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# Consultation Analysis: Energy Efficiency Standard for Social Housing post-2020 (EESH2)

Analysis of responses to the public consultation exercise



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November 2018



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# Executive Summary

## Background

This summary presents the main findings from the analysis of responses to the consultation on the Energy Efficiency Standard for Social Housing post-2020 (EESH2). The proposal is to maximise the number of homes in the social rented sector attaining Energy Performance Certificate (EPC) Energy Efficiency (EE) Rating B (hereafter referred as EPC B) by 2032. This would be supported by a formal opportunity for review proposed for 2025 to assess progress and consider the introduction of air quality and environmental impact elements to the 2032 milestone; and a minimum standard that no social housing should fall below EPC D from 2025.

The consultation opened on 2 May 2018 and closed on 27 July 2018. It asked 12 open questions. A total of 66 responses were received, of which 61 were from groups or organisations and five from individual members of the public.

## **Views on the proposed target to maximise the proportion of social housing meeting EPC B by 2032**

Comments at this question were often extensive and there were a number of key themes to emerge from the analysis, including: concerns that meeting the proposed target will be very challenging; particular challenges associated with achieving an EPC B for some property types and for properties in remote rural locations; and concerns that the costs of improvement works would have to be met by rent increases.

Some respondents began their comments with a broad statement of support for various aspects of national policy on energy efficiency. Comments were that meeting the proposed target would be challenging. Some noted that for the target to be achieved, significant investment will be required.

Landlord respondents were among those commenting on bringing types of property up to EPC B, with older and stone-built properties, those in remote locations or off-gas grid seen as offering particular challenges.

## **Views on the proposal for a lower target of EPC C for detached houses and houses reliant on specific fuel types**

Some respondents gave their support and saw the proposed approach as sensible or as reflecting what can realistically be achieved, and as addressing issues associated with rural and island communities. However, there were concerns that the proposal highlights the failings with the current EPC assessment process.

## **Views on the proposed content of the review: (a) to assess progress towards meeting the new standard**

Some respondents made a general statement of support, including for the principle of assessing progress. It was noted that the uncertainty regarding the future of the

gas grid will make it difficult for many landlords to make investment decisions before 2025 and so a review at this time makes sense.

**(b) to consider the 2032 milestone in the context of technological developments**

Some respondents stated their support for the proposal to consider the 2032 milestone in the context of technological changes, with respondents commenting on the impact emerging technologies are likely to have on achieving the milestone.

**(c) consider any additional requirements of the 2032 milestone regarding air quality and environmental impact**

Some respondents commented on the importance of addressing issues of air quality and environmental impact, for example because of the potential positive impact on health. However, there was a concern that these two issues appear to have been conflated in terms of the target.

**Views on the timing of the review: (a) the proposal to review the new standard in 2025**

A majority of those commenting noted their agreement with the proposal to review the new standard in 2025. Reasons given were that it would allow the Scottish Government to assess progress to date and would allow for any changes that would help with achieving the 2032 milestone to be made.

**(b) the proposal to review the standard earlier if UK Government (UKG) has made announcements on hydrogen and the re-provisioning of the gas network**

Some respondents noted their support for this proposal, with further comments emphasising the importance of the UK Government's announcement. This was around the significant effect any changes would have on energy provision and energy efficiency more generally, and on meeting the EESSH2 target in particular.

**Views on the proposed minimum standard that no social housing should have an energy efficiency rating of less than EPC D**

A majority of respondents noted their agreement with the proposed minimum standard that no social housing should have an energy efficiency rating of less than EPC D. Concerns tended to centre around whether landlords would have to demolish or sell stock that did not meet the standard.

**Views on the proposal that the minimum standard of EPC D applies to social housing from April 2025**

Some respondents agreed with the proposal for a minimum standard of EPC D applying to social housing from April 2025, with comments that the standard is achievable, and that is important and appropriate for the social rented sector to meet or exceed standards for the private rented sector.

## **Views on the proposal that landlords provide a short narrative explanation of their performance in their annual returns to the Scottish Housing Regulator (SHR)**

A small majority of respondents agreed with the proposal. Housing Association and Local Authority respondents tended to welcome the opportunity to provide the operational context within which they are delivering energy efficiency improvements. It was thought that the return would provide useful information about how their home is performing for tenants and should be publicly available.

## **Views on the proposal that limited exemptions should apply to the 2025 minimum standard for new lets**

Some respondents noted their agreement with the proposal that limited exemptions should apply to the 2025 minimum standard for new lets. Comments in support were that this is a practical approach and allows an additional 5-year period after the first EESSH target to bring properties up to an EPC D.

Some respondents disagreed with the proposal and with the removal of the technical and cost exemptions in particular. Their concerns tended to centre around it being technically challenging to make improvements to some properties.

## **Views about the proposed approach to recognising new technology in EESSH2**

Some respondents supported the approach, including because it will give landlords the leeway to try new technology. The importance of taking advantage of emerging technologies and energy supply models which benefit tenants was also raised.

However, there was a concern that the use of EPC scores could actively discourage the use of new technologies, and in response it was suggested that new technology that is proven to work should be recognised through the Standard Assessment Procedure.

## **Views on the vision for poor energy efficiency to be removed as a driver for fuel poverty by 2040**

Some respondents noted their agreement with the vision for poor energy efficiency to be removed as a driver for fuel poverty. Further comments were that everyone should be able to afford to heat their home and that if EPC B, or even EPC C, is achieved across the stock then homes would be energy efficient.

## **Views on the vision for social housing to be carbon neutral by 2040**

Some respondents noted their support for the vision for social housing to be carbon neutral by 2040. However, a smaller number thought that while the aspiration to be carbon neutral is commendable, it is very challenging, or is not realistic in practice.

## **Views on the assessment of costs, benefits and funding implications of EESSH2: (a) Costs**

Comments were that it is difficult for a landlord to have an accurate figure for the cost of works until they develop a costed strategy for their stock. It was also noted that the variations between landlords may mean that average costs do not apply.

Some respondents thought that Scottish Government or other funding will be needed and that clarity in relation to future funding sources would be helpful.

### **(b) benefits**

Some respondents stated that they agreed with, or welcomed, the benefits set out in the consultation paper.

With regards to fuel bill savings, it was felt that having evidence of the real impact of energy efficiency measures would give landlords and their tenants comfort prior to committing to a significant investment.

### **(c) funding implications**

It was noted that any loan-based funding will result in increased rents. The challenges associated with bringing certain property types up to standard were again noted as were competing calls on landlords' resources.

On funding streams, it was thought that signposting has not worked and that, in reality, landlords have funded recent EESSH compliance work.

# Introduction

## Background

This report presents an analysis of responses to the consultation on the Energy Efficiency Standard for Social Housing post-2020 (ESSH2).

The consultation paper notes that, through the work of the ESSH Review, a new milestone has been agreed for consultation. The proposal is to maximise the number of homes in the social rented sector attaining Energy Performance Certificate (EPC) Energy Efficiency (EE) Rating B (hereafter referred as EPC B) by 2032.

This would be supported by a formal opportunity for review proposed for 2025 to assess progress and consider the introduction of air quality and environmental impact elements to the 2032 milestone; and a minimum standard that no social housing should fall below EPC D from 2025.

A longer-term vision is also proposed for 2040, whereby poor energy efficiency has been removed as a driver for fuel poverty and all social housing is carbon-neutral as far as reasonably practical.

The consultation opened on 2 May 2018 and closed on 27 July 2018. The consultation paper (available at [https://consult.gov.scot/better-homes-division/social-housing-post-2020/user\\_uploads/00534991.pdf](https://consult.gov.scot/better-homes-division/social-housing-post-2020/user_uploads/00534991.pdf)) asked 12 questions.

## Partner consultation

In parallel with the ESSH2 consultation, the Scottish Government also ran an Energy Efficient Scotland consultation.

The main focus of the Energy Efficient Scotland consultation was on proposed long-term domestic energy efficiency standards for homes in the private rented and owner-occupied sectors. It also sought views on a proposed approach to setting standards for non-domestic buildings, use of EPC data, and on potential legislative changes that may be required.

The EES consultation paper is available at <https://consult.gov.scot/better-homes-division/energy-efficient-scotland/>.

## Profile of respondents

A total of 66 responses were received, of which 61 were from groups or organisations and five from individual members of the public. The majority of responses were received through the Scottish Government's Citizen Space consultation hub.

Respondents were asked to identify whether they were responding as an individual or on behalf of a group or organisation. Organisational respondents were then



allocated to one of ten categories by the analysis team. A breakdown of the number of responses received by respondent type is set out in Table 1 below and a full list of organisational respondents can be found in Annex 1.

**Table 1: Respondents by type**

<b>Type of respondent</b>	<b>Number</b>
Organisations:	
<i>Academic</i>	1
<i>Building component manufacturers or services</i>	6
<i>Energy related private sector</i>	7
<i>Housing Association</i>	17
<i>Local Authority</i>	19
<i>Professional or representative body</i>	4
<i>Public sector or body - other</i>	1
<i>Scottish Government delivery agent</i>	1
<i>Tenants group</i>	4
<i>Third sector organisation</i>	1
<b>Organisations</b>	<b>61</b>
<b>Individuals</b>	<b>5</b>
<b>All respondents</b>	<b>66</b>

Please note that representative bodies for the Housing Association and Local Authority sectors have been included within the respondent type of the organisations they represent.

As with any public consultation exercise, it should be noted that those responding generally have a particular interest in the subject area. Therefore, the views they express cannot necessarily be seen as representative of wider public opinion.

## **Analysis and reporting**

The remainder of this report presents a question-by-question analysis of the comments made. A small number of respondents did not make their submission on the consultation questionnaire but submitted their comments in a statement-style format. This content was analysed qualitatively under the most directly relevant consultation question.

A list of acronyms used in the report is provided at Annex 2.

# Overview of the proposals for EESSH2 and the 2032 milestone

The consultation paper explains that the EESSH 2020 milestone is based on the principle that all stock can be brought up to standard, subject to a small proportion of exemptions.

The new 2032 milestone indicates a shift in the framing of the standard to a milestone which maximises attainment rather than 100% compliance. This will require a new approach which recognises that for certain landlords less than full attainment for all stock of the new milestone will not be failure, provided all reasonable efforts have been undertaken to improve the energy efficiency of their stock.

