

# National Energy Efficiency and Savings Plan consultation

June 2009

Northgate Public Services Response

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## Response

### Introduction

1. Northgate warmly welcomes the opportunity to respond to the National Energy Efficiency and Savings Plan consultation published by the Welsh Assembly Government.
2. The National Energy Efficiency and Savings Plan aims to tackle climate change and promote social justice. It proposes a number of practical, short-term actions to reduce energy use and greenhouse emissions in Wales. The Plan has three key objectives: to help reduce Wales' greenhouse gas emissions and contribute to the reduction of its wider ecological footprint; to contribute to the reduction of fuel poverty; and to support economic development by helping businesses become more efficient and providing new opportunities for enterprise.
3. Our response focuses on the issues raised by the consultation where we believe our experience or expertise gives us insight into possible solutions or where we believe we have a contribution to make in terms of a substantive issue.
4. The response draws upon our experience of working for over fifteen years in innovative partnerships designed to promote energy efficiency and develop sustainable communities, as well as working with a range of stakeholders in the field of energy efficiency including local authorities, surveyors, architects and most recently domestic energy assessors.

### General comment

#### Meeting the challenge

5. Climate change is one of the most pressing problems facing the world. It requires all of us to act differently if we are to respond effectively. This challenge is multiplied by a need to reduce widening inequalities between our communities; combat the growing problem of fuel poverty; and tackle the effects of a deep global recession.
6. Northgate congratulates the Welsh Assembly Government on the development of a plan of action which is ambitious enough to tackle the challenge at hand. Linking energy efficiency strategy to the eradication of fuel poverty is critical to promoting environmental equity for citizens. Through making this connection, the Welsh Assembly Government now has a real opportunity to take a leading global role in the fight against fuel poverty and to kick-start an energy efficiency revolution in Wales.
7. We welcome many of the suggestions outlined in the Plan, as well as the underlying principles and themes for action. We believe, however, that the Welsh Assembly Government could adopt a bolder, more radical and innovative approach within aspects of its programme which we discuss below.

#### Aligning investment

8. First and foremost, we welcome the commitment to secure maximum investments for Wales by bringing in programmes such as the Carbon Emission Reduction Target (CERT) and the Community Energy Saving Programme (CESP).

9. It must be a priority of the Welsh Assembly Government to ensure that householders receive maximum benefit, not only through its own National Energy Efficiency and Savings Plan, but also through simultaneously running schemes such as CERT and CESP. To do this the government will have to harmonise the National Energy Efficiency and Savings Plan with the other schemes in terms of eligibility criteria and measures carried out. Only through doing this can it ensure that the maximum possible benefit is obtained through these schemes. This will not only avoid an overlapping of measures, but will also ensure that maximum benefit is felt and help targeted at people and property most in need across Wales.

### **Partnership**

10. We believe that a partnership approach is fundamental in the delivery of measures within a community. The consultation outlines an approach that utilises local authority and community group knowledge to focus measures on areas and households most in need. We believe that local authorities, community groups, third sector and not-for-profit organisations and energy companies all have a role to play in creating a more fuel efficient and sustainable Wales. This can only be achieved if all of these organisations co-operate and work together.
11. Given the critical role of local authorities in delivering place-shaping activities, we have said elsewhere, and we repeat here that we believe that local authorities should be given an additional statutory role to promote climate change in their areas. We recognise that this falls outside of this consultation, but believe that such an approach would help in assisting greater equity throughout the nations and regions within the UK.

### **Promoting behavioural change**

12. We welcome an emphasis on behavioural change. This is essential to long-term sustainable development and in reducing carbon emissions at home, at work and in leisure. We also agree that when individual citizens act together to change the way they live, much can be achieved. At the moment, we believe that efforts to promote change within business and amongst individuals are well meaning but fragmented; a joined up approach would help to ensure maximum impact.

