Response from Calor Gas – Home that don't cost the Earth: A consultation on Scotland's Sustainable Housing Strategy

Introduction

Calor welcomes this opportunity to respond to the Scottish Government's consultation on Scotland's sustainable housing strategy.

Calor fully supports the Scottish Government's efforts to tackle climate change and fuel poverty and is working proactively with politicians and local stakeholders to improve energy efficiency and lower carbon emissions in rural communities. Our primary motivation is to ensure that rural property owners have a strong voice in the energy efficiency debate and are not left behind when government support and incentive mechanisms are developed and rolled out.

Calor is pleased that the consultation document specifically references the need to address issues in respect of improving energy efficiency in rural areas. It is right to recognise that the journey towards lower carbon homes and improving energy efficiency in the existing housing stock in rural areas requires a specific strategy within this national plan.

This strategy should take into account the potential financial and economic impact of introducing new energy standards for private sector housing. Calor notes with concern the potential impact of moving towards the Sullivan 2013 standards in today's economic climate as the Scottish construction sector continues to suffer. We would ask if now is the right time to increase the capital cost of building a new home when the industry in under such pressure? Furthermore, given the nature of off-gas grid housing, typical in rural areas, Calor would also express our concern that these costs would be significantly higher for rural house builders consequently making affordable housing in rural communities even harder to obtain.

We have answered the questions where we feel we can offer a qualified response.

Answers to questions

5a. What specific issues needs to be addressed in respect of improving energy efficiency in rural areas, particularly more remote or island areas?

5b. How should these be addressed?

Foremost Calor is pleased that the Scottish Government has recognised that rural and remote areas have specific needs and issues which should be addressed when developing a sustainable housing strategy.

The consultation paper states that a fifth of Scotland's homes are in rural areas where 46 per cent of homes are off the gas grid. Calor operates within this off-gas grid market supplying bulk LPG to homes and businesses across Scotland giving us unique insights into this type of housing. Scotland has a high number of homes that can be classed as hard to treat, where traditional and cost effective energy efficiency measures, such as cavity wall and loft

insulation cannot be deployed. About one third of homes have solid walls or are of a construction whereby the cavity wall cannot be treated, while 25% of homes do not have a loft such as tower blocks and tenement properties.

Recent energy efficiency schemes aimed at tackling fuel poverty and reducing emissions have had the unintended consequence of missing out swathes of rural communities due to the eligibility criteria attached to the schemes. Previous schemes such as the Community Energy Saving Programme targeted areas with significant levels of low income households using Indices of Multiple Deprivation (IMD). In Scotland Data Zones via the House Condition Survey process were used. However, many rural areas were unable to comply with the scheme as they didn't tend to have the density of households in need of assistance.

The Scottish Government recognises this problem. The recent Fuel Poverty Evidence Review by the Scottish House Condition Survey states:

…Similarly households that are off the gas grid are much more likely to be fuel poor than those on the gas grid (47% are fuel poor, compared with 27% of those on grid). This may be because the properties themselves are harder to heat, and that other types of fuel may be less efficient and more expensive than gas. ***Off-gas properties are more likely to be rural and some argue that fuel poverty schemes often fail to address the fuel disadvantage of off-grid or rural homes. [August 2012]***

It is encouraging that local authorities will be responsible for the roll-out of the National Retrofit Programme as they will be able to best identify areas of local need, however, it is essential that they are given the necessary powers to identify those at need.

Furthermore clarity on how the National Retrofit Programme will fit into UK Government schemes such as the Green Deal or benefit from the funds realised by the Energy Company Obligation (ECO) is required. DECC is currently consulting about the eligibility criteria for the ECO and we would urge the Scottish Government to ensure that this criteria is applied with rural householders in mind so that access is equitable. Calor is also interested in understanding how the Scottish Government's planned Warm Homes Fund will target fuel-poor rural households.

21. Should the Scottish Government introduce minimum energy efficiency standards for private sector housing?

Calor strongly advises the Scottish Government to assess the financial impact on rural householders before introducing a minimum energy efficiency standard for private sector housing.

While acknowledging that a consultation on revised energy standards for 2013 will be subject to a separate consultation later this summer, Calor notes the Scottish Government's intention to undertake a Business and Regulatory Impact Assessment to identify the impact of further carbon emission reductions on the capital cost of new homes. Calor notes that initial research indicates that the increase in capital cost would be around £5000 for the 21% emissions reduction and £10,000 for the 43% emissions reduction.

Calor believes that this figure will be significantly higher for rural housing taking into account the fact that house building in rural areas is already higher than in towns and cities. The Building Cost Information service estimates the "per meter squared build cost" of developments of three or less properties, typically built by small rural firms, as being consistently 70% higher than that for general estate housing.

