

Heat and Energy Saving Strategy

May 2009

Northgate Public Services Response

Response

Introduction

1. Northgate warmly welcomes the opportunity to respond to the government's consultation on its Heat and Energy Saving Strategy. This sets out the policy proposals for achieving the government's aim of reducing the emissions from existing buildings to be approaching zero by 2050. It is part of the process of reaching an overarching plan for how we meet our carbon budgets.
2. This brief response draws on 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 energy assessors. It also draws upon our work with local partners aimed at reducing poverty and promoting community well being.
3. Our response consists of both general comments and specific comments in relation to the chapters of the consultation document. It is also supported by our specific responses to the government's consultations on the increase to the CERT targets and the Community Energy Savings Programme (CESP).

General comment

Meeting the challenge

4. Climate change is one of the most pressing problems facing the world. As the consultation points out, if we are to reduce the UK's greenhouse gas emissions by 80 per cent by 2050, we will have to eliminate emissions from households almost entirely.
5. This challenge has to be weighed against the need to break down inequalities within our diverse communities in the context of the current economic crisis. The state of our economy, combined with higher prices for energy on a global basis, threatens the most vulnerable members of society and increases the likelihood of fuel poverty within our communities. We, therefore, support the government's view that any climate policies must be fair and reach out to those most in need.
6. Indeed we go one step further, and suggest that policies should promote the principle of environmental equity. Linking energy efficiency strategy to the eradication of fuel poverty is crucial to promoting environmental equity for citizens. This promotes equal access to energy improvement measures, as well as fair protection against environmental hazards and environmental harm.
7. We welcome the government's four key objectives described in the consultation. It is essential to ensure that people use less energy and reduce their energy bills. This requires a change in the attitudes that too many of us have in relation to the way we use energy - at home, at work, in leisure and travel. We also need to decarbonise our heat supply and increase our use of renewable energy to help meet carbon budgets; to reduce our use of

fossil fuel; and to take advantage of opportunities posed by the need for the world to shift to a low carbon economy.

The role of local authorities

8. A long term strategy requires a more co-ordinated response from key organisations - including government, developers, energy services companies, local authorities, social landlords, the not for profit sector and the private sector - to enhance collaboration and develop innovative responses to the delivery of energy efficient, affordable housing and buildings.
9. Given the critical role of local authorities in delivering place-shaping activities, we have said elsewhere and we repeat that we believe that local authorities should be given an additional statutory role to promote climate change in their areas. This is particularly the case since councils can use planning policy and development to promote decentralised low-carbon and/or renewable energy generation and infrastructure in line with the government's objectives.
10. Legislation does not necessarily need to be overly prescriptive, but given the extent of the challenge, we do not believe that the voluntary approach outlined in the consultation is enough.
11. Redressing climate change within our communities requires an approach which recognises the environmental impact, but also understands that issues of social equity and economic deprivation must be considered as central issues. Local authorities are well placed to understand and to act upon these issues.
12. The government says that it wants local authorities to be able to play a full role in this agenda, planning and promoting work to save energy, and developing renewable energy. We agree and believe that a statutory duty to promote climate change would help to channel local authority activity and its work with partner agencies.
13. We believe that local authorities have a central role to play in pursuing the twin objectives of reducing carbon emissions and tackling fuel poverty. Whilst the consultation points out that 130 out of 150 Local Area Agreements (LAAs) set carbon reduction targets against indicators, given the severity of the challenge it cannot be acceptable that 13 per cent do not.
14. We also welcome the forthcoming consultation on the provisions which prevent local authorities from selling electricity which is produced other than in association with heat. In order for local authorities to play a full role in the development of renewable heat and electricity it is timely that these restrictions should be reviewed.

Developing a low carbon economy

15. As the consultation points out, there is a need to move beyond simple measures to tackle carbon emissions and towards new technologies and more complex whole house approaches. This will provide more opportunities to expand our low carbon economy and to develop the skills and capacities required to meet the challenge. In this respect, we

particularly welcome the approach outlined in CESP. This opens up access for low income households to a more comprehensive package of home energy improvements and new technologies built upon the whole house approach, whilst helping to promote the role of Home Audits as an important part of building awareness and changing behaviour. We believe that Domestic Energy Assessors could form the kernel of a comprehensive neighbourhood energy audit service on a national basis.

