Consultation on the Energy Efficiency Standard for Social Housing post-2020

Energy UK response
27 July 2018

Introduction

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK’s energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 730,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests £12bn annually, delivers £88bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with the Scottish Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK’s response to the Scottish Government’s consultation on the Energy Efficiency Standard for Social Housing post-2020. This is a high-level industry view; Energy UK’s members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with the Scottish Government or any other interested party if this is considered to be beneficial.

Executive Summary

Energy UK is grateful for the opportunity to respond to this Scottish Government consultation on the Energy Efficiency Standard for Social Housing Post-2020. We welcome that the Scottish Government is consulting on the next phase of improvements to the social rented sector in Scotland. This consultation signifies long-term policy certainty and sets out a clear trajectory for the sector in terms of the standard it will be expected to meet by 2032.

Energy UK notes that this standard for social housing is one part of the overall Energy Efficient Scotland programme which the Scottish Government is currently consulting on. The Energy Efficient Scotland programme is incredibly ambitious and the social rented sector clearly has an important role to play in ensuring that the overall ambition for all houses in Scotland to achieve EPC band C by 2040 can be met.

The social rented sector has seen significant improvements already and is well placed to lead the way for other sectors as we move towards 2032. We would, however, urge the Scottish Government to bear in mind that not all properties in the social rented sector will be able to cost-effectively reach EPC band B by 2032. Some allowances will need to be made for those properties. Furthermore, while Energy UK considers that the ambition for the social rented sector is the right one, the Scottish Government will
have to appropriately balance the needs of tenants with those of the social landlords in setting out the requirements for the sector.

In addition, Energy UK welcomes the Scottish Government's proposal to review progress towards the standard in 2025. This will enable the Scottish Government to evaluate whether any intervention will need to be made to ensure the standard can be met. This is especially important in light of the overall Energy Efficient Scotland programme. Meeting the different standards set out in the Energy Efficient Scotland consultation is a great opportunity for the supply chain to develop and grow over the next two decades. However, the Scottish Government will need to be mindful that not all of the work required to meet the standards can be back-loaded as the supply chain simply will not be able to handle delivering that amount of work in a short space of time without driving up the costs. The 2025 review is, therefore, a welcome opportunity for the Scottish Government to examine progress against the different standards.

**Detailed responses to questions:**

**2032 Milestone**

1. **What are your views on the proposed target to maximise the proportion of social housing meeting EPC B by 2032?**

   Energy UK welcomes that the Scottish Government through this consultation is providing long-term policy certainty for social landlords regarding the standard their properties are expected to meet by 2032. This timeline gives landlords in the social rented sector the opportunity to plan and find funding for the required improvements that should see the properties reach EPC band B. We also welcome the Scottish Government's recognition that reaching this very ambitious aspirational target will require both social landlords, Government, tenants and wider stakeholders to work together. We would strongly encourage the Scottish Government to broaden its focus to include stakeholders such as healthcare providers and the wider energy efficiency supply chain.

   In addition, while we support the proposed target for social housing of EPC band B, it is worth noting that the target is very ambitious and will only be attainable for some of the existing social housing stock. It might not, however, be realistic for all properties within the social housing portfolio as the technical solutions are not available. The Scottish Government should bear in mind that while social landlords have a duty to ensure that the properties they are letting out are of a good standard and affordable to heat, a property that is EPC band C is not of a poor standard. It is important that in setting targets and standards for the different housing sectors that these are realistic, attainable and cost-effective to achieve and it is important that the Scottish Government bears this in mind as it undertakes to deliver its Energy Efficient Scotland programme.

2. **What are your views on the proposal for a lower target of EPC C for detached houses and houses reliant on specific fuel types (e.g. oil, LPG and solid fuel)?**

   Energy UK considers this to be a sensible approach given that EPC band B will be challenging in and of itself due to the nature of the social housing building stock. We would, however, encourage the Scottish Government to consider whether funding could be made available to fund renewable heat measures which could make a difference to houses reliant on specific fuel types. This could go some way in helping to improve the EPC rating of the properties in question.

**2025 Review and Additional Factors in the 2032 Milestone**

3. **What are your views on the proposed content of the review:**
   a) To assess progress towards meeting the new standard?
   b) To consider the 2032 milestone in the context of technological developments?
   c) To consider any additional requirements of the 2032 milestone regarding air quality and environmental impact?

   Energy UK welcomes that the Scottish Government is looking to review progress against meeting the new standard which will enable intervention should meeting the standard prove difficult. To aid this
process, Energy UK would suggest that the Scottish Government consider requiring EPCs to be completed by a specified date. This would enable the Scottish Government to set a benchmark against which improvements can be measured. It is also welcome that the Scottish Government has indicated a clear focus on technological developments and air quality and it is right that review should consider whether to include any additional requirements in these areas to meet the 2032 milestone.

4. **In terms of the timing of the review, what are your views on:**
   a) The proposal to review the new standard in 2025?
   b) The proposal to review the standard earlier if UKG has made announcements on hydrogen and the re-provisioning of the gas network?

