



**Government Response to
the House of Commons
Communities and Local
Government Select Committee
Report on Existing Housing
and Climate Change**



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*Presented to Parliament
by the Minister of State for Communities and Local Government,
by Command of Her Majesty*

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Government Response to the House of Commons Communities and Local Government Select Committee Report on Existing Housing and Climate Change

Introduction

The Government welcomes the report from the Select Committee. The Committee has identified the critical importance of tackling emissions from existing homes, as part of an overall strategy to reduce carbon emissions. As this response explains, and as set out in the memorandum submitted to the Select Committee's inquiry, the Government has a wide ranging programme of action covering decarbonising the supply of energy, through action to promote renewable energy; reducing demand from energy efficiency measures; and improving the technical efficiency of products. This response reports on actions taken or planned since the Committee's inquiry completed.

Nevertheless, the Government accepts the case that more needs to be done. Therefore, the Government proposes this Autumn to consult on a new energy efficiency strategy, which will include energy efficiency in existing homes. The Government is undertaking further analysis, building on the Household Emissions Project¹ work undertaken by the Office of Climate Change last year. The Select Committee's analysis and report will also help inform the strategy.

The Government intends to bring together stakeholders in the early Autumn to discuss the components of the strategy and the way forward, and will keep the Select Committee informed of the development of the strategy.

Existing Homes – reducing emissions

1. The amount of energy we use to heat and light our homes now needs to decline, and sharply, if carbon emission reductions from the housing stock are to contribute towards the 60 per cent reduction in emissions by 2050 to which the United Kingdom is committed. (Paragraph 4).

It is clear that all sectors of the economy will have to play their part if the UK is to hit its current economy-wide target of at least a 60 per cent reduction in carbon emissions by 2050. At present, the household sector is the only sector projected by 2020 to be on course to meet a pro-rata share of this target. In this context it is worth noting that the Committee on Climate Change is due to advise Government before 1 December 2008 on whether this target should be increased to an 80 per cent cut in carbon emissions, and on those sectors of the economy in which there are particular opportunities for contributions to be made towards meeting the first carbon budgets. The Government will set out the first three carbon budgets and plans for meeting them alongside Budget 2009.

¹Household Emissions Project – www.occ.gov.uk/activities/emissions/Household%20emissions%20report%20-%20analysis%20pack%2028March2007.pdf

There are three separate routes to cutting these carbon emissions:

- I. *Decarbonise energy supply* – by shifting to renewable or low-carbon energy sources. In households this can be through the use of microgeneration technologies, biomass heating or heat pumps, procurement of low-carbon electricity, renewable gas and so on;
- II. *Reduce consumers' energy demand* – either by reducing demand for “energy service” such as heat and light, by lowering thermostat settings, or by avoiding wastage by using improved heating controls and switching off unneeded lights and appliances;
- III. *Improve the technical efficiency of building fabric or appliances* – this can be through installation of insulation or draught-proofing, or the use of high-efficiency appliances or lamps. This enables the delivery of any given level of energy service with less energy use.

We are working to tackle household emissions via all three routes.

As the 2007 Energy White Paper² made clear “The starting point for our energy policy is to save energy.” It is often the cheapest way of reducing carbon emissions, certainly in the short-term. It can also contribute to security of supply, for example by reducing our need for energy imports, and reduce fuel poverty through lower bills.

We accept that we face a very significant challenge in increasing energy efficiency and reducing energy consumption in the face of the rising use of appliances, increased numbers of households, rising income and comfort taking. However, indications are that the climate change and energy policies we have put in place in the UK are starting to have a significant impact on energy use.

Over the last three years (2005-2007) household gas consumption has fallen by nearly 12 per cent³, whilst household electricity consumption has also fallen in the last two years. Analysis of the 2007 data has not yet been completed but analysis of the 2005-2006 period shows that at least half of the fall was the result of our energy efficiency policies – not least the requirement for high efficiency boilers under the Building Regulations and the cavity wall and loft insulation programme carried out under the Energy Efficiency Commitment. Further analysis is underway to quantify the impact of our policies, weather and higher energy prices in 2007.

We have and will continue to take significant action in tackling existing housing. Through an obligation on energy suppliers to promote improvements in household energy efficiency, there has already been investment of some £2bn since 2002, leading to some two million households benefiting from cavity wall insulation, and some 160 million energy efficient lights being distributed.