16. We support the development of an energy services market. We believe that there is enormous scope to develop energy services around commercial and household models, and that a community based or area approach is also essential to help tackle fuel poverty amongst particular groups including private sector tenants and owner occupiers.

Reaching the targets

17. Given the scale of the challenge, there is a need for clear milestones as the consultation suggests. Ambitious targets have been set. By 2018 every household should be able to access a whole-house package of improvements. By 2030 all homes and other buildings will have received a whole house package which is cost effective and recoverable through reduced energy bills, and also have access to renewable heat and other electricity measures.
18. We agree with the ambition of the targets. However, whether or not such targets can be met depends on effective leadership at a national and local level; the effectiveness of information awareness raising strategies; the resources available; and getting the mix right between prescription and incentives.

Specific comment

Changing behaviour and taking action

19. Whilst there is awareness about climate change, we agree with the consultation that we need to make it easier for everyone to take action to change their behaviour.
20. Energy performance certificates provide tenants and homebuyers with decent information about the changes that could be made. In the current housing market, it is likely that any positive effect of these on property value will not be immediately obvious in the near future. However, the provision of energy performance certificate does provide a trigger for providing individuals with more tailored information and advice.
21. We warmly welcome the proposal to increase the availability of Home Energy Advice and believe that the DEAs would provide a suitable cadre of trained professionals; the new National Occupational Standard will help to set out the skills and competencies required in this new role.
22. We strongly support the proposal to accredit energy efficient installers. We believe that this will help to overcome some of the antipathy towards taking measures as such an accreditation would help to reassure consumers and guarantee standards of installation.

23. Helping tenants and landlords to conduct their relationship in an environmentally efficient manner is critical to creating the conditions for success. As the consultation points out in relation to business, the power to make changes to the building's fabric rests with one party, whilst the benefits are enjoyed by the tenant if they are responsible for energy bills. Lack of understanding may be one issue for all, but the current state of the commercial property makes it unlikely that in the immediate future the introduction of energy performance certificates will materially affect the value of the property.
24. We therefore believe that direct encouragement could be given to promoting green leases within the commercial sector (including public sector buildings where appropriate) where our evidence suggests that the average performance for energy performance certificates is a C.
25. The recent publication of the Green Lease Toolkit by the Better Buildings Partnerships suggests that there is an increasing appetite amongst property owners to develop green leases as a means of altering behaviour. The Toolkit is non prescriptive and provides a model memorandum of understanding on which green leases could be drafted where there are existing tenancies.
26. We see no reason why a complementary approach could not be adapted for all tenants and landlords in the longer term future, particularly in the private residential market when the value of property is being affected by energy efficiency performance, which in the long term it must be expected to do.
27. Similarly, in the social housing sector the creation of energy efficiency compacts between landlord and tenants could help to improve awareness and alter action.

Financing energy saving and low carbon energy

28. Financial support is necessary to encourage people to act now. As the consultation points out, while comprehensive energy efficiency insulation packages can lead to large energy bill savings, consumers may be discouraged by high up front costs and the fact that currently energy performance is not reflected in the value of the property.
29. We welcome the fact that the government will work with the Royal Institution of Chartered Surveyors and other stakeholders to explore the relationship between energy performance and the market value of a property.
30. 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. The consultation studies a range of financing options. We agree that the standard commercial finance model would not provide an attractive option for the consumer.
31. One option not apparently considered by the government is the expansion of green mortgages which provide home energy advice combined with upfront payments for energy efficiency insulation packages. 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.