## Views on the proposed target to maximise the proportion of social housing meeting EPC B by 2032

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

Comments at this question were often extensive and there were a number of key themes emerging from the analysis:

- Concerns that meeting the proposed target will be very challenging, especially as much of the more affordable energy efficiency work will have been carried out already.
- The particular challenges associated with achieving an EPC B for some property types and for properties in remote rural locations.
- Concerns that the costs of improvement works would have to be met by rent increases.

Some respondents began their comments with a broad statement of support for various aspects of national policy on energy efficiency:

- The importance of social housing tenants living in a warm home they can afford to heat.
- The general policy direction set out in the consultation paper.
- The aspiration and ambition underpinning the current proposals.
- The overall aim within the current proposals of social rented properties achieving EPC B by 2032.
- The need to address climate change and carbon reduction and meet the 2050 climate change goals.

### ***Nature of the challenge***

Some respondents commented that meeting the proposed target would be challenging, and concerns were raised about landlords' ability to meet that challenge. In particular, some noted that for the target to be achieved, significant investment will be required. For example, a Housing Association respondent commented that:

*While Housing Associations are keen to improve the energy efficiency of their homes many are concerned at the estimated cost of meeting the proposed standard. This concern is increased by the fact that the majority of the costs of meeting EESSH 2020 have come from landlord's own resources.*

Housing Association respondent

These types of concerns led some to comment that the target will be very difficult to meet, is unrealistic, or is unachievable. There was an associated concern about the impact on Housing Associations of setting an aspirational target and that:

*...once a standard is set – aspirational or otherwise – associations will face all kinds of pressures to achieve that standard or to have to justify every case in which it believes it does not make sense to try to meet the standard.*

Housing Association respondent

It was also felt that the notion of an aspirational standard may not be easy for the Scottish Housing Regulator to manage or easy for tenants and others to understand.

However, others commented that the target was achievable, and that:

*...this consultation is providing long-term policy certainty for social landlords regarding the standard their properties are expected to meet by 2032 (and) 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.*

Energy-related private sector respondent

There were concerns that the investment and improvements that have been made for EESSH 2020 compliance, and to meet the Scottish Housing Quality Standard (SHQS), will have been more straightforward and less resource intensive. This led to a further concern that achieving EPC B will require the use of more complex and costly measures. There was also a question as to whether an incremental approach is cost-effective.

It was noted that most properties will have had external fabric and/or insulation upgrades by 2020 and that many renewal cycles will fall after 2032. Whether investment to meet the target would offer value for money for either landlords or tenants was also questioned. One proposal was that there needs to be an agreed

national measure for whether the cost involved is justified and which looks at benefits to the economy, the environment, and peoples' health.

It was also thought that although EESSH2 appears to be described to tenants as something which may save them money, this may not be the case. An example given was that energy companies may simply increase unit prices to compensate for any reduction in income resulting from fewer units being used.

Respondents noted the potential for changes in other areas to affect work to meet the target. These were:

- The development of the energy supply in the next five years – it was suggested that decisions yet to be made by the UK Government about decarbonising the gas grid and the introduction of hydrogen could affect which heating systems may be appropriate.
- Changes to Standard Assessment Procedure (SAP) methodology stemming from potential changes to the future supply of gas and electricity. This was seen as having the potential to affect energy ratings and lead to a revision of EESSH2 targets.

Respondents also made specific suggestions as to how some of the challenges set out above could be addressed:

- Reducing the target to EPC C.
- Splitting EPC into two bands with the target being to obtain a 'High C', which would equate to a rating of 75-80.
- Older and/or more complex properties should be tackled when more cost-effective solutions become available.
- Feasibility studies should be carried out to determine if the target is achievable for all property types. They should look at the measures that would be required for pre-1919 tenement stock.

It was also thought that landlords will have to face tough decisions around the disposal or demolition of poorer performing stock. However, it was noted that tenants may wish to stay in their homes, and even if they do agree to leave they will need to be offered alternative but potentially very scarce accommodation. It was also suggested that to demolish stock due to its EPC rating potential and replace it with buildings with a far shorter design life, is a flawed strategy from both a financial and carbon perspective.

### ***Scale and type of challenge for landlords***

A small number of Local Authority and Housing Association respondents noted the scale of the challenge across their stock. For example, a Housing Association respondent reported that:

*We estimate that we currently have almost 500 houses that will not achieve level D or above. We have carried out all reasonable measures and to affect the SAP rating of these properties would mean spending between £20 - £32K per home and in some cases, we will still not meet the target. Over 50% of our stock, approximately 3,000 homes are categorised EPC level D & C.*

Housing Association respondent

Others also noted that they are investing, or have recently invested, significant resources in meeting the EESSH target but that further investment would be required to achieve EPC B ratings.

There was support for the consultation paper's recognition that it will not be possible for all stock to reach EPC B standard, and that the focus should be on ensuring all reasonable efforts have been undertaken to improve the energy efficiency of stock.

One Local Authority respondent reported that only their new build properties, equating to around 10% of their stock, would currently be able to achieve EPC B. Another reported that less than 8% of their stock currently achieves an EPC B and that this stock is primarily high rise or new build.

Amongst the specific circumstances cited as creating particular challenges with achieving an EPC B rating were:

- Remote rural and island locations: it was reported that initial installation and ongoing maintenance costs will be high in comparison to other locations and that opportunities to benefit from renewables may be constrained by grid limitations. High rates of fuel poverty, and the number and spread of detached properties, were also noted.
- Properties that are off-gas grid: one Housing Association respondent noted that this applies to 47% of their properties. This issue is covered further at Question 2.
- For off-gas grid properties that are reliant on electric heating systems: these systems do not score well in SAP assessments. It was reported that the SAP assumes electricity has been generated from fossil fuels when it may have been taken from a hydroelectric store and/or be renewably generated.

In addition to the specific concerns raised above about SAP, there was a more general concern about the accuracy of the method used to produce EPC ratings. For example, it was commented that:

*...this proposal is lacking in understanding of the limitations of EPCs for reflecting actual home energy consumption / costs, and therefore lack(s) credibility as a policy driver for energy efficiency... ..we do wish the Scottish Government would understand this evidence and design policies that are cognisant of the limitations of EPCs, particularly the high level of variation between energy consumption as modelled by EPCs and measured in the real world.*

Academic respondent

### **Impact on rent levels and fuel poverty**

As noted above, respondents raised concerns about the level of investment required to make the necessary improvements. Some also went on to comment on the impact that making this investment could have on tenants. This issue was particularly likely to have been raised by local authorities, Housing Associations and tenant groups, and tended to centre around a concern that:

*...we would ....be replacing one form of poverty (fuel poverty) with another (rent poverty) as generating the income necessary to invest to the levels required would inevitably impact on rent levels.*

Housing Association respondent

Respondents had concerns that:

- The level of investment would be such that landlords had no choice but to cover those costs through rent increases. These rent increases would have to apply across the whole stock, although not all tenants will be living in a property that has an EPC B rating.
- In any case, the reduction in fuel poverty is likely to be minimal, with rent increases likely to offset any financial benefit to the tenant. For example

*...we recognise that the proposed target may result in lower energy bills for tenants, the cost of delivery may well result in the savings being cancelled out by rent increase.*

Tenants group

There was particular concern about these likely increases at a time of slow wage growth and changes to the welfare benefit regime, with the suggestion that any rent increases must be matched by actual, rather than assumed, fuel cost savings to tenants. The importance of recognising that energy efficiency alone will not eradicate fuel poverty was noted, along with high fuel costs and low incomes being drivers of fuel poverty even in highly energy efficient homes.

It was also thought that there are other approaches which could have a more immediate and greater impact on tackling fuel poverty than improving the energy efficiency of properties. Examples given were intervention around fuel prices and addressing the costs for those using pre-payment meters.

A question was also raised as to whether the proposals are in line with what tenants want:

*The Scottish Housing Regulator has just completed a consultation which has highlighted that tenants' priorities are value for money and rent affordability. EESSH2 appears to be being described to tenants as something which may save the tenant money. This is questionable.*

Local Authority respondent

In terms of the impact of having any works done, it was reported that the scale of the works required to some properties could be very disruptive for tenants and could require them to leave their home for a time. It was also reported that it can be difficult to reach agreement with tenants for work that causes disruption to their homes, and that the process can be particularly disruptive and distressing for older tenants.

### **Specific property type challenges**

Landlord respondents – from both the Local Authority and Housing Association sectors – were amongst those commenting on some of the challenges associated with bringing specific types of property up to EPC B standard. Examples given of the types of properties that can present challenges were:

- Older properties, such as those built in the pre- and post-war period and pre-1919 tenements specifically.
- Stone-built properties, such as where stonework is delaminating.
- Problematic build types, such as metal system build properties.
- Modern timber framed properties with no option for low cost insulation measures, such as bonded bead cavity wall insulation.
- Multi storey properties.
- Properties covered by planning or conservation restraints.
- Properties which are not listed but which form part of the historic heart of towns.

The possible level of investment required was also highlighted. Examples provided were:

- Older properties that would not achieve the target even with a spend of up to £32,000 per property.
- Atholl Steel properties<sup>1</sup> which would require an additional investment of around £15,000 per property.

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<sup>1</sup> Atholl Steel properties are prefabricated houses built from steel parts.

More generally, it was reported that for some Housing Association properties the cost of reaching EPC B will far exceed the £9,300 per unit projection provided in the consultation paper.<sup>2</sup>

### ***Impact on, and challenges for, landlords***

In terms of other possible impacts on landlords, competing priorities for investment were noted, with fire safety-related improvements, adaptations to meet tenants' needs, and new build programmes given as examples.

One Local Authority respondent commented that:

*Local Authorities have been encouraged to develop new build housing over the last 8 years and many... have delivered significant build programmes. This has led to a position where the Housing Revenue Account has gone from being debt free to having significant borrowing which requires to be serviced. The Housing Revenue Account is purely funded by tenants' rents and therein lies a difficulty.*

Local Authority respondent

Others had concerns that if faced with significant and multiple needs for investment, some Housing Associations could find themselves with negative equity and, as above, would need to increase rents in response. However, it was seen as unrealistic for smaller landlords to be able to cover substantial costs through rent increases as small Housing Revenue Accounts do not offer economies of scale.

The potential detrimental impact on landlords' business planning assumptions was also highlighted. Specifically, it was felt that higher or additional standards could be introduced in the 2025 review and this possibility makes forward planning difficult. It was also felt that having an understanding of any further aspirations the Scottish Government may have for the social rented stock beyond EESSH2 would help landlords shape their investment strategies.