²Energy White Paper: Meeting the Energy Challenge.
www.berr.gov.uk/energy/whitepaper/page39534.html

³2005 & 2006 data from the Digest of UK Energy Statistics (DUKES). 2007 data from quarterly Energy Trends. Both available at www.berr.gov.uk/energy/statistics/index.html

We anticipate a further £3bn investment in the next three years under the Carbon Emissions Reduction Target (CERT). The third Supplier Obligation phase alone will see almost three million homes benefit from cavity wall insulation, and at least two million from loft insulation and fuel switching. We are committed to a Supplier Obligation at least to 2020.

2. There is clear consensus that the Government needs to engage as fully with reducing carbon emissions from the existing housing stock as it has with reducing those from new development. (Paragraph 7).

3. The Government's understandable desire to build improvements into future housing has led it to give insufficient priority to action on the vast bulk of the housing stock represented by the 23 million homes already there in England and Wales. A much clearer focus on what must be done to bring existing housing up to required energy efficiency standards is essential. (Paragraph 9).

4. Reducing carbon emissions by 60 per cent over the next 42 years requires remarkable change in our habits, our fuel consumption and the technologies we use to build and run our homes. Yet even the most superficial glance back 42 years is enough to remind us that interplanetary space travel, mobile telephones, the internet, and even heart transplants were then yet to be achieved. The question underlying this Report is whether the Government can encourage millions of individuals and families, be they in rented flats or homes of their own, to rise to the challenge; but it is, indeed, unimaginable to say that we cannot make substantial change. (Paragraph 103).

Although there has been more recent visibility on action to tackle the energy performance of new homes, policies targeting existing homes (the Supplier Obligation, product policy – where impact is larger for existing homes, Building Regulations' requirements for boilers and windows, the Energy Performance of Buildings Directive) are estimated to produce two thirds of the carbon savings from the household sector out to 2020.

Through existing policies, not least the continuation of the Supplier Obligation, the Government expects to see:

- all cavity walls and lofts insulated by the middle of the next decade – currently there are around 7.2 million cavities unfilled and CERT should reduce this to just over 4.3 million by 2011.
- all lofts insulated by the middle of the next decade. We estimate that there are less than one million unfilled lofts, over five million with less than 100mm of insulation, and nearly six million that will be topped up from over 100mm to current regulations (270mm).
- steady improvements in the energy performance of household appliances and lights, by raising minimum standards through regulation, entering voluntary agreements with manufacturers and retailers, changing consumer choices, financial incentives, provision of energy labels and through other information and advice;
- both microgeneration and solid wall insulation being rolled out at higher rates.

Successful delivery of the policies and measures we have announced in the Climate Change Programme⁴ and Energy White Paper will keep the household sector on course to 2020 and to our 2050 targets (on a straight-line trajectory).

The Government wants consumers to be increasingly engaged on energy issues – information and awareness raising of the energy performance of their homes can support behavioural changes leading to choices on energy efficiency behaviour and purchasing of carbon-saving products. This will create a customer-driven market demand for sustainable energy products and services. The widespread development of zero carbon homes, real-time energy display devices, and in time, smart meters, will all play a key role.

The Government agrees the need to develop cost effective ways to reach the hard-to-treat homes (those with solid walls, off the gas grid etc) as well as addressing the choices and behaviour of occupants. We have included options under CERT to allow suppliers to trial more expensive measures – we expect 150,000 households to benefit from Solid Wall Insulation under CERT. We are also providing the Energy Saving Trust (EST) with £1m under the Environmental Transformation Fund to support market research into several innovative efficiency products, including the development and field trials of alternative forms of solid wall insulation.

The split incentives of the rented sector pose a particular challenge that needs to be overcome. The most commonly cited barrier of this kind is the ‘landlord-tenant split’, whereby landlords under-invest in energy efficiency because reductions in tenants’ energy bills are not reflected in higher rent, while tenants do not invest as they either cannot make physical alterations to the building fabric, and do not wish to invest in a property that is not their own.

We need energy performance reflected in the value of homes, so spending on energy saving or energy generation technologies is seen as a worthwhile investment. Energy Performance Certificates (EPCs) have a key role to play here.

The Government wants to see innovative forms of finance available to help homeowners and landlords invest in their homes – these could be “green mortgages”, energy service contracts repaid through bills, novel ways of securing investment via network operators, supplier debt transfer agreements, or other types of finance package.

Consequential improvements

5. We recommend that the Government measure the impact of including in the Building Regulations consequential improvements provision affecting homeowners in time to inform the next Building Regulations review. (Paragraph 15).

The development work on the prospective further amendment of the Part L Building Regulations in 2010 will lead to formal consultations early in 2009. These consultations will focus on how far energy efficiency requirements can be practically and cost-effectively improved, without introducing unacceptable technical risks and excessive constraints on design flexibility.