32. The government has previously called for a new market - mortgages for immediate capital investment in energy efficiency that cuts consumption and cuts bills. It is now ideally placed to influence the development of such a market. The expansion of energy efficient mortgages could work in two different ways. Firstly, mortgages could credit a home's energy efficiency in the mortgage itself, enabling borrowers to obtain a higher loan. Secondly, energy efficient mortgages could allow borrowers to include the cost of energy-efficiency improvements to an existing home in the mortgage without increasing the monthly payment.
33. Combining this form of financing with service charging for energy efficiency through energy service contracts would help to extend the forms of financing available to those who can afford it.
34. The phasing in of the Carbon Reduction Commitment offers up the opportunity for an extended market in energy services and facilities management for companies and the public sector. Innovative contracts based on risk reward could help to extend the market. At the same time more needs to be done to encourage small and medium sized enterprises to gain efficiencies through the introduction of wider forms of support. For example, the consideration of subsidies for those who enter into green leases and the extension of green mortgages to those business that own commercial properties.
35. We welcome the introduction of the Renewable Heat Incentive which is planned to be fully operational by 2011. We recognise that there is significant potential for increasing its use at an industrial and large scale level. However, we believe that it is essential that strong community based incentives are put in place to enable area schemes for those less able to pay.

Delivery

36. The extent of radical change required means that we need to enter a new phase of delivery involving all buildings, bigger and more costly and ambitious measures, and ensuring fair outcomes through tackling poverty.
37. We support the extension of CERT and agree that the proposed CESP framework should run concurrently to the same end date.
38. We believe vehemently that we need strong coordination in the delivery of household energy efficiency packages, and that the existing models will no longer be fit for purpose.
39. There are also strong arguments for co-ordinating the delivery of household measures with those of business, not for profit and public sectors. This will help to ensure the effective and efficient use of subsidies and to streamline and coordinate delivery which is currently fragmented.

40. As part of that delivery, we see local authorities taking on a central role to support infrastructure projects, to work in partnership and to ensure that households most in need gain from energy saving improvements.
41. An active and buoyant energy services market will be a crucial part of the future delivery framework.

Stronger incentives to move to a low carbon future

42. Whilst we support initiatives which highlight the importance of energy efficiency, we are concerned that these should not fragment the marketplace further.
43. We believe that there is a need to review the effectiveness of the current building regulations and that it would be timely to link any changes with the introduction of an accreditation scheme for builders.
44. We think that particular attention should be paid to the private landlord sector in terms of both subsidies and incentives. We believe that the proposal for a voluntary code of practice for the private landlord sector may be an immediate means of building upon the energy performance certificate, but is not likely to be taken up by those landlords who have the lowest energy performance ratings. It is apparent that the most difficult housing tenure to incentivise to have energy efficiency measures installed is the private rented sector. Almost a million dwellings in the private rented sector are estimated to contain serious hazards with the majority suffering from excess cold.
45. We welcome the fact that the government is reviewing the findings of the *Independent Review of the Private Rented Sector*, University of York, 2008. This points out that fifty per cent of private rented property failed to meet the new decent homes standard and that households in receipt of at least one of the main means tested benefits were more likely to be living in such properties. It also says that The Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 enables local authorities to set up loan schemes to offer assistance to landlords to improve property condition, but that no assessment has been made of its effectiveness. Such an assessment would form an important part of the review.
46. We believe that there is a powerful argument to suggest that HIP providers should automatically provide the energy performance certificate to the prospective purchaser, as there is no guarantee that the HIP would be requested or the information within it used. We welcome the proposal to strengthen the requirements for promotion and display of the EPC in estate agents.
47. We also believe that, as part of an awareness-raising exercise, there are strong arguments for the central registry information to be made available to the public on demand. This would enable them to review the energy efficiency performance of any house on the market through an online channel, and further help to build awareness.
48. We also support the view that building regulations should be extended to cover consequential improvements for all buildings. Uttlesford District Council has demonstrated that much can be achieved through its policy of requiring cost effective

energy efficiency improvement to be carried out on existing dwellings when they are extended.

District Heating and Combined Heat and Power

49. We welcome a focus on district heating in suitable communities. Evidence supports the fact that this can provide low carbon heat at comparable or lower costs than conventional heating, particular in areas with high heat densities including inner urban areas and clusters of public buildings. As the consultation points out, local authorities can remove barriers to the development of district heating through planning mechanisms and the development of heat mapping exercises. The Community Infrastructure Levy on new development may provide local authorities with further resources to support the development of district heating in a community based setting.

50. We also welcome the government's encouragement of combined heat and power (CHP), and better use of surplus heat through carbon pricing mechanisms. As the consultation points out, using CHP can improve efficiency by over 30% compared to generating heat and electricity separately.

For more information

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