Energy UK considers that it is sensible to review the new standard in 2025. This provides the Scottish Government with an opportunity to take steps to make changes if it looks like the standard is difficult for the properties in the social housing stock to meet. This could either be through providing additional funding or additional support to social landlords.

In addition, we note that the Scottish Government will need to be mindful that not all of the work required to meet the standards can be back-loaded as the supply chain simply will not be able to handle delivering that amount of work in a short space of time without driving up the costs. The 2025 review is, therefore, a welcome opportunity for the Scottish Government to examine progress against the different standards.

Energy UK further agrees that it will be sensible to review the standard earlier if the UK Government makes announcements on hydrogen and the re-provisioning of the gas network as this will obviously impact on the options for the social rented sector.

5. **Do you have any other comments on the further requirements proposed for the EESSH 2032 target?**

Energy UK has no further comments on the further requirements proposed for the EESSH 2032 target.

**Minimum Standard**

6. **What are your views on the proposed minimum standard that no social housing should have an energy efficiency rating of less than EPC D?**

We consider that the aspiration is right that no social housing should have an energy efficiency rating of less than EPC D and Energy UK welcomes the alignment with the standard for the private rented sector. There does need to be a recognition that there potentially will be some buildings in the social rented sector which not be able to cost-effectively meet that standard. Ultimately the proposed standard of band D is arbitrary and a situation where an arbitrary standard would lead to social housing being unlettable should be avoided.

7. **It is proposed that this minimum standard of EPC D applies to social housing from April 2025, in line with the standard for the private rented sector. What are your views on this timescale for social housing?**

It is welcome that the Scottish Government is looking to align the requirements for the different sectors as it is important that households regardless of the sector they live in are able to benefit from energy efficiency improvements. It is worth noting that through EESSH1 social landlords have already been required to make improvements and are perhaps better placed to continue the trajectory to meet higher standards. Action in the private rented sector is likely to require more time given the previous lack of focus on requiring energy efficiency improvements in this sector.

**Exemptions**

8. **What are your views on the proposal that landlords would need to provide a short narrative explanation of their performance in their annual returns to the SHR?**

Energy UK does not necessarily have a view on this, however, we would note that it is important that the right balance is struck between seeing energy efficiency improvements being made in the social
rented sector and allowing some flexibility for landlords where improvements are not cost-effective. Furthermore, we would also urge the Scottish Government to be clear in its policy aims and consider whether the short narrative proposed in this consultation will add real value in achieving those aims. It is important that additional administrative burdens are not placed on social landlords just for the sake of a tick-box exercise.

9. **What are your views on the proposal that limited exemptions should apply to the 2025 minimum standard for new lets?**

As highlighted in our response to question 1, Energy UK broadly welcomes that the Scottish Government has set out the long-term trajectory for energy efficiency improvements to be made in the social rented sector. We consider that social landlords have a duty to ensure that the properties they rent out are of a good standard and are affordable to heat. For this reason, we believe that the number of exemptions should be limited. It will be important that the Scottish Government set clear rules around exemptions and how social landlords would apply for an exemption and the timescales around how long an exemption can be in place. However, Energy UK recognises that some properties will not be able to reach the minimum standard without social landlords incurring significant costs for the improvement works or because the improvements will not be technically feasible. Allowances should be made for those instances. Once technical solutions are available in the market, landlords should be encouraged to make the improvements to the properties essentially voiding the exemption.

**Use of New Technology**

10. **What are your views on the proposed approach to recognising new technology in EESSH2?**

Energy UK welcomes the Scottish Government’s approach to recognising new technology in EESSH2. We are aware that the Scottish Government in its Energy Efficient Scotland consultation is not consulting on taking a similar approach for the other housing sectors. We consider that it might be sensible to consider whether there might be a similar way for new technologies to be recognised for other sectors as this would ensure a consistent approach. This could also widen the access to the potential benefits to more households throughout the period leading up to 2040.

**2040 Vision**

11. **Do you have any comments on the EESSH 2040 vision for a) poor energy efficiency to be removed as a driver for fuel poverty and for b) social housing to be carbon neutral?**

Overall, Energy UK supports the 2040 vision set out in the Scottish Government consultation. However, it is worth noting that there is a certain tension between the two elements contained within the vision. The improvements that are required to remove poor energy efficiency as a driver for fuel poverty and those required to make social housing carbon neutral are not necessarily the same. Energy UK would therefore urge the Scottish Government to be clear on which element is the most important. This is especially critical when considering the cost-effectiveness of the delivery of measures.

**Funding**

12. **Do you have any views on the assessment of a) costs, b) benefits and c) funding implications of EESSH2?**

Energy UK notes that under the current UK Government proposals for ECO3, funding will only be available for social housing band E, F & G. Given the improvements that EESSH1 has already brought about for social housing in Scotland it is unlikely that much funding will be able to be leveraged from ECO for the social rented sector in Scotland.