⁴Climate Change Programme www.defra.gov.uk/environment/climatechange/UKCCP/index.htm

The development work includes further consideration of whether consequential improvements implemented through Building Regulations could play a cost effective role in reducing emissions from existing buildings and if so, how such changes could be introduced without adding unduly to the overall burden of regulation.

6. We urge the Government to follow the lead set by Uttlesford District Council in requiring homeowners who extend their homes to make consequential improvements to the rest of their property as part of the planning consent process. We recommend that Part L of the Building Regulations be amended to require householders making substantial improvements, such as building an extension, to ensure that the carbon footprint of their improved home is at least no greater than before. (Paragraph 16).

The Government welcomes innovative ideas for promoting and encouraging energy efficiency measures. The approach being taken by Uttlesford District Council clearly has attractions. However, we have some reservations about whether it is entirely appropriate to use a planning application to extend a family home to compel improvements in the energy efficiency of the existing fabric. We would want to be sure that this type of regulation, even with its laudable intentions, could not have unintended and adverse consequences. For example, we do not want the essential need for space of a growing family, or to provide a home for an elderly relative, to be ruled out because of prohibitive expense. Also, before concluding that this type of regulation is necessary, we would want to consider its likely benefits and whether these would be genuinely additional to the comprehensive range of measures already being put in place to tackle emissions from the existing stock.

If we were to use regulatory levers to secure this type of consequential improvement, we would need to be convinced that planning control was the most appropriate regulatory regime. Approaches of this sort, which rely on the use of conditions on a planning permission, may not be robust to legal challenge on grounds of reasonableness. It may therefore be preferable to consider the framework provided by the Building Act and Building Regulations.

Proposals for requiring consequential improvements when owners carry out works on their buildings were included in the 2004 consultation document on Part L of the Building Regulations. In the light of consultation responses, it was confirmed that this requirement could apply to the owners of buildings that are not dwellings. However, it was considered appropriate to defer application to home owners because they had not been fully consulted.

Building Regulations require reasonable provision for energy efficiency, setting standards that are practical, cost-effective, and do not introduce unacceptable technical risks and excessive constraints on design flexibility. It may not always be possible within these constraints and within reasonable overall cost to require that the total carbon emissions for a dwelling are not increased when substantial improvements are proposed. Nevertheless, Communities and Local Government is investigating afresh the case for introducing requirements for consequential works for dwellings as part of preparations for the further amendment to Part L planned for 2010 and notes the Committee's proposal.

Code for Existing Homes

7. Following the successful introduction of the Code for Sustainable Homes, we recommend that the Government produce as a matter of urgency a similar Code for Existing Homes. We further recommend that that Code contain minimum performance standards, perhaps based on Standard Assessment Procedure ratings. These standards should apply to all housing stock, although differential ratings may be acceptable in the short to medium term, but no later than 2016, for social housing, privately rented stock and owner-occupied homes, all of which begin from different baselines. A separate standard might also be set, in the short to mid term, for housing constructed before 1919, which is currently the least energy efficient, but often most prized, in the United Kingdom. (Paragraph 19).

8. We recommend that the Government consider introducing a new Code for Existing Homes. This could set a minimum energy performance standard for privately rented housing, aimed, in the short term, at improving the sector's overall energy performance to at least the significantly higher level achieved in the socially rented sector, and in the long term at delivering the kind of carbon reduction necessary if the national 60 per cent reduction by 2050 is to be achieved. The Government should also consider ways in which it might be possible to enforce such a Code, such as introducing it for Houses in Multiple Occupation or through the private sector licensing system. (Paragraph 44).

The Government sees the Code for Sustainable Homes⁵ as suitable for new homes only. The Code is not designed to apply to existing homes as it contains some elements that apply to the construction process, such as having a Site Waste Management Plan in place. It is also unsuitable for existing homes because some of the standards required would be unrealistic to expect in existing homes where major renovation or re-building would be required to achieve them. For the same reasons, the Code is also unsuited to refurbishments and conversions.

Furthermore, the Code has two main purposes which are not relevant to existing homes: to provide developers with an opportunity for an independent assessment of the sustainability of their product, which can then be used for marketing; and as a signpost for future regulatory changes. EPCs provide the vehicle for informing house buyers and prospective tenants of the energy efficiency of a home they are interested in purchasing or renting.