Respondents also highlighted a range of issues which, if addressed, could maximise the proportion of social housing meeting EPC B by 2032:

- Building Regulations should be used to ensure that any new build social housing achieves EPC B.
- Being able to prove that the property is supplied with 100% renewable energy should also be an eligible factor when assessing compliance.
- How to plan for the longer-term transition away from gas boilers as the dominant form of central heating systems should be looked at.

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<sup>2</sup> The £9,300 cost set out in the consultation paper is a projected cost for RSLs per dwelling of EESSH2 for a dwelling not meeting EESSH 2 in 2020. This projected cost was derived from a case study exercise, with a number of local authorities and RSLs modelling how much of their stock could be upgraded to the new standard, and at what cost. A parallel cost/benefit exercise was also undertaken by the Scottish Government using the National Household Model. Further information on cost/benefit projections can be found in Part 3 of the consultation.



- The possible consequences of the lack of a skilled workforce and poor retrofit on achieving EPC B needs to be looked at.
- Consideration should be given to ensuring manufacturers, suppliers and installers of renewable technologies would be able to satisfy demand for their products and services. It was noted that there may be particular shortages in remote rural and island locations.

The impact of not getting agreement for communal works from owners in mixed tenure blocks was also highlighted. It was noted that having a target of an EPC Band C by 2030 for private rented homes and 2040 for all other homes (as currently being consulted on through the Energy Efficient Scotland consultation), could cause problems when setting out the specification and design of work to mixed tenure blocks. It was felt that addressing barriers - particularly around permissions and ownership rights - will help social landlords improve the energy efficiency of their stock.

### ***How landlords can be helped to meet the target***

Following on from their concerns about the impact on rent levels and the financial viability of social landlords, a small number of respondents thought that the Scottish Government will need to ensure the necessary resources are made available.

One point of view was that low interest loans or drawing down funding could be considered for Registered Social Landlords (RSLs). An alternative perspective was that:

*...consideration is given to grant assistance for RSLs (not loans as this can lead to further complications with lenders) to help them achieve this target.*

Housing Association respondent

Respondents commented on the role that new technologies will need to play, often noting that innovation will be key to landlords achieving the target. There was particular reference to technological advances in retro-fitting being crucial.

It was also suggested that guidance is provided as early as possible to ensure landlords can plan and budget. A specific proposal was that the Scottish Government work with technical experts to produce tailored guidance on what information they should expect from technical assessments of their properties.

### ***Role of energy suppliers***

An energy-related private sector respondent commented on the role of energy suppliers, with further comments that:

- A supplier obligation based upon a charge on fuel bills tends to affect low income households disproportionately as they spend a relatively high proportion of their income on domestic fuel.
- Whether the obligation should be based on a supplier's share of the Scottish, or the UK, energy market would need to be considered.

- The relative contribution from gas and electricity customers would need to be considered, along with whether the obligation should be extended to other fuels such as oil, coal and Liquid Petroleum Gas (LPG).

They also suggested that funding to improve the social housing stock should come from receipts, loans and government funding, but not an obligation on suppliers.

### ***Role for other organisations or funding streams***

A range of other organisations that could benefit from the changes and that should therefore be given obligations related to delivering the target were also suggested:

- Energy distribution companies, for whom lower levels of grid re-enforcement would be required as heat is electrified.
- System operators, who would have to purchase less reserve capacity because of lower demand and a resulting reduction in the differential between peak and base loads.
- Manufacturers of low carbon equipment and energy efficient products, who would benefit from increased demand.
- The NHS, which would see lower hospital admissions if people were living in energy efficient homes.

Ideas as to other possible routes through which improvements could be funded were through a tax or levy on high carbon fuels.

### **Views on the proposal for a lower target of EPC C for detached houses and houses reliant on specific fuel types**

**Question 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)?**

In more general comments, some respondents gave their support and saw the proposed approach as sensible or appropriate, as reflecting what can realistically be achieved and as addressing some of the concerns associated with rural and island communities. It was also noted that:

*Work carried out to date towards EESSH compliance has shown both of these categories present difficulties in obtaining compliance at current EESSH levels. Where technical solutions have been identified and available this has typically been accompanied by excessive cost.*

Local Authority respondent

In terms of general concerns, a small number of respondents highlighted failings with the current EPC assessment process. It was thought that it would be better to have an assessment and band rating which was able to consider variations in building type and location. It was also thought that specifying a different target may not be necessary.

Looking forward, it was felt that the review point in 2025 may be a helpful time to assess whether all detached houses and all fuel types identified should still be subject to the lower target given any advances in technology and changes to fuel availability.

### ***Detached properties***

Some respondents gave reasons for agreeing that detached houses should attract a lower EPC target. These were that increased area of external wall has an impact on SAP ratings, and that once all reasonable measures have been installed, a detached home will still have a lower SAP compared to a semi-detached property.

A number of landlord respondents commented on their own detached stock. A Housing Association respondent reported that 60% of their small number of detached properties are at EPC B and C or above. They welcomed the lower target for these properties but will nevertheless aim to bring them up to EPC B if possible. However, another Housing Association respondent reported that only 13% of their detached stock is currently EPC C or above.

Not all respondents agreed that detached houses should attract a lower target, and some saw the approach as simplistic or insufficiently nuanced. Reasons given were that:

- Although larger and with a corresponding higher improvement cost, improvements are not complicated by multiple ownership interests and they can be simpler to improve via insulation measures.
- Unlike flats, detached houses have a large roof for solar photovoltaics (PV), along with wall and roof space for energy storage solutions.
- Build type and location is more relevant than being detached. It was explained that because of the way heat loss is assessed for an EPC, having a lower EPC target for a detached house as opposed to a semi-detached is an unequal calculation. It was suggested that it would be fairer for both property types to have the same target, whether EPC B or C.

Finally, it was felt that irrespective of whether the EPC C target is adopted or not, full insulation measures should still be required for detached properties.

### ***Specific fuel types***

Some respondents gave their support for specific fuel types being included:

*In terms of setting a lower target for 'other fuels', we would agree that this is logical as it tends to be that rural or off-gas network properties fair worse in EPC calculations due to the carbon intensity of the primary fuel.*

Housing Association respondent

It was also reported that these rural properties can be more expensive and difficult to upgrade due to lack of infrastructure, greater prevalence of stone build or hard-to-treat properties, longer materials distribution lines, and higher contractor fees.

However, not all respondents agreed:

*We don't think other fuels should get a lower standard. Keep all properties and fuel types at Band B, this could encourage switching to non-carbon fuels or at least give a truer picture of energy efficiency across the sector.*

Housing Association respondent

There was a query as to whether it is acceptable for any social housing to have a solid fuel heating system as the main source of heat and it was reported that consumers without mains gas are more likely to experience fuel poverty and poor energy efficiency.

It was considered important not to dissuade the upgrading of oil, LPG and solid fuel heating systems to more carbon-friendly options, including because the volatility of solid fuel prices can have a significant impact on tenants. There was also a concern about:

*...the potential unintended consequence with 'other fuels', say 'Oil' which could be seen as more attractive as it requires to achieve a lower SAP but defeats the purpose of EESSH2 carbon reduction.*

Housing Association respondent

A proposal from a Local Authority respondent was that the target should only be lower where fuel choices are limited.

### **Alternative approaches or additions**

Alternative approaches were proposed. These were that the aspiration should be applied across the whole stock but where there are issues, such as off-gas grid or harder-to-treat property types, there should be a degree of leeway. A similar idea was that there should be leeway when it is either not technically feasible or cost effective to achieve EPC B.

An alternative perspective was that it would be more appropriate to delay the EPC B compliance date for the entire sector, to ensure that householders in expensive-to-treat housing are not disadvantaged.

It was also suggested that other exemptions should be added and that:

*... whilst oil and LPG are viewed as expensive heating systems to run, solid fuel can in fact be a cheaper option especially in our more remote locations where access to solid fuel can be free. Location needs to be a determining factor in assessing the EPC targets.*

Housing Association respondent

Some respondents commented that properties with the following characteristics should attract a lower EPC target:

- Low carbon heat source.
- Semi-detached or end of terrace properties.
- Listed buildings, properties in conservation areas, and other historic buildings which are hard to bring up to EPC B.

# 2025 Review and Additional Factors in the 2032 Milestone

From 2025, it is proposed that any new energy efficiency measures should be installed on the principle of no detriment to air quality and, where necessary, additional measures should include provision for improving ventilation, and that provision should be included for the monitoring of the performance of proposed measures.

It is also proposed that, from 2025, any new energy efficiency measures should be installed on the principle of no detriment to the modelled environmental impact of a building. This principle is already a condition of EESSH 2020, however, it is proposed that this is strengthened with landlords asked to collect data on the modelled environmental impact of measures installed to improve energy efficiency. This will include any EPCs produced before and after installation and data from other SAP assessments carried out by landlords. This requirement would be supported by an improved reporting mechanism, with the period to 2025 used for monitoring and analysis purposes.

## Views on the proposed content of the review

**Question 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?**

**(a) to assess progress towards meeting the new standard**

Some respondents made a general statement of support for the content of the review to assess progress towards meeting the new standard, including support for the principle of assessing progress.

Some respondents, including local authorities and Housing Associations, noted their agreement that 2025 is an appropriate point for the standard to be reviewed. Specifically, it was reported that an equivalent approach has proved successful in monitoring progress towards EESSH1. It was also noted that the uncertainty regarding the future of the gas grid will make it difficult for many landlords to make investment decisions before 2025, and so a review at this time makes sense.

It was thought that a 2025 review will promote knowledge sharing and best practice and allow for mitigating action to be taken in the run up to the 2032 deadline. In relation to the sharing of best practice, it was proposed that the Scottish

Government should work with the SHR to encourage RSLs to share learning about successful investment in property types that require exemptions. It was also noted that it would allow for any technological developments to be considered.

An alternative idea was that this review should be delayed until the UK Government has made announcements on hydrogen and the re-provisioning of the gas network. Others thought an earlier review is required, for example:

*Given the need for substantial improvements to SAP modelling to ensure the model better represents the real-world situation, costs and outcomes - there should be reviews sooner than 2025.*

Housing Association respondent

There was a wider concern that the milestone date is set up as an extension of EESSH1 rather than an obligation to make improvements between 2020 and 2025. It was felt that having a 2025 EPC target of C would be a catalyst for improvements and this would then allow and encourage RSLs to segment their building stock into phased investment towards the 2032 target.

Other comments on the timing of the review were that the inclusion of periodic reviews of progress to allow any emerging issues to be taken into account would be helpful. It was suggested that ongoing feedback after 2020 would also be useful as significant housing investment will take place between 2020 and 2025.

