings. Do you foresee any liability issues in this approach and if so, what suggestions do you have to mitigate them? Do you believe the inclusion of local costings to be practical and what are your thoughts on what level should be considered 'local'? Should the local cost of energy also be considered? Please explain your answer.

We support the proposal that recommendations should consider any legal designations. We think that anyone carrying out the assessment should be appropriately trained and that checking any designations would be a crucial part of their due diligence. We do not foresee any liability issues in this approach.

We would ask that the definition of local costings is carefully considered and defined. However, taking the definition at face value, we consider that local costings should be included.

If we use the local cost of energy as an example, the assessment must use the most accurate data. If there are significant disparities over fuel costs, for example, oil prices in a remote area, these should be recorded and taken into account.

27. The SLWG on Assessment propose that the assessment should provide a theoretical indication of whether recommendations are technically feasible. Please provide your views on who should determine actual technical feasibility? Should this be a qualified installer or someone else? Please explain your answer.

A qualified person should judge technical feasibility. A qualified person could include an independent architect, an independent chartered engineer, an independent chartered building surveyor or an independent chartered architectural technologist.

28. In your view, what are the most important considerations for homeowners who are required to meet the legally binding standard, in relation to skills, supply chain, consumer protection and quality assurance?

Energy efficiency is not currently well reflected in property value, either rental or sale. Energy efficiency is usually a low priority for potential buyers and not used as a comparable when looking for a house. It is clear from gathered data on housing trends that neither lenders or the public value energy efficiency. Homeowners are being expected to invest in these works but will be unlikely to see any return on investment.

We have no information as to the cost homeowners are expected to spend. Still, rural property owners will have to pay significantly more, particularly in traditional rural properties, than urban.

Any proposals related to costs mustn't be based on an arbitrary figure. This would not reflect the property size, local sales market, or previous investment in energy efficiency measures. Little consideration is taken of the additional costs and challenges facing the rural sector in requesting that these houses perform at the same level as urban dwellings with access to gas services.

These changes will lead to fewer affordable properties. Homeowners or buyers are being asked to invest a considerable amount into their properties with no guarantee of a return when they sell. For rural housing, where the market is less buoyant than in most urban areas, this does not add up.

29. What are your views on how the Quality, Skills and Consumer Protection SLWG recommendations specifically have an impact on the owner-occupied sector? Please explain.

We support the recommendations of the SLWG on Quality, Skills and Consumer Protection. However, we would encourage the Scottish Government to mitigate against the unfair cost burden the proposals will have on the rural sector. The types of properties have different characteristics, and it is unfair to compare the energy efficiency to the social sector or the average urban or suburban property. These properties need greater support rather than just be highlighted as the poorest performing.

30. In your opinion, is this the right range of Scottish Government financial support schemes? Are there any gaps, regarding either types of financial product or groups of people who may be excluded from being able to access products? Please explain your views.

We would encourage the Scottish Government to ensure there is enough financial support for homeowners who are not vulnerable or in fuel poverty. This group form the majority of the housing market and supporting them will ensure that the condition of housing stock in Scotland improves. Currently the grants provided are not available to partnerships, companies or trusts this needs to be remedied.

Furthermore, the tax treatment of energy efficiency works is currently complicated. We believe there is an opportunity to incentivise the uptake of energy efficiency measures without complex funding schemes by using the tax system.

- VAT – simplify what does and what does not receive reduced VAT rates by changing treatment of renovation/refurbishment works.
- Income tax - simplify the intricate item by item split between revenue and capital items
- Capital Gains Tax (related to above) – energy efficiency improvements (capital items) that can be offset against CGT when a transaction occurs. There are enhanced capital allowances for energy and water efficient equipment in businesses, some existing reliefs might be appropriate in the residential context.
- Council tax discounts for energy-efficient properties

31. Do you agree or disagree that grant funding from the public purse should be focused on households who are vulnerable or in fuel poverty? Please explain if you disagree.

We recognise that a certain amount of grant funding needs to be focused on households who are vulnerable or in fuel poverty. Still, there should also be options for all homeowners. The housing in market in Scotland is beginning to reach levels we haven't seen since the economic crash in 2008. The majority of these transactions do not involve households who are vulnerable or in fuel poverty. Therefore, to maximise the chance of homeowners improving their houses and reaching EPC Band C they should be supported in doing so. Currently the grants provided are not available to partnerships, companies or trusts this needs to be remedied.

32. In your opinion, what sources of non-government, private sector support are people most likely to want to access? (e.g. from banks, building societies, credit unions, mortgage providers)

Mortgage providers could implement an energy performance factor into their lending policies, allowing those with more efficiency houses to borrow more. This would incentivise the purchase of more efficient homes and encourage sellers to upgrade before sale.