Introducing mandatory performance standards implies sanctions if those requirements are not met. It is not clear how those sanctions could operate, particularly for owner occupied homes. Such an approach would be very costly, complex and difficult to administer – and indeed raises important issues regarding homeowners' rights. Also, it is not apparent how any mandatory scheme could easily sit alongside schemes like CERT.

⁵Code for Sustainable Homes www.communities.gov.uk/planningandbuildingregulations/legislation/englandwales/codesustainable/

The Government believes that the money that would need to be spent in order to meet these standards would be better spent promoting energy efficient homes in other ways, for example through the newly established Act on CO2 Advice Line, which will provide practical advice, raise awareness and provide home owners with the tools they need to improve the energy performance of their home. In the worst case, enacting a Code for Existing Homes poorer families could be disadvantaged by finding they could not afford to stay in their home – but could not afford to move.

Voluntary tools do exist. The Building Research Establishment (BRE) has developed the BRE Environmental Assessment Method Ecohomes⁶ for existing buildings, which can be used by stock holders of housing to assess and monitor the environmental performance of their stock. This is further supplemented by the Housing Corporation's Fit for the Future Green Retrofit report manual⁷, which represents a comprehensive and accessible compendium of information for social landlords (and potentially other landlords and homeowners) seeking to improve the environmental performance of their existing housing stock.

The Government will, however, consider whether more can be done to encourage the use of these tools, or similar, as part of the consultation on the energy efficiency strategy this Autumn.

The Government understands the important role new buildings can play in supporting the development of new and improved materials, technologies and building practices that, in time, can transfer to refurbishment of existing buildings. By creating demand for these products in new buildings the Government is also helping to improve their availability and bring down costs for retrofitting in existing buildings.

Government programmes to improve the energy performance of existing homes

9. We recommend that the Government include specific energy performance improvement standards in any social housing improvement programme that follows Decent Homes in 2010. In particular, we recommend that any future programme contain a specific minimum, rather than average, Standard Assessment Procedure target for all social housing. We seek the Government's view on the Local Government Association's suggestion that that minimum SAP rating should be 65. (Paragraph 26).

The Government has not yet taken any decisions about investment in social housing following on from the current Decent Homes programme. On 12 December 2007 the Government announced a review of the financing of council housing. The purpose of the review of the Housing Revenue Account Subsidy System is to ensure that we have a sustainable, long term system

⁶www.breeam.org/page.jsp?id=25

⁷Housing Corporation's Fit For the Future Green Retrofit Manual www.housingcorp.gov.uk/server/show/conwebdoc.14312

for financing council housing. One of the work streams of the Review is considering the issue of standards and costs for council housing. This work will help to inform any future decisions about capital investment following the Decent Homes programme. Any future capital investment programme will have to be cost effective and affordable for the Government.

The Government will consider whether any future Decent Homes programme could contain a specific minimum, rather than average, Standard Assessment Procedure (SAP) target of 65 (or a different figure), as part of the review of relevant standards referred to in the previous paragraph. There are practical issues regarding the feasibility of achieving a given level of thermal performance across all homes. The Government has already begun some work with the BRE to consider the issue of hard-to-treat dwellings. It may not be appropriate to spend significant sums of money to ensure an individual property achieves a particular SAP rating when the same resource could deliver a bigger benefit for a wider number of people if used differently.

The Review is due to report to Ministers in the Spring of 2009, and will be followed by a period of public consultation.

10. We recommend that as part of the Government's review of the maximum grant available under Warm Front limited flexibility be introduced into the scheme to allow the maximum level of £2,700 to be disregarded in cases where the most vulnerable households would not receive sufficient assistance to heat their homes adequately and as efficiently as possible. (Paragraph 28).

There are currently two grant levels available under the Warm Front scheme, a grant of up to £2,700, or £4,000 where the work approved includes installation of an oil fired central heating system. As noted in the Committee's report, we are currently reviewing the grant levels available under Warm Front to take account of the current market values, and the potential for the introduction of alternative technologies. This work is being undertaken whilst ensuring we maintain value for money within the scheme.

11. The Government should loosen restrictions on Warm Front eligibility to allow tenants living in HMOs to have works done on their homes. (Paragraph 30).

Warm Front, as a key tool in our work to tackle fuel poverty, is focused on the private housing sector, which includes around 80 per cent of fuel poor households. Eligibility for the scheme is through receipt of one of a number of income and disability related benefits, meaning the assistance available is focussed on those at greatest risk of fuel poverty. The Warm Front scheme Manager works closely with a wide range of organisations with the aim of enabling works to go ahead for those cases where there is a mix of qualifying and non-qualifying tenants in a house in multiple occupation.