In terms of approaches to assessing progress, it was thought that there needs to be a clear and robust process for measuring progress and that:

- There should be a requirement for EPCs to be completed by a specified date. This would enable a benchmark to be set against which improvements can be measured.
- Using the percentage of housing across the sector that meets the standard and reporting it through the SHR would provide a good, high-level indicator of progress.
- Information should be made publicly available to allow the supply chain and potential funders the opportunity to actively 'pitch' for any works required.
- It is important to build independent formal evaluation into the design and management of all schemes. Where possible evaluation should include sample monitoring of actual behaviour and energy use.
- It will be important to not only monitor progress overall but also any variations, and to identify where additional support may be required.

Respondents also identified other areas which should be covered by the review:

- An assessment of the readiness levels of existing technologies which are currently immature.
- Looking at the supply chain and whether there is sufficient capacity to meet demand.

- Ensuring there are appropriate exemptions and abeyances, much like those used for the SHQS.

**(b) to consider the 2032 milestone in the context of technological developments**

Some respondents stated their support for the proposal to consider the 2032 milestone in the context of technological changes, with a number of respondents commenting on the impact emerging technologies are likely to have on achieving the milestone. There was also reference to the potential economies of scale that could be achieved in relation to some of the existing technologies, for example around air source heat pumps and solar PV.

To ensure opportunities are not missed, and as at Question 3a (above), it was proposed that emerging technologies and technological developments should be covered at the 2025 review or before. The potential opportunities within existing and new energy markets were also cited as a reason for an interim review.

Alternatively, it was thought that it is critical that information is shared as early as possible and that some form of continuous review from 2020 is required. This was seen as the only way that the rapid and ongoing developments in the industry, and the infrastructure’s ability to deliver new technologies, can be evaluated effectively. Allowing established working groups and sub groups to continue their work was seen as a way of delivering this continuous review.

However, not all respondents were as optimistic about the impact new technologies may have:

*..... building fabric improvements towards 2032 are likely to be very incremental and offer small to negligible improvements in performance... Significant technology-driven changes in energy, and particularly emissions, performance are more likely to arise through greater use of renewable and low carbon fuel supplies.....and from household consumer technologies, which could serve to increase or decrease demand according to the technology and how householders use it.*

Academic respondent

In terms of what any review process should cover, ideas were:

- The deliverability of any emerging technologies. It was seen as important to consider costs and whether landlords are able to afford and make best use of them, especially in relation to traditional buildings.
- The embedded carbon emissions of those new technologies.
- Ensuring that any new technological solutions are taken into account in measures of performance and for meeting the standard. A Housing Association respondent reported that, based on their current experience, the issue is not a lack of innovation but an inability of the Reduced Data SAP



(RdSAP) and EPC calculation to acknowledge the positive impact that a technological solution has achieved.

- Progress in systems, advice and guidance in guiding landlords as to how they can implement a long-term improvement plan for their properties.

In terms of what should be avoided, it was seen as important that some innovation is not stifled in favour of a pre-approved list of solutions which, if not fully reflective of the opportunities available, could result in an increased number of exemptions on the grounds of 'new technologies' before and after 2025.

Other factors that respondents wanted to be considered as part of the review were that:

- For some areas, the re-provisioning of the gas network will be the key technological development from which other opportunities may flow.
- Rural and island communities may not benefit from technological developments in the way that other areas might. Milestones that take account of the challenges of delivering new technologies in remote rural Scotland need to be reviewed, along with the carbon value of electricity generated in rural areas.

Finally, it was thought that the pace and scale of technological innovation means that while the 2032 target may seem sensible now, it may be rendered obsolete by technological advances:

*There are likely to be new innovations emerging over the next 10 – 15 years which will contribute to addressing the fuel poverty and carbon consumptions issues...A rush to a 2032 target may seem sensible now, but the concept could be rendered obsolete if there are other technological approaches on the horizon.*

Local Authority respondent

Conversely, it was thought that:

*.... it would be unwise to rely on technological advancements to help us achieve targets that are set. HAs have already adopted an innovative approach with technology and in many cases, we are in advance of the private sector.*

Housing Association respondent

### **(c) consider any additional requirements of the 2032 milestone regarding air quality and environmental impact**

Some respondents stated their agreement with the review considering any additional requirements of the 2032 milestone. Others commented on the importance of addressing issues of air quality and environmental impact, for example because of the potential positive impact on health.

However, there was a concern that these two issues appear to have been conflated in terms of the target. It was suggested that improved air quality should be a standalone obligation, with environmental impact calculated using the Environmental Impact rating that is used to accompany the EPC 'Energy' rating.

Respondents also raised concerns about how the air quality element can be achieved in parallel with other work, particularly in relation to air tightness, to improve the energy efficiency of homes in the social rented sector. A Housing Association respondent reported that:

*One of the adverse effects on social housing as a result of energy efficiency improvement works is the increased risk of condensation and mould growth.*

Housing Association respondent

Widening the requirement to include not just air quality but condensation, mould growth and damage to building fabric was one proposal. Another was that:

*Tenant education will need to be part of this process to ensure behaviours are not detrimental to air quality (e.g. drying clothes indoors, blocking vents).*

Housing Association respondent

However, others commented that air quality and environmental impact are not a first consideration for tenants and that some people would regard increased ventilation as having a negative impact on heating costs. There was also a view that no amount of education will change the behaviour of some tenants.

Others had concerns about how environmental impact will be measured. For example, that electricity generated with significantly lower carbon would need to be recognised in a future methodology for the calculation of carbon content. An energy-related private sector respondent raised issues about the assessment used for EPCs: assessments are inconsistent and can vary in quality, that although the price of fuel is taken into account this does not reflect the energy performance of buildings, and that specified energy measures have varied performance in situ compared to the modelled performance.

Proposed topics or issues for the review to cover were:

- The implications of any UK Government announcements on hydrogen and re-provisioning of the gas network.
- Whether a lower target of EPC C for detached houses and houses reliant on specific fuel types is still appropriate.
- The environmental impact of carrying out works to properties in rural, remote and island communities.
- The role of Low Emission Zones and other planning matters, including green infrastructure, in mitigating any effects on indoor air quality.

In relation to the timescale, there was a proposal that the air quality requirement should be included in the current targets for the 2032 milestone. An associated comment was that introducing the requirement in 2025 could mean that improvements carried out until 2025 may have an effect of air quality and an environmental impact that RSLs will need to return to address at a later date. A similar perspective was that the criteria around air quality should be introduced as soon as possible to avoid any unnecessary reworking of stock and further costs.

Respondents also raised issues that they felt needed to be addressed if the target is to be met. These were:

- Lack of adequate ventilation being installed in RdSAP insulation schemes.
- The need for cost effective and high-quality mechanical ventilation systems.
- The impact on EPC ratings of fitting positive pressure ventilation.
- Increased airtightness in new build leading to overheating during hot summers, and the environmental impact of having to use cooling systems.
- The administrative burden and resource constraints in the social housing sector.

Respondents also highlighted other ways in which they thought social landlords could be supported or encouraged to address issues around air quality or environmental impact. Proposals were:

- Making changes to Building Standards to support retrofit and new build. If required, installation standards for both installers and materials should be updated or implemented to ensure an energy efficiency measure will not have a negative impact on air quality.
- Ensuring that Building Standards take account of local air quality targets.
- Looking at and making available information on any materials, such as heavy metals used in insulation materials, which are found to cause air quality issues. Bodies such as the British Research Establishment, British Standards Institute or British Board of Agrément could take on a role in ensuring products do not cause harm.
- Providing guidance on air quality monitoring. The approach should be robust and affordable, with in situ monitoring used rather than modelling tenant behaviour. A Local Authority respondent reported that they are currently piloting the collection of temperature and humidity data for both new and existing housing stock. They sought clarification on whether this data would be required for all housing stock or only for a representative sample of property and fuel types.
- Providing guidance on how landlords should monitor environmental impact.
- Clarifying what the Scottish Government will consider as good practice in relation to engaging with tenants.

- Providing financial support for the installation of ventilation measures if required as part of a retrofit package to meet the standard.

## The timing of the review

**Question 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?**

### **(a) the proposal to review the new standard in 2025**

A majority of those commenting noted their agreement with the proposal to review the new standard in 2025. Reasons given were that it would allow the Scottish Government to assess progress to date and would allow for any changes to be made that would help with achieving the 2032 milestone.

As covered at Question 4b, it was also noted that the timescales would be in line with the UK Government's dates for announcements on hydrogen and the re-provisioning of the gas grid. It was seen as important to consider the implications of these announcements as part of the review. One perspective was that the full review should be held earlier if the UK Government has made significant announcements on hydrogen and the re-provisioning of the gas network.

In terms of other agendas to be taken into account, it was thought that:

*It would also be advisable to tie this together with the interim review stages for the Climate Change Bill target such that any additional or relaxation of emission reduction targets can be factored in.*

Housing Association respondent

Other comments were that there should be interim reviews in the run up to the 2025 review and, following on from that, in the run up to the 2032 milestone. Reasons given were that this would allow for developments within what is a fast-moving environment to be taken into account. On a similar theme, it was suggested that adopting a process of regular monitoring, such as publishing annual returns, would help advance progress. Providing a road map that highlights the expectations landlords will be required to meet was also proposed.

Other respondents thought that the review should take place earlier because of concerns that neither the proposed standard, nor other Scottish Government policy, creates a strong enough driver for social housing providers and that:

*...5 years after commencement seems too long if Local Authorities are to meet the standard by 2032.*

Local Authority respondent

An alternative perspective was that no review is required. A review in 2025 could undermine landlords' investment strategies and delivery plans and the EESSH2 parameters should therefore be clearly defined from the outset.

Finally, respondents raised concerns about lack of certainty or information. For example, whether the target will change again creating consequences for landlord's financial and investment planning. It was also seen as difficult to comment on the timescales for a review without knowing what that review would cover.

**(b) the proposal to review the standard earlier if UKG has made announcements on hydrogen and the re-provisioning of the gas network**

Some respondents noted their support for this proposal, making further comments emphasising the importance of the UK Government's announcement. This was in relation to the significant effect any changes would have on energy provision and energy efficiency more generally, and on meeting the EESSH2 target in particular.