### **Financing energy saving**

13. Financial support is necessary to encourage people to act now. We welcome the focus of the Home Energy Efficiency Scheme (HEES), CERT and CESP on targeting vulnerable and disadvantaged households, as well as supporting an area-based approach. Getting the balance between support for individual households and locally based schemes is important.
14. We agree that subsidies should be directed at those less able to pay and that people who are able should be encouraged to finance improvements. There will be many people who do not qualify for free measures through one of the schemes, but who may still have difficulty in paying for measures outright immediately. We believe that to build a truly energy efficient community there should also be assistance available for people in this situation.

15. Whilst we wholeheartedly support the idea outlined in the consultation document about using credit unions to provide affordable loans packages, we still think that consumers may be discouraged by the costs of a comprehensive energy efficiency insulation package.
16. We believe that the Welsh Assembly Government should promote the expansion of the green mortgage market. These would provide home and energy advice combined with upfront payments for energy efficiency and insulation packages. We believe that the extension of such packages is timely and would help to increase the take up of energy efficiency measures amongst homeowners.

### Measuring success

17. Having a clear evidence base for the work and monitoring progress is critical to overall success. This should not act as a barrier for innovation and change, but should support it through such methods as small scale programmes and early review.
18. We believe that it is important that HEES, CERT and CESP are as transparent as possible and that information management must be improved to ensure maximum impact of the programmes.
19. We recommend that Welsh Assembly Government should consider making the provision of information on the geographical focus of measures a compulsory feature of measurement. We believe that this information should be drawn up on a local government area basis, so that assessment of the programmes' impact can be used as part of the place shaping agenda, and as part of the wider development of area-based services. This information could be then be used to target through aid or encouragement low and/or high potential low cost saving SAP rated properties via the Landmark EPC database.
20. Regular reports to the public using a number of different channels would help to promote the importance of combating climate change and fuel poverty, and the success of particular initiatives.

### Specific comment

#### Part 1

#### Combating Fuel Poverty

21. Reducing the number of people in fuel poverty is a critical social justice challenge and one which requires action from all levels of government, energy companies, citizens, local communities and third sector partners.
22. The Welsh Assembly Government has an important role to play in improving the energy efficiency of homes occupied by the fuel poor, and to make sure that vulnerable households receive appropriate advice and support.
23. In 2003, the Welsh Assembly Government set out its policies to ensure that, as far as reasonably practicable, nobody in Wales would be living in fuel poverty in 2018. Since 2004, the trend in the reduction of the number of households living in fuel poverty has been reversed as a result of increasing energy prices.

24. Although the Welsh Assembly Government is restricted in what it can do in relation to low incomes and energy prices, it has an important role to play in improving the energy efficiency of homes occupied by the fuel poor and to make sure that vulnerable households receive appropriate advice and support.
25. The National Energy Efficiency and Savings Plan aims to improve the energy efficiency of the housing stock across Wales. The Assembly Government's intention is to concentrate on the most inefficient homes first, bringing them up to acceptable standards.
26. We warmly welcome this approach and agree that it will offer the greatest potential benefits both in terms of greenhouse gas emission reductions and reduced bills for householders.

### Home Energy Efficiency Scheme

27. The Home Energy Efficiency Scheme (HEES) currently provides grants for the installation of specified energy efficiency measures and the replacement or repair of inoperable heating systems in the homes of those who meet the scheme's eligibility criteria.
28. The consultation seeks views on ways to restructure the financial support available to ensure that those who need help the most actually receive it.
29. We agree that the primary aim of HEES should be to improve energy efficiency in homes of people likely to be in or vulnerable to fuel poverty, therefore we believe that any available financial support should reflect this primary aim.
30. It is proposed that the Welsh Assembly Government financial support is in future provided for householders who are in receipt of a means tested benefit and live in a property with an estimated Energy Performance Certificate below a given level, currently suggested as band E or worse.
31. Research shows that nearly half of all households living in a property with an Energy Performance Certificate rating of E or worse are in fuel poverty.
32. Whilst Northgate supports the suggested approach and believes that it would allow the Welsh Assembly Government to target support at those who cannot afford to pay for energy efficiency measures themselves, we believe that more research is required in relation to whether band E would be the most appropriate rating on which to base support. This is particularly important given the interaction of this scheme with the revised CERT and the introduction of CESP, both now targeted at low income households or areas of multi-deprivation. It could, for example, be appropriate to target those in households living in band F. We would welcome further research into the cost benefits of targeting of measures based on EPC rating and their interaction with the new programmes.
33. The consultation proposes that social housing should no longer be eligible for support through HEES on the grounds that the proportion of people living in fuel poverty is likely to have reduced in relation to the private rented sector.