A study published last year by the Institute for Economic Affairs concluded that housing is unaffordable in every single one of the 33 regions of the UK. In rural areas the problem is even more acute. The 2011 Rural Housing Review by the Bank of Scotland identified that house prices in rural areas are already 16% higher than in urban areas. Fifteen rural areas have seen average property prices more than double over the last decade with the biggest increases seen in Scotland with the largest in Moray (162%) followed by Aberdeenshire (150%) and the Highlands (143%).

In terms of affordable housing, we would point towards Scottish Government statistics that show that rural communities are more reliant upon private developers to provide and identify affordable housing in accessible and remote rural areas (*Housing Statistics for Scotland - AHSP summary, May 2012)*. The latest statistics show a continued decline in new affordable homes. Maureen Watson, Director of Policy at the Scottish Federation of Housing Associations recently said:

"The fact remains that, the current level of government grant per unit is not going to enable our members to continue to build at current rates into the future, ***particularly in rural areas where costs are higher.*** *We recognise the government recently tweaked the benchmarks for rural and green schemes, but the delivery of genuinely affordable new homes remains highly challenging" [May 2012].*

22. How could we amend EPCs to make them a more useful tool for influencing behaviour change to improve energy efficiency?

Calor Gas has been critical of the design of EPCs for well over a decade – in England, Wales and Scotland. As the principal measure on the EPC is based on running costs (£s) they are unreliable as a measure of "energy efficiency" in off-gas grid areas.

The way the current EPC system works is that it grades houses by their notional cost of providing energy for heating and hot water per square metre. SAP ratings between 1 and 120 must be provided before buildings can be erected or converted. The lower the energy cost, the higher the rating. These SAP ratings are effectively transposed into the EPCs where they are shown in the form of bands from A (cheap to heat) to G (expensive to heat). As all energies used to heat properties in off-gas grid Britain (heating oil, electricity, solid fuel and LPG) are more expensive than natural gas then it follows that any buildings' EPCs will automatically score lower grades – typically at least one if not two grades lower i.e. an 'F' (rural) rather than a 'D' (urban).

This has serious implications for the future treatment of rural property owners as the UK Government has made it clear that it is going to use EPC ratings to prioritise activity under the Energy Company Obligation (which will replace CERT & CESP) as well as to limit the availability of incentives such as the RHI and FITs. For example, as part of the current solar PV FITs review, it has been proposed that any future FITs would only qualify where a

property achieved a EPC rating of D or higher. This will effectively disenfranchise great swathes of the countryside.

Under the current and proposed EPC design this will make it much harder - if not economically impossible - for rural property owners to benefit from what are supposed to be universal schemes such as RHI and FITs. This cannot be right and some more equitable treatment of rural off-gas grid property owners needs to be applied. Since fuel poverty is particularly concentrated in rural areas, UK Government measures designed to address fuel poverty will be restricted or unavailable in the areas that need them most because of the current operation of the EPC system.

25. In Section 2.68 we identify design options for the standards. Do you have any views on the options set out in that report? Are there other options that we should be considering?

In our response to Q21 Calor outlines its concerns with the implementation of minimum energy standards for private sector housing. We note the Scottish Government report *Impacts of Options for Regulating Energy Efficiency Standards in the Domestic Sector [March 2011]* which estimates the cost impact of improving the EPC ratings of domestic households. In order to improve a D and E rated household to a C rating (Option 4), the report states:

…because this regulation option requires dwellings to cross a threshold, the costs are particularly variable – dwellings already close to the threshold can meet requirements relatively cheaply while for others the costs of complying with regulations would be particularly high.[page 5]

In fact, the report estimates that the cost of improving an EPC rating of a Band D or E house at between £12,360 and £13,360. Furthermore, the report indicates that for a pre-1919 off gas-grid house, the chance of having to install energy efficiency measures (including micro-renewables) to achieve this C rating is between 92% and 100% - i.e. certain.

Although the report does not make conclusions on the consequences for rural householders if minimum energy standards are pursued, these cost implications are deeply worrying. The Scottish House Condition Survey 2011 shows that a disproportionate number of house in rural areas have EPC rating of D (34%) and E (36%) and F (13%) compared to the national average. By implementing a minimum energy standard for existing rural homes, the Scottish Government risks targeting households in rural areas with significant and unsustainable costs associated to meeting these targets unless the National Retrofit Programme and Green Deal work effectively to mitigate them.

In Section 2.68 the design options hint towards a standard based on a specific property reaching a specific EPC rating. We have outlined the concerns we have with the use of EPCs underpinning the Green Deal mechanism. We would ask the Scottish Government to consider the same factors when developing the design of new energy standards in the domestic sector in Scotland.

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