One proposal was that:

*As the re-provisioning of the gas network appears to be a key support element to the delivery of EESSH2 it should be subject to annual updates or reviews.*

Housing Association respondent

An alternative proposal was that the timing of the review, be that earlier or later than 2025, should be influenced by the timing and content of any UK Government announcements:

*The decision to bring the review forward should be considered in the case of an announcement from the UK Government but would ultimately depend on the nature of such an announcement.*

Professional or representative body

There were suggestions for preparatory or additional work the Scottish Government could be doing in advance of any UK Government announcement. These were carrying out an impact study on changing to hydrogen, and looking at the impact on the network and boiler systems as well as the impact on costs for householders and landlords.

Other comments reflected themes raised at Question 4a, such as the need for the impact of wider technological advances to be considered, and that energy supply is only one of several important issues to be kept under review.

A small number of Housing Association respondents did not agree with the proposal. Reviewing the standard before 2025 was described as unhelpful, and it was felt that:

*Any earlier review would have an even greater detrimental effect on RSLs ability to plan and manage income/expenditure effectively.*

Housing Association respondent

There was an associated concern that revising targets could be counter-productive, and that sticking with the EPC C target by 2025 would help landlords avoid a temptation to 'wait and see' what comes out of a UK Government announcement.

Finally, it was noted that this discussion of review timescales highlights the complex and interrelated policy initiatives over the next few years, and that this means it is too early to settle on goals for 2032 and 2040.

## **The further requirements proposed for the EESSH 2032 target**

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

The further requirements proposed in the consultation paper are covered in turn below.

### **That the new standard is to allow for small variations i.e. $\pm 1$ SAP point in measuring progress, to recognise potential inconsistencies in reporting**

A small number of respondents noted their agreement with this requirement. One Housing Association respondent reported their own experience that SAP ratings can vary from assessment to assessment. As per Question 1, there were also wider concerns about the overall approach to assessing for EPCs and the inconsistency of EPC reports and assessors. There was a view that, whilst the SAP is a valuable tool for energy assessment, the number of variables involved means it makes sense to allow for small variations.

A query was raised as to whether the measure of compliance will be EPC B or C or an SAP score.

### **The installation of measures must allow sufficient time for engagement with tenants to ensure best use is made of measures**

A small number of respondents noted their agreement with this requirement. Reasons given were that user engagement and education are essential factors in combating fuel poverty, and that providing advice on heating controls and other energy efficient behaviours as part of an holistic energy advice service should be integral to energy efficiency work going forward.

Other comments were that guidelines would be helpful, such as in relation to how the requirement will be monitored. It was also proposed that any funding arrangements should reflect the additional time required for a successful engagement programme.

One concern raised was that smaller Housing Associations may struggle to find staff resources within their property sections to dedicate to the required level of tenant engagement.

**Landlords must factor in the maintenance of measures and allow for deterioration over time**

A small number of respondents noted their agreement with this requirement and there was a comment that:

*...maintenance of measures to ensure continued effectiveness could easily be an important but overlooked area of work.*

Housing Association respondent

Further comments were that the schedule of reasonable measures assumes that all storage heating is problematic but that it can be appropriate if there is a lower cost, a green or low carbon tariff, or if it is connected to demand side response equipment that charges heaters linked to a grid balancing service or local renewable energy scheme.

Proposals for how this requirement might be taken forward were:

- Extending the requirement to ensure that end of life replacement is also factored in.
- Considering the availability of skilled local approved contractors. One Housing Association reported their experience of there being only one engineer in Scotland who could service a particular system that was under warranty.
- Considering additional funding.

**Local authorities must support the EESSH2 milestone as part of their Local Authority energy efficiency strategy. This will include appropriate use of district heating schemes.**

A small number of respondents noted their agreement with this requirement. A further comment was that:

*These strategies will need to include full costs for the planned improvements, including maintenance, and allowing for deterioration over time. In this context, we would reiterate the importance of sustaining funding streams to support the necessary works.*

Energy-related private sector respondent

Scottish Government proposals for introducing a statutory requirement for Local Heat and Energy Efficiency Strategies (LHEES) were noted. It was advised that further consideration be given to the extent to which the statutory regime related to social housing domestic energy efficiency can be integrated effectively with multi non-domestic asset investment programmes that include private owners and businesses.

There was a query about the district heating element of the requirement and whether stock transfer local authorities, or those who do not own the greater proportion of stock in their area, will have the ability to influence the appropriate use of district heating schemes as a means to achieve the EESSH2 milestone.

Finally, it was thought that information, advice and guidance will be required. It was also reported that retrofitting can be both challenging and costly, particularly in areas where the type and distribution of stock creates additional challenges. There was an associated query as to whether there would be any form of financial help to support the delivery of this element.



# Minimum Standard and Exemptions

The EESSH 2020 milestone sets a minimum energy efficiency rating for all social housing, depending on the type of property and the fuel used to heat it, which falls within EPC bands D-C. The majority of social housing will meet this.

It is proposed that a minimum standard of EPC D would apply from April 2025 and that social housing that cannot be brought up to EPC D by April 2025, and is not subject to temporary exemptions, should not be let to social tenants.

There are constraints on the ability of landlords to bring all properties up to the new standard for 2032. However, the Scottish Government considers it appropriate to frame the standard in terms of maximising attainment rather than achieving the standard for all properties in the sector and that a procedure for exemptions is not required. However, landlords would need to provide a short narrative explanation of their performance in their annual returns to the SHR.

## Views on the proposed minimum standard that no social housing should have an energy efficiency rating of less than EPC D

**Question 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?**

A majority of respondents noted their agreement with the proposed minimum standard that no social housing should have an energy efficiency rating of less than EPC D:

*If we are to remove poor energy efficient housing as a driver for fuel poverty and continue to promote the social housing sector as a key housing resource in Scotland, then it is welcomed that a minimum standard could assist with this.*

Local Authority respondent

Reasons given were that it is:

- Achievable and realistic, especially since most stock has already reached this standard. However, the proposal also acknowledges that some properties, such as non-traditional builds, will struggle to achieve EPC D.
- Important in protecting tenants from high energy costs and preventing fuel poverty.

There were other views as to what any minimum standard should look like. These generally focused on the exemptions:

- The provisions for granting abeyances and time-limited exemptions where works are currently not technically feasible, or cost effective, should be maintained.

- Temporary exemptions should include installing technically complex technology.

Suggestions for how landlords could be supported to ensure all their stock meets the standard were:

- Providing clear guidance on the criteria for all the different EPC ratings. Specifically, clearly defining the exemptions and the criteria for applying the minimum standard, especially for traditional, historic and listed buildings.
- Providing further advice and information on the innovative technologies that can assist landlords in bringing hard-to-treat properties up to the standard.
- Providing subsidy or grant support for further works if all reasonable measures have been applied and a property still does not meet the standard.
- Landlords should only be required to upgrade a property to the minimum standard when an opportunity arises, such as if the property becomes vacant.

It was also suggested that proper enforcement will be required and that this will need to be resourced.

A small number of Housing Association and Local Authority respondents did not agree with introducing the proposed minimum standard, although some stated their agreement with the principle of having a minimum standard. Concerns tended to centre on whether landlords would have to demolish or sell stock that did not meet the standard. Further comments were that:

- It simply may not be financially viable, or even possible, to bring properties up to EPC D standard. As noted at earlier questions, property type and location will play a role. Listed buildings, historic properties and properties in conservation areas will bring particular challenges.
- A building may be unable to achieve an EPC D and yet have 200 years of use left. To potentially remove this stock from social housing use due to its EPC rating is a flawed strategy from both a financial and carbon perspective.
- Disposal seems particularly unreasonable if the landlord has not been able to make the necessary improvements, for example because properties are in a mixed tenure block and owners will not agree to the works or tenants will not permit access.
- If properties are left empty their condition may suffer and landlords will lose revenue.

Other comments were that selling social housing stock will not help in meeting national targets or in maintaining socially-rented supply. One Housing Association respondent reported that:

*We could potentially lose approximately 500 houses from our stock. It is likely that these houses will be in the most remote locations in fragile economies so the impact on local communities could be potentially disastrous.*

Housing Association respondent

Other respondents raised similar concerns about the loss of off-gas grid and detached properties in rural areas.

Whether supporting the proposal or not, respondents highlighted some of the possible impacts that removing properties from the stock will have, including on tenants and local communities. For example:

- Tenants having to leave their community if their landlord cannot offer alternative accommodation nearby.
- Tenants finding themselves homeless if alternative properties are not available.
- Negative impact on the local economy and community cohesion, with increased numbers of vacant buildings.

In response to these concerns, it was felt that there must be provision via the affordable housing supply programme beyond 2021 for replacement of social housing that will no longer be available for social rent because it cannot meet the proposed minimum standard.

To avoid exacerbating the shortage of social housing, capping rent chargeable if a property is below minimum standard was proposed. However, the Housing Association respondent raising this issue did note that improving the property's energy efficiency to minimum standard should always be the preferred option.

Finally, an energy-related private sector respondent felt that the EPC D target is not high enough, and that EPC C is more appropriate. The minimum EPC D standard was not seen as aspirational nor focusing on the right issue. A stronger strategic policy connection between the proposed minimum standard and the recently published Fuel Poverty Strategy and accompanying Fuel Poverty (Scotland) Bill is required. Further, it was thought that:

*...more emphasis needs to be placed on the whole house cost of energy, rather than a sector wide postponement of improvements to allow a catch up with a minimum standard that 0.5% of social housing properties are allowed a further 5 years to achieve.*

Housing Association respondent

## Proposal that the minimum standard of EPC D applies to social housing from April 2025

**Question 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?**

Some respondents gave their agreement with the proposal for a minimum standard of EPC D applying to social housing from April 2025, commenting that the standard is achievable, and that is important and appropriate for the social rented sector to meet or exceed, standards for the private rented sector:

*We are supportive of the proposed minimum standard in particular that there is the same standard regardless of tenure.*

Local Authority respondent

Others offered support provided certain conditions are met. Most frequently, these respondents sought assurance that reasonable exceptions would remain in place. Other comments were that the minimum standard is only reasonable under the following conditions:

- Technology has been developed that makes the necessary improvements cost effective.
- Supply chain to deliver improvements is in place. Sufficient support and awareness raising will be needed to ensure there is a supply chain in place which can deliver the minimum standard.
- Funding is in place.

Further comments on funding were that it should be made available to demolish and rebuild and that:

*Equal funding streams for PRS and RSLs should be made available concurrently to ensure that one landlord does not 'block' the other when it comes to common investment schemes.*

Housing Association respondent

Other ways in which respondents thought social landlords could be supported to meet the minimum standard were:

- Providing advice on how to handle tenant consultation and on enforcement powers to keep within the guiding standards.
- Each organisation should develop an asset investment strategy.