34. We do not agree with this approach. Despite the fact that there have been improvements in the social housing sector, and there may be other forms of investment available, the long term benefits of the scheme will ultimately go to private landlords, as property values are likely to increase in the long term. The consultation document makes clear that the number of households in fuel poverty may have reduced in social housing, but it is not clear that this is the case. Therefore, we do not believe that such an approach should be undertaken before further research is carried out on the position of social housing tenants.
35. The consultation proposes continuing with some of the non means tested grant support to householders aged 60 to 70, albeit at a reduced level. Reducing the level of partial grants will increase the proportion of Welsh Assembly Government funding which can be spent on households more likely to be in fuel poverty. Under the current grant scheme, a large proportion of householders applying for non-means tested support are not in fuel poverty.
36. Northgate believes that it is essential that funding is directed towards those most in need of support. However, we accept that householders aged 60 to 70 may be in need of extra support in installing measures which they have not budgeted for. We support the payment of reduced grants to the 60 to 70 age group of householders. Furthermore, we would recommend that additional advice should be given to these householders on how to utilise additional support from other schemes.

#### **Financial Support for households**

37. The Welsh Assembly Government recognises that householders across Wales will have differing abilities to pay for householder contributions where they are required. It proposes to overcome this by offering affordable loans packages specifically designed for energy efficiency measures. The packages would be designed so that energy bill savings are greater than or equal to loan repayments.
38. Loans of this type are already being offered by a few credit unions in the UK with support from local authorities and grant schemes. Northgate believes that credit unions in Wales, with over 40,000 members and combined assets in excess of £15million, are ideally placed for the further rollout of this model.
39. However, we also believe that the government should promote longer term financing through the mortgage market. In our response to the Westminster government consultation on Heat and Energy Saving Strategy we suggested that now may be the perfect time for the promotion of a green mortgage market. Green mortgages may provide home energy advice combined with upfront payment for measures. Of the current green products in the market, some only provide finance where there is an ecological payback; others provide discounts on the standard rate where improvements have been made; and others provide loans linked to the mortgage.
40. We believe that the Welsh Assembly Government should promote green mortgages and work with financial institutions, including the mutual sector and the banks, to develop the market in green mortgages.

### Using EPCs

41. A proposed new household support package would begin with a visit from an experienced energy assessor. The experienced assessor would visit the property and assess which combination of energy efficiency or microgeneration measures would be the most cost effective to bring the energy efficiency of the property up to the agreed minimum standard (Band C).
42. The ratings on the EPCs are calculated using a methodology called the Standard Assessment Procedure (SAP). SAP assessments can be made simpler by using just the features of a property that are most likely to influence energy use, this is known as a reduced data SAP assessment, or rdSAP. It is proposed that the rdSAP would be used for the visit. The consultation recognises that whilst rdSAP may have some limitations, it is the most useful tool to use. There will be further improvement to rdSAP in the future.
43. The combination of an experienced assessor with use of rdSAP is, in our view, the most practical and beneficial approach. Our experience within the energy performance certificates market is that there will be a demand for such services, and that they will be effective. We believe that Domestic Energy Assessors are ideally placed to provide a substantial cadre of independent and quality assured personnel to carry out such assessments under quality assured procedures.
44. We also recommend that a follow up visit and follow up actions are essential in assisting fuel poverty households to take up such measures. This follow up would not necessarily require a personal visit but could make use of modern technology such as SMS messaging, and other methods, where appropriate.