As per the previous question, there were concerns that not all properties will comply because of factors such as owners preventing works progressing in blocks of flats, and limitations to permissible improvements in conservation areas. Given these restrictions, it was thought that:

*...it is difficult to see any meaningful benefit from setting the Band D target in 2025.*

Local Authority respondent

In contrast, others raised similar concerns as per Question 6 about properties being lost in the social rented sector:

*Consideration must be given to the availability of alternative housing supply in any cases where a home has not been brought up to the agreed standard in time.*

Professional or representative body

It was noted that in pressured housing markets, there simply may not be other social rented sector homes into which people can be rehoused. It was felt that, in these circumstances, tenants should be given the choice as to whether they wish to remain in their home irrespective of whether it meets the minimum standard.

A small number of respondents did not agree with either the minimum standard or the 2025 milestone. Comments were that:

- 2025 is too early. An associated comment was that the timescale appears arbitrary and not linked to any evidence that it is achievable.
- 2025 is too late. A specific comment was that 2025 should act as a backstop but the main target should be 2020. One Local Authority noted that the challenges they have encountered in meeting the 2020 target suggest that the 2025 will be difficult to meet.
- A minimum of EPC D is not ambitious enough, or it is unacceptable to expect someone to live in a home that only achieves EPC D.

## **Proposal that landlords provide a short narrative explanation of their performance in their annual returns to the SHR**

**Question 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?**

A small majority of respondents who commented at this question agreed with the proposal that landlords would need to provide a short narrative explanation of their performance in their annual returns to the SHR. Housing Association and Local Authority respondents often welcomed the opportunity to provide the operational context within which they are delivering energy efficiency improvements:

*The narrative explanation would be welcome as it allows the landlords to provide a local viewpoint or explain in detail the context of their performance together with the core statistics.*

Local Authority respondent

It was also noted that:

*The current Annual Return for the Scottish Social Housing Charter includes optional fields for indicators to provide narrative explanation of performance. Therefore, this proposal is aligned with existing practice.*

Local Authority respondent

It was thought that the return would provide useful information for tenants about how their home is performing and should be publicly available in accessible formats. Involving tenants, for example through a short life working group, was proposed.

It was seen as important that the approach to be used is clarified at an early stage and that further detail:

*...about the template or minimum information requirements will be needed to judge whether this will become an onerous requirement.*

Housing Association respondent

Other proposals for how any reporting of performance should be framed were:

- There should be clear guidelines, with information submitted in a consistent format.
- It should be relevant and focus on delivering affordable warmth and good levels of tenant satisfaction.
- It should take an evidence-based approach. Alongside the narrative, detailed evidence should be provided. Examples might include quotes for works, building assessor reports and a log of installations and improvements over the year.
- Greater detail on reasons for failure will be required for the remaining exempted properties.
- Median performance should be reported as less than full compliance will not necessarily represent failure.

It was also suggested that landlords should be involved in developing the reporting framework to ensure it is fit-for-purpose.

Some respondents who agreed in principle raised issues or concerns they would like to see addressed:

- What the SHR would do with the information provided.
- That landlords will find themselves ranked in performance tables.

A small number of respondents disagreed with the approach; they were concerned that the approach gives landlords the opportunity to justify lack of action.

## Proposal that limited exemptions should apply to the 2025 minimum standard for new lets

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

Some respondents noted their agreement with the proposal that limited exemptions should apply to the 2025 minimum standard for new lets. Comments in support were that this is a practical approach and allows an additional 5-year period after the first EESSH target to bring properties up to an EPC D. It was also noted that:

*...if a property is only failing based on a previous tenant's reluctance to endorse a heating change then that can be rectified at change of tenancy.*

Housing Association respondent

Suggestions as to how the approach should be taken forward were that the number of exemptions should be limited, and that there should be clear guidance on what is permissible. Clear rules about how social landlords would apply for an exemption, and how long an exemption can be in place were also proposed. A specific proposal was that there should be a clear route for exemption on technical grounds for non-traditional build forms.

Other proposals were:

- It may be helpful to review the list of exemptions nearer the time, as there is no way of predicting what technological advances will emerge.
- Flexibility will be needed if the supply of social housing is not to be reduced if properties cannot be brought up to standard.

Comments on the exemptions themselves were:

- Exemptions for 'technical, cost and unable to secure funding' should be merged into one exemption which is retained.
- Exemptions where tenants refuse to have work done may be needed. However, landlords should be required to provide evidence that they have attempted to engage with these tenants.
- Properties which fall under the hard-to-treat exemption should be revisited on a regular basis to see if new technologies, or other changes, make further improvements possible.
- The exemption for 'long term void' should be removed.

Other comments focused on timescales: both that excessive cost and funding exemptions should continue after 2025, and that they should not. There was also a view that the reasonableness of the proposal will ultimately depend on additional funding streams being made available.

Some respondents disagreed with the proposal, and with the removal of the technical and cost exemptions in particular:

*The council does not agree with the proposal to remove technical, excessive costs and unable to secure funds as reasons for a property's exemption and would recommend these are retained up to the 2032 deadline. These reasons need to be retained as they allow social housing providers the ability to best manage their own stock and there is insufficient explanation or evidence in the consultation document to support their removal.*

Local Authority respondent

As above, their concerns tended to reflect those highlighted at other questions and at Question 6 in particular: that it can be technically challenging to make improvements to some properties, including when they are empty, and that the change could lead to works being done regardless of their suitability to the fabric of the building. Other comments were:

- Owners of flats in mixed tenure blocks can still prevent work happening, irrespective of whether the social landlords' property is empty or not.
- Excessive cost needs to be taken into account when the necessary spend cannot be justified as representing value for money.
- There can be significant pressures to relet properties as quickly as possible, and there will be a tension between reletting and meeting the proposed standard.

It was also suggested that property exemptions based on technical, excessive costs and unable to secure funds should be retained up to the 2032 deadline.

Other respondents disagreed and thought that there should be no exemptions and that all social rented properties should meet the EPC D standard by 2025.



# Use of New Technology

The current *EESSH Guidance for Social Landlords* states that if landlords are satisfied that an innovation provides tangible benefits for energy efficiency and is in the best interests of tenants, they can consider a measure which, on paper, does not meet the relevant EESSH rating. Landlords must be satisfied that they have robust evidence to support this decision.

This approach is proposed to continue through EESSH2. Additionally, as with other energy efficiency measures, it is proposed that when implementing any new or innovative approaches, effective monitoring and evaluation is crucial in assessing/measuring the effectiveness of an intervention. To ensure a robust evidence base is developed, such assessment must be standardised and independently analysed where possible.

The consultation paper also noted that tenants should be involved and empowered as part of this monitoring process.

## Views about the proposed approach to recognising new technology in EESSH2

### Question 10 - What are your views about the proposed approach to recognising new technology in EESSH2?

Some respondents noted their support for the proposed approach, with further comments that the approach will give landlords the leeway to try new technology. The importance of taking advantage of emerging technologies and energy supply models which benefit tenants was also noted:

*We support the recognition of new technology, particularly where this can reduce energy costs for households.*

Third sector respondent

The relationship between new technology and the SAP was highlighted:

*...it is not clear in the consultation how the installation of new technologies would assist RSLs to attain EESSH2 standard if it is not recognised by SAP methodology.*

Housing Association respondent

There was a concern that the use of EPC scores could actively discourage the use of new technologies, and in response it was suggested that new technology that is proven to work should be recognised through the SAP. A building component manufacturer or services respondent noted their frustration that their:

*...products and their performance have been robustly evidenced to reduce carbon emissions and assist alleviating fuel poverty for individuals, yet this approach does not attract the recognition within SAP that it warrants.*

Building component manufacturer or services respondent

There were a number of SAP-related issues about which clarification was sought. These were:

- The extent to which new technologies that are not SAP listed are acceptable, including the likely energy or carbon reduction percentage sought as proof of effectiveness.
- What will be deemed to be robust evidence in terms of proof of savings. It was suggested that there must be an agreed method before landlords can invest with confidence.
- Whether multiple, complementary interventions could be used as a cumulative improvement.
- Whether measures which are not recognised could be funded under Energy Company Obligation 3 (ECO3) or Home Energy Efficiency Programmes (HEEPS).

Ideas about how the proposal might be taken forward were:

- If new technology fitted is shown to provide affordable warmth but is not SAP accredited, a property should be given a pass and not an exemption.
- Having regular technology updates for the RdSAP and/or an interim method of allowing the use of new technologies that are not recognised in RdSAP.
- Recognising the role of low carbon fuel types, particularly renewables.

However, there was also a concern that any deviation from SAP as the default mechanism for measuring performance against EESSH would be problematic and lead to inconsistency across the sector.

Other issues relating to the use of new technology were: robust monitoring and evaluation of the effectiveness of the technology will be key, as will standardisation of approach to assessment and evaluation. The consultation paper's reference to a 'standardised and independently analysed' assessment of the effectiveness of these interventions was noted and was taken to mean that third parties would be involved in the assessment. A specific proposal was that the Scottish Government should continue the process of assessing new technologies through the British Research Establishment and Appendix Q. It was also suggested that tenants should be involved in any testing, through tenant-led inspections for example.

Respondents also identified other ways in which they thought landlords could be helped or encouraged to make use of new technology:

- Support and guidance should be provided. It will be important to encourage a collaborative approach and the sharing of good practice, for example through guidance produced. A specific proposal was the development of peer groups, including RSLs, to share experiences and guide future investment.
- Funding should be provided. Specifically, there should be seed funding and support for small to medium sized landlords to encourage these providers to try new technologies they have been unable to access thus far.
- Ensuring that the necessary Wi-Fi is in place to support the delivery and monitoring of new technologies.
- Giving consideration to difficulties faced by, and the limited opportunities available to, rural, remote and island communities.

It was also thought that information on any innovative technologies that have been installed should be made available to the sector, and that a 2032 milestone review could look at how technological advances have helped in reaching the required standards.

Other comments about the use of any new technologies were:

- It will be important to ensure they are easy to use, for example by providing user guides and avoiding the use of overly complicated settings and controls.
- Educating tenants about the use of any new technology will be key. There is too much focus on new technology and its theoretical performance, and not enough on supporting tenants to buy and use energy wisely.

There was a concern about 'experimenting' with money raised from tenants, with smart meters cited as an example of technology that may have only a negligible impact on household energy consumption.

A conservative approach to allowing exemptions for new technologies was proposed, with these limited to:

- Technologies requiring substantial area-level interventions and where a reasonable timescale for completion is set out.
- Interventions where the innovation is process-based, such as the application of new technologies in hard-to-treat properties where the proposals and justification for the exemption include long-term on-site measurement, and monitoring and evaluation of the technology.
- Other new and innovative technologies or products where the proposals and justification for the exemption include long-term on-site measurement, and monitoring and evaluation of the technology.

## 2040 Vision

The consultation paper suggests that by 2040 poor energy efficiency should be removed as a driver for fuel poverty in social housing and as far as reasonably practical all social housing should be carbon neutral. This vision should reduce fuel costs for tenants and maximise the energy efficiency potential of the social housing stock.

This approach supports the vision set out in the Energy Efficient Scotland Route Map, that by 2040 our homes and buildings are warmer, greener and more efficient, and will also contribute to emissions reduction targets.

### Comments on the EESSH 2040 Vision

**Question 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?**

#### **(a) poor energy efficiency to be removed as a driver for fuel poverty**

Some respondents noted their agreement with the vision for poor energy efficiency to be removed as a driver for fuel poverty. Further comments were that everyone should be able to afford to heat their home and that if EPC B, or even EPC C, is achieved across the stock then homes would be energy efficient.

A small number of those who agreed with the vision raised queries, such as whether it might be possible to meet the vision before 2040. Similarly, others thought 2040 is too late and suggested the timescales be shortened. An alternative date proposed was 2032.

However, other respondents had concerns about the vision. For example, while the aspiration to remove poor energy efficiency as a driver for fuel poverty is commendable, it will be challenging, or is not realistic. Reasons given were high costs, a lack of appropriate technology and a lack of options for upgrading stock. It was also felt that the new definition of fuel poverty:<sup>3</sup>

*...fails to recognise the importance of the rural Minimum Income Standard despite repeated requests from many rural high fuel poor.*

Housing Association respondent

As at previous questions, there was a concern that meeting the vision would simply result in replacing fuel poverty with rent poverty. An associated proposal was that

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<sup>3</sup> Further information about the current position on fuel poverty is available from the Scottish Government's website at: <https://beta.gov.scot/policies/home-energy-and-fuel-poverty/fuel-poverty/>

the vision might be achievable if the Scottish Government can secure and enable the distribution of sufficient funding.

Other ideas for how landlords could be supported to remove poor energy efficiency as a driver for fuel poverty were:

- Providing a clear and realistic goal for poor energy efficiency.
- Bringing organisations working in different areas together to assess progress and to promote knowledge sharing.

It was noted that actual energy use is influenced by a wide variety of issues including household make up, education, needs and budget. It was thought that informed heating and energy use decisions by tenants will be required, and there was a call for the Scottish Government to ensure that appropriate help and advice is made available to tenants.

The difference between fuel poverty and poor energy efficiency was noted, with a view expressed that energy efficiency alone will not tackle fuel poverty. Factors such as low income were noted as contributing to fuel poverty and it was felt that encouraging people to switch energy providers and tackling energy costs will also have a role to play. On the latter point it was noted that the cost per unit of energy is not in the main within the direct control of social landlords, and that:

*...it is highly probable that by 2040 unless (there is) significant market reform that the cost of energy will be as or perhaps more beyond the reach of many RSL customers.*

Housing Association respondent

It was also reported that tenants may choose to self-disconnect and it was suggested that consideration be given to a minimum temperature within the social rented stock, with tenants charged through their rent for that minimum standard to be achieved.

### **(b) social housing to be carbon neutral?**

Some respondents noted their support for the vision for social housing to be carbon neutral by 2040:

*Agreed 100%, it is the only way to go to take direct action on the global climate platform.*

Individual respondent

A smaller number thought that, while the aspiration to be carbon neutral is commendable, it is very challenging, or is not realistic in practice:

*The aspiration is commendable. Whether it is achievable will be heavily reliant on the funding the Scottish Government is willing to commit and enhancements in technology.*

Local Authority respondent

Further reasons given were:

- The characteristics and age of much of the social housing stock, and particularly stock owned by local authorities, may make reaching the target difficult or impossible.
- If the carbon cost of the materials used to upgrade properties is taken into account, the vision becomes undeliverable.
- Energy supply will be the primary driver. Gas is by some margin the main heat source at present, and improvements will be dependent on any future UKG announcements on the decarbonisation of gas grids and the use of hydrogen.
- As yet, landlords are not taking a joined-up approach to the market place.

Other concerns about being carbon neutral by 2040 were:

- The consultation paper suggests that after every possible endeavour has been taken, approximately 60% of social housing stock might meet the 2032 EPC B target. This would indicate that carbon neutral is unlikely to be a universal standard by 2040.
- It will be very costly and would have to be funded through tenants' rent. It was also suggested that the number of new properties being built would have to be curtailed.
- The carbon footprint of many social housing landlords will be infinitesimal compared to homes in the private sector and commercial properties.

One proposal was that being clear as to what is meant by carbon neutral, and what is meant by reasonably practical, could encourage or support landlords to become carbon neutral.

Further queries were whether 'embedded carbon' from the construction of the building is to be considered, and whether being carbon neutral can be delivered at a national strategic level by ensuring all electricity generated and consumed in Scotland is from green or low carbon sources. On the subject of carbon neutral green energy, it was proposed that electricity generated from renewables needs to be recognised as such.

Other ideas as to how landlords can be helped to meet the vision were:

- Setting out a clear vision so that landlords and the supply chain can plan for future works.
- Removing interim targets and having a single target of 2040, thus allowing landlords to invest to meet that target. An alternative perspective was that a 2032 review to assess technological updates would be welcome.
- Ensuring the link is made to neighbourhood and estate plans.
- Making the work part of a wider housing investment strategy. With particular reference to tenement stock, it was proposed that fire safety, layout, facilities

and noise insulation should also be considered as part of a single investment strategy.

- Looking at 'whole house' solutions that, whilst more expensive in the short term, can offer savings for both landlord and tenant over a longer period.
- Consideration should be given to the issues faced by remote rural Scotland such as lack of mains gas and a poor supply chain.
- Making funding available.
- Taking a national approach to tenant engagement and education on this topic.

It was also suggested that:

*...a more balanced aspiration may be around 'off-setting', through appropriate planting or other activities to sequester carbon and reduce the impact of emissions.*

Local Authority respondent

Finally, it was pointed out that there is a tension between the two elements contained within the vision: that the improvements 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. It was thought that the Scottish Government should be clear on which element is the most important and that clarity on this would be critical when they are considering the cost-effectiveness of delivery measures.

# Financial implications

The consultation paper presents a range of information on the financial implications of the proposals, including the approach used to assess possible costs (case studies or using the National Household Model) and attainment rates.

The estimate from the National Household Model is that it would cost an average of £5,100 per house not meeting EESSH2 in 2020 for improvements required to bring 47% of Local Authority housing stock up to the proposed standard, and an average of £5,600 per house not meeting EESSH2 in 2020 to bring 51% of RSL stock up to the standard, at a total cost of £3.7 billion. The estimate from the case studies is that it would cost an average of £5,500 per house not meeting EESSH2 in 2020 for improvements required to bring 55% of Local Authority housing stock up to the proposed standard, and an average of £9,300 per house not meeting EESSH2 in 2020 to bring 87% of RSL stock up to that standard, at a total cost of £3.4 billion. This would be the maximum level of improvement achievable estimated using the existing range of reasonable, additional and further measures listed in the consultation at current prices. This is in addition to projected investment required to bring current stock up to the standard in the first EESSH milestone by 2020.

## Views on the assessment of costs, benefits and funding implications of EESSH2

### Question 12 - Do you have any views on the assessment of

(a) costs

(b) benefits and

(c) funding implications of EESSH2?

#### (a) Costs

Comments were that the costs as set out in consultation paper are normalised, but it is difficult for any landlord to have an accurate figure for the cost of works until they have developed a costed strategy for their own stock.

It was also noted that producing costings can be difficult because of the big variations between landlords, meaning that average costs may not apply. It was felt that current attainment of EESSH as of 2020, stock profile, location, disposals, new builds and available technologies would all need to be considered to project actual costs. It was also reported that some types of energy-related works are far more expensive in rural areas meaning that actual costs for rural landlords are likely to be higher than the estimates.

Other factors identified as having an impact on possible costs were:

- Stock profile, and construction type specifically.



- The potential for technological developments to result in changes to those costs.
- The impact of owners in blocks of flats not co-operating with works can be hard to predict.

Respondents commented on the cost estimates set out in the consultation paper, reporting that they are too low. There was specific reference to the average cost of £6,900 per property for the Housing Association sector. A Local Authority respondent reported that:

*While the overall national average costs may be in the region of £5,500 per-property, we will face significantly higher costs given our stock profile, technologies that will need to be implemented, our remote and rural context and the constraints of the EPC system. We would anticipate costs being in the region of £30k per average property with some properties being significantly above this level.*

Local Authority respondent

However, a small number of others thought that the cost estimates presented are broadly reflective of likely costs or that:

*The costs appear to be in line with current investment programme estimates.*

Local Authority respondent

It was thought that the higher estimated spends may be required if the ‘reasonable measures’ set out in the consultation paper have already been carried out in order to meet EESSH2. Pursuing the ‘additional’ or ‘further’ measures was seen as an expensive option. The renewable technologies included as ‘additional measures’ were reported as presenting individual physical challenges which will limit their application. It was thought that:

- Publishing the case studies referenced in the consultation paper would help other landlords understand the methods employed.
- It would be helpful to present a range of likely costs as well as an average. This would be particularly useful for landlords who have hard-to-treat properties and that need to look at likely maximum costs.

Irrespective of whether the modelled costs are accurate or not, there were concerns that actual costs will be very high, will impact on borrowing requirements, and could bring a landlord’s viability into question. The many other calls on landlords’ resources, such as fire safety work, or mitigation of welfare reforms, were noted.

As at other questions, the potential for rent increases and replacing fuel poverty with rent poverty was noted, and there was a question as to whether the required improvements would represent value for money.

Other issues raised were that using resources to meet EESSH2 may not be in line with tenants’ priorities, and that those priorities may then go unaddressed. It was

thought, for example, that tenants might prefer monies to be spent on replacement programmes for kitchens or bathrooms. There was also a view that the resources required will not have been built in to current Business Plans and landlords may need to restructure their investment plans in order to deliver EESSH2.