### Targeting

45. Northgate agrees that it is of the utmost importance that those most in need of assistance take advantage of support available from CERT, CESP, and the Assembly Government.
46. The consultation proposes that one way of achieving this is to target small areas which research and local knowledge suggest could have a high proportion of householders in fuel poverty.
47. Local authorities and their partners would be vital in helping to identify these areas and may also be able to assist in the provision of measures. One example pointed out in the consultation is that householders applying for housing benefit or council tax benefit could be automatically referred to energy efficiency programmes with their consent.
48. As we have indicated above, Northgate firmly believes that local authorities have an important role to play in the delivery of energy efficiency measures. We support a partnerships approach between different levels of government, community groups, energy supply companies, and the third sector in the delivery of energy efficient measures.
49. We welcome the proposed approach. It would also be possible to use such information to map out fuel poverty in particular areas, so that geographical targeting could be used to support area based approaches to tackling the problem.

## Part Two Communities

50. We agree that community-scale action offers a wider range of options and opportunities than are available to the individual. Pooling knowledge, skills, motivation and resources can offer greater energy and financial savings for a given level of investment and increase community cohesion.
51. Many of the successes in the energy efficient refurbishment or decentralised energy generation have been at a community level. While some have been top down schemes developed by local government or private enterprise, many have been grass roots initiatives driven by community champions wishing to make a difference at a local level.

### Whole house, whole community approach

52. The Welsh Assembly Government intends to follow a whole house approach. This involves making a considered assessment of how the energy efficiency of a property could be improved in the most cost effective manner.
53. Northgate wholeheartedly supports the whole house approach and especially welcomes the government's commitment to ensuring that hard to treat homes are not excluded from financial support.
54. A whole house, whole community approach involves carrying out audits of homes and other buildings across a community to establish the potential for energy saving measures, rather than just individual installations like loft or cavity wall insulation. This contributes to the longer term need for all housing in Wales to become significantly more energy efficient.
55. Innovative community approaches can also develop and utilise local skills ensuring wider benefits for the community as a whole.

### Community Energy

56. The Community Energy Saving Programme (CESP) is an obligation proposed by the UK government which will encourage energy suppliers to offer funding for energy efficiency measures in hard to treat homes in the most deprived communities in Wales, England, and Scotland.
57. Northgate believes that it is essential that the targeting of the scheme in Wales is as effective as possible and that activities are appropriately linked with other projects being conducted by the Welsh Assembly Government, as we have said above.
58. The Welsh Assembly Government intends to support community-sized wind, biomass and hydroelectric schemes with the provision of grants through the Climate Change Framework of the European Structural Funds programme.
59. Northgate welcome the fact that the projects will enable the establishment or further development of 22 sustainable social enterprises bases on new community scale

renewable energy installations and is expected to result in £14 million investment.

60. One of the priorities of the convergence and competitiveness programmes 2007-2013 is to support project activities that will address climate change and materials efficiency, with a round £200 million of European funding available for the programming period. The European Commission has adopted a proposal which will allow all Member States to use structural funds to invest in initiatives favouring energy efficiency and renewable energy in low income homes.
61. Northgate believes that community organizations and the third sector have a major role to play in improving the energy efficiency of local areas. We therefore agree that the Welsh Assembly Government should support and stimulate further action by these types of organisations.

### **Part Three**

#### **Businesses**

62. Businesses are responsible for around a quarter of the greenhouse gas emissions which the Welsh Assembly Government has committed to reducing by 3% a year from 2011. Helping business reduce energy use must be a key target of the Welsh Assembly Government. As pointed out in the consultation, this may also be a way by which the Welsh Assembly Government can support businesses in the current economic situation.
63. Northgate believes that the provision of energy efficiency advice to businesses is an essential step towards combating climate change.
64. Providing on-site energy efficiency advice to smaller businesses can be resource intensive in terms of time invested per tonne of greenhouse gases saved. We support the approach being piloted by the Carbon Trust which seeks to overcome the cost of providing support to smaller companies by engaging groups of businesses rather than each company individually.