It was also felt that predicted savings on fuel bills, although relatively modest, may still be unrealistic, especially if further works are required during the payback period. It was suggested that, with the estimated cost of £9,300 to bring an RSL property up to standard and estimated fuel bill savings of £160 a year, it will take over 58 years to recoup costs. It was also noted that payback periods may be different for each landlord as tenants' savings cannot be included when calculating the life cycle costing.

With reference to currently available funds, it was thought that some of the funding streams highlighted in the consultation paper do not always work in a collaborative and coordinated way. An example given was HEEPS Area-Based Schemes projects being unable to go ahead in mixed tenure schemes due to private landlords being unable or unwilling to access Scottish Government funding.

It was thought that with current UK proposals for ECO3 funding to only be available to properties in Bands E-G, Scotland's social housing stock would attract little funding. It was also noted that funding from the Scottish Government has tended to focus on tackling fuel poverty in the private sector.

A number of respondents thought that Scottish Government or other funding will need to be provided, and that clarity in relation to future funding sources would be helpful.

In terms of how that funding should be structured or delivered, ideas were:

- Rationalisation of energy funding would be helpful, for example by having a single point of access through an organisation such as the Energy Saving Trust.
- Higher levels of funding could be targeted at traditional properties and those in rural and island areas.

## **(b) benefits**

The main benefits set out in the consultation paper were in relation to:

- Total annual fuel bill savings.
- Average fuel bill savings for upgraded stock.
- Total annual energy (kwh) savings.
- Average annual energy (kwh) savings for upgraded stock.
- Carbon abatement – including electricity.
- Carbon abatement – excluding electricity.

Some respondents noted that they agreed with or welcomed the benefits set out in the consultation paper. One proposal was that the estimates could be further enhanced by including calculations for estimated reductions in fuel poverty based on the new statutory definition, as proposed by Scottish Government.

Other benefits identified were the decarbonisation potential of electricity and gas grids, and wider socio-economic and health benefits. If families are living more comfortably throughout their home instead of living in one heated room for the majority of the time, the social dynamics might improve.

With regards to fuel bill savings, it was felt that having evidence as to the real impact of energy efficiency measures would give landlords and their tenants comfort prior to committing to a significant investment. One concern was that the estimated annual fuel bill savings may be overly optimistic if they do not take account of expected increases in fuel costs, self-disconnections or usage factors. In terms of monitoring benefits, it was noted that tenants' energy agreements are with their utility supplier and that it will be difficult for social landlords to obtain tangible data to gauge the success or failure of the energy efficiency measures.

Other comments were that the improvement costs would take many years to recoup in energy bill savings despite not yet including any provision for internal air quality works. There was a concern that any fuel bill benefits are likely to be offset by rent increases. An associated query was whether impact assessments have been carried out that look at balancing fuel poverty with potential increases in other associated costs to landlords and tenants.

Other general comments were that tackling fuel poverty effectively will require the benefits of EESSH2 to be taken together with work that will be driven by the Fuel Poverty Strategy for Scotland, including maximising household income and providing appropriate advice and support to households. It was also thought that the benefits set out will only be obtained if tenants are supported in using the new technologies and in adopting a more energy-efficient lifestyle. However, it was reported that it is rare that funding and resourcing is put in place to deliver this support, but that without it the real-world outcomes will not match modelled outcomes and the expenditure will be wasted.

Other comments were that:

- The benefits will only be realised when it is technically feasible and cost effective to do so.
- The approach should be focused more on achieving carbon savings than fuel cost savings. However, it was also noted that reducing carbon emissions is not the same as taking households out of fuel poverty.

Some respondents identified alternative benefits which might be preferred or be more beneficial for tenants. Two Housing Associations reported that:

*Customer Satisfaction Surveys play a large part in the Investment plans of RSLs and this should be considered within EESSH2. Desirable items such as kitchens, bathrooms and windows continue to be the focus of tenants....the same cannot be said for rewiring lighting, smoke detectors and internal wall insulation. A monthly saving of just £13.33 is an incredibly difficult sales point to customers.*

Two Housing Association respondents

It was also reported that the estimated national investment of £3.4 billion could deliver 47,000 energy efficient new homes to replace the worst performing 8% of current stock.

### **(c) funding implications**

The consultation paper presents a list of funding sources available to help landlords meet EESSH. It also sets out the recommendations made by the EESSH Review Funding and Costs Sub-group.

In their further comments, some respondents reiterated points covered at earlier questions about the estimated high costs of the works required and the likelihood of those costs being passed on to tenants through rent increases. It was noted that any loan-based funding will result in increased rents.

The challenges associated with bringing certain property types up to standard were again noted as were competing calls on landlords' resources.

On funding streams, it was thought that signposting has not worked and that in reality, landlords are funding recent EESSH compliance work. With reference to the private sector, there was a view that:

*...the Scottish Government funding to tackle fuel poverty has focused on private sector housing as these homes require greater improvement in energy efficiency. Yet...low average income levels mean that Housing Association tenants are more likely than the average Scottish household to be in fuel poverty.*

Housing Association respondent

However, a Local Authority respondent reported that:

*Further external funding from ECO and Scottish Government social cashback funding has been greatly welcomed and contributed to our compliance levels. We have also been able to support local social registered landlords with their EESSH compliance via Scottish Government capital acceleration funding.*

Local Authority respondent

Other comments addressed the list of funding sources set out in the consultation paper and were:

- Some of the funding streams listed will be changed or will shortly come to an end. For example, the new ECO3 funding stream is likely to be of limited availability as it will only fund properties with very low EPC bandings: E, F or G. It was also noted that Feed-in-Tariffs will end in March 2019 and, as yet, no replacement has been proposed by the UK Government.
- Many of the available funding sources are inaccessible to social landlords. Those that are available are often not targeted at supporting the retrofitting of homes to meet EESSH2.
- Funding tends to be small scale and short-term.

In terms of how landlords could be helped to access the funding they need, suggestions were:

- Funding will be required. Providing multi-year funding was seen as a way of allowing landlords to plan ahead, rather than constantly chasing short-term funding pots. It was also thought that higher levels of funding will be required if the UK Government's decisions on hydrogen and the re-provisioning of the gas network do not support the ambitions of EESSH.
- Funding streams need to be rationalised and simplified, for example by pooling all funding together to create a central pot. It was thought that this would not only be clearer but that it would cut down the time and resources needed to apply for different funding streams.
- The timing of opening applications to funding streams should be considered in the context of landlord investment cycles.
- Recognising that costs may be higher in rural authorities.
- Considering opening up ECO funding to the social rented sector.
- Considering funding and financial viability as part of the 2025 review.

It was also suggested that continuing with funding to support private owner participation in energy efficiency works in mixed tenure blocks will help ensure the social housing tenants are not adversely affected by private owners refusing to take part in common energy efficiency improvement works.

Finally, it was noted that some types of work, such as the development of district heating schemes, will depend on multiple funding streams, and will also draw on commercial and industrial contributions. It was thought that creating viable projects requires partnership with other sectors, but that local authorities do not necessarily have the skills or resource to take the lead.

## Annex 1 - Organisations responding to the consultation

Respondent	Group type
Aberdeen City Council	Local Authority
Angus Council	Local Authority
Architecture & Design Scotland	Professional or representative body
Argyll Community Housing Association	Housing Association
Atrium Homes	Housing Association
Built Environment Forum Scotland (BEFS)	Professional or representative body
Canetis Technologies Ltd	Building component manufacturers or services
Castle Rock Edinvar H.A.	Housing Association
Chartered Institute of Housing Scotland	Professional or representative body
The City of Edinburgh Council - Officer Response	Local Authority
Clyde Valley Housing Association	Housing Association
Consumer Futures Unit, Citizens Advice Scotland	Third sector
Convention of Scottish Local Authorities	Local Authority
E.ON UK plc	Energy related private sector
East Lothian Council	Local Authority
Edinburgh Tenants Federation	Tenants group
Energiesprong UK	Building component manufacturers or services
Energy Saving Trust	Scottish Government delivery agent
Energy UK	Energy related private sector
Falkirk Council	Local Authority
Fife Council, Housing Service	Local Authority

Glasgow and West of Scotland Forum of Housing Associations	Housing Association
Glasgow City Council	Local Authority
Historic Environment Scotland	Public sector or body - other
Irt Surveys Ltd.	Building component manufacturers or services
Kingspan	Building component manufacturers or services
Knowes Housing Association	Housing Association
Link Group Ltd	Housing Association
Lochalsh & Skye Energy Advice Service, Lochalsh & Skye Housing Association	Housing Association
Mineral Wool Insulation Manufacturers Association (MIMA)	Building component manufacturers or services
Moray Council	Local Authority
North Ayrshire Council	Local Authority
North Lanarkshire Council	Local Authority
North of Scotland Regional Network	Tenants group
North of Scotland Regional Network 1 (further response)	Tenants group
North View Housing Association	Housing Association
npower	Energy related private sector
Orkney Housing Association Ltd	Housing Association
Orkney Islands Council	Local Authority
Osprey Housing	Housing Association
Osprey Tenants and Residents Association (OTRA)	Tenants group
Pineview Housing Association	Housing Association
Port of Leith Housing Association	Housing Association

Renfrewshire Council	Local Authority
Scottish Borders Council	Local Authority
Scottish Renewables	Energy related private sector
ScottishPower	Energy related private sector
SFHA	Housing Association
Shetland Islands Council	Local Authority
South Lanarkshire Council	Local Authority
SSE	Energy related private sector
The Electric Heating Company	Building component manufacturers or services
The Energy Poverty Research initiative	Academic
The Highland Council	Local Authority
The Sustainable Energy Association	Energy related private sector
Thenue Housing Association	Housing Association
UK Finance	Professional or representative body
West Dunbartonshire Council	Local Authority
West Highland Housing Association	Housing Association
West Lothian Council	Local Authority
Wheatley Group	Housing Association



## Annex 2 - List of acronyms

Acronym	Full meaning
ECO3	Energy Company Obligation 3
EE	Energy Efficiency
EESH2	Energy Efficiency Standard for Social Housing post-2020
EPC	Energy Performance Certificate
HEEPS	Home Energy Efficiency Programmes
LHEES	Local Heat and Energy Efficiency Strategy
LPG	Liquid Petroleum Gas
PV	Photovoltaics
RdSAP	Reduced Data SAP
RSL	Registered Social Landlord
SHQS	Scottish Housing Quality Standard
SHR	Scottish Housing Regulator
SAP	Standard Assessment Procedure
UKG	UK Government



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