#### **Private Sector Landlords**

65. Private sector landlords, who own and let property on a commercial basis, have a key role to play in reducing energy use from housing and business premises they own. The prospect of lower energy bills fail to offer the same incentive as they do for homeowners as it will not be the landlord who is paying the bill.
66. With the current state of the property market it is improbable that many private landlords will be persuaded by arguments which suggest that improvements will add to property value. We, therefore, support a range of measures - including subsidies and incentives - targeted directly at private landlords. We believe that the Welsh Assembly Government should work with landlords in the first instance, to promote a voluntary code of practice for the sector and that the Welsh Assembly Government carry out a review of the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 which enables local authorities to set up loan schemes for landlords to improve property condition.

## Part four

### The wider public sector

67. Energy use in non-domestic buildings (e.g. public sector, community sector) does not make a large contribution to overall greenhouse gas emissions, but Northgate believes that these organisations have an important role to play in leading by example.
68. We recommend that the Welsh Assembly Government reports regularly on the energy efficiency of public buildings so that the public can see what improvements are being made in the energy efficiency of public buildings.
69. Northgate believe that one way in which the public sector can lead by example is through the procurement of energy efficient goods and services.
70. For this reason we support the existing Welsh Assembly Government initiatives which promote sustainable procurement such as the Sustainable Building Web Portal, or the 'Help Wales reduce its carbon foot print' campaign.

### Home Energy Conservation Act (HECA)

71. We are concerned about the repeal of the Home Energy Conservation Act (HECA) proposed in the consultation. We accept that HECA places undue emphasis on reporting; but believe that a more effective approach would be to build upon HECA.
72. One option that the consultation document fails to address is to amend HECA to provide for a statutory duty for local authorities to improve performance as opposed to reporting it. We take the view that there are strong arguments for imposing such a duty on local authorities so long as local authorities are given the resources to build upon this work.

### Conclusion

73. We support the overall thrust of the consultation. Improving the energy efficiency of existing housing stock is an essential step towards combating climate change, and is also a major factor in the battle against fuel poverty.
74. The proposals outlined in this consultation form a strong foundation for tackling fuel poverty in Wales. However, if the Welsh Assembly Government wishes to reach its target of eradicating fuel poverty by 2018 and reducing greenhouse gas emissions by three per cent per annum, it needs to be more ambitious in its approach.
75. We think it is imperative that the Welsh Assembly Government ensures that maximum benefit is received, not only through their own National Energy Efficiency and Savings Plan, but also from simultaneously running schemes such as CERT and CESP. For this reason, the government must ensure that all the schemes work in harmony with each other in terms of eligibility criteria and measures carried out. Only through doing this can it ensure that the maximum possible benefit is obtained through these schemes.
76. We believe that there must be support available for those people who do not qualify for free measures through one of these schemes, but who may still have difficulty in paying for measures outright. Whilst we support the use of credit loans, we also believe that the Welsh Assembly Government has a pivotal role to play in promoting green mortgages.

77. Northgate is also committed to partnership working in the delivery of measures. The consultation outlines an approach that utilises local authority and community group knowledge to focus measures on areas and households most in need.
78. We believe that local authorities, community groups, third sector and not-for-profit organisations, and energy companies all have a role to play in creating a more fuel efficient and sustainable Wales. This can only be achieved if all of these organisations co-operate and work together.
79. We are disappointed that the consultation removes HECA without considering how local authorities may be strengthened in their energy efficiency work through new statutory duties.
80. We believe that it is important that HEES, CERT and CESP are as transparent as possible and that information management must be improved to ensure maximum impact of the programmes. We recommend that Welsh Assembly Government should consider making the provision of information on the geographical focus of measures a compulsory feature of measurement. We believe that this information should be drawn up on a local government area basis

### **For more information**

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