12. While it is to be hoped that the supplier obligation to be established for the period from 2011 to 2020 may be able to concentrate more fully on carbon reductions alone, the significant rise since 2003 in the number of households spending more than a tenth of their income on heating their homes justifies the continued inclusion of fuel poverty reduction aspirations within the three-year Carbon Emissions Reduction Target being set in 2008. (Paragraph 40).

Through CERT energy suppliers will provide an estimated £1.5bn investment to homes of those in the 'priority group' of householders either over 70 or on defined benefits. However, one of the strongest responses to the Government's Call for Evidence on the post-2011 Supplier Obligation was for a separation of the carbon and social instruments, with general agreement that the objectives of increased energy efficiency and reduced fuel poverty demand different interventions. The Department for the Environment, Food and Rural Affairs (Defra) is currently looking at the different ways it might achieve this, ensuring that any additional costs passed on to low income households are minimised, and avoiding the potentially regressive situation whereby low income energy consumers subsidise those who can afford to pay for carbon-saving measures.

Finding innovative, cost effective and attractive ways of insulating hard to treat homes will be core to both our carbon saving and fuel poverty alleviation ambitions. To inform policy development and stimulate market transformation. Defra commissioned a study⁸ from the BRE to look at the extent of hard to treat homes in England and to consider different technical options for treating them. Part one of the study (on the extent) has already been published with the second part to be published in the summer. Warm Front, the Government's main programme for eradicating fuel poverty in vulnerable households, has mechanisms in place to locate and assess the suitability of alternative technologies for use in the scheme, with a particular emphasis on those that could potentially provide solutions for hard-to-treat properties. As part of this process, we are currently piloting solar thermal units in off gas property.

13. The Government should take every step possible, including amending the Data Protection Act if required, to ensure that local authorities may use the information they hold to target households likely to be suffering from fuel poverty. It should also consider whether provision of data to appropriate third parties for the same purpose may be desirable and achievable. (Paragraph 42).

Legal restrictions within Social Security legislation prohibit a local authority from sharing the information of Council Tax and Housing Benefit recipients for the purpose of targeting fuel poverty programmes. The Department for Work and Pensions (DWP) is working with local authorities to consider the case for creating a legal gateway, which would allow the use of council tax and housing benefit data in delivering other local authorities functions, including fuel poverty purposes.

⁸A Study of Hard to Treat Homes Using the English House Conditions Survey – Part 1: Dwelling and Household Characteristics of Hard to Treat Homes – www.bre.co.uk/filelibrary/rpts/energy_use/Hard_to_Treat_Homes_Part_1.pdf

There are of course existing workarounds, for example benefit departments can send out information on behalf of fuel poverty colleagues. Communities and Local Government is working with DWP to identify areas where further data sharing from DWP to local authorities, and within local authorities from Housing Benefit and Council Tax Benefits, could be put in place to enable better services to be provided and targeted to specific groups, including matters relating to climate change and fuel poverty.

Financial incentives/mechanisms

14. We recommend that the Government seek to spread uptake of the Landlords Energy Saving Allowance, as recommended nearly two years ago by the Sustainable Development Commission. Information on the allowance could be more widely disseminated to small landlords through letting agencies and to all landlords via the landlord tenancy deposit schemes run across England and Wales. (Paragraph 46).

The Landlords Energy Saving Allowance was introduced in 2004 to encourage individual landlords to invest in energy saving measures in the property they let. The Government is now seeking State aid approval from the European Commission to extend the scheme to corporate landlords who represent a further 25 per cent of the market. The Government has also extended the scheme, which was due to end in 2009, to 2015 to allow additional time for landlords to take advantage of this incentive. Work has been carried out with stakeholders to increase awareness of the scheme amongst landlords, such as media articles and internet fact sheets, and the Government will continue to consider further means of conveying this information to landlords.

15. A range of witnesses have pointed out the perversity of differential VAT rates that may in some circumstances make the demolition and reconstruction of a home more financially attractive than its refurbishment or renovation to a higher environmental standard. We recommend that the Government seek to remove this anomaly. (Paragraph 51).

The Government will keep the impact of VAT on different types of building work under review, and any changes are considered by the Chancellor as part of the Budget process. However, under EU rules we could only 'equalise' VAT rates for new build and renovation work by applying VAT to the construction of new housing. When a developer is considering refurbishment or new build, a range of costs and planning issues will be relevant – not just VAT.

16. We commend Centrica's initiative in administering rebates through council tax and urge other energy suppliers to follow suit. We urge the Government to monitor the success of such schemes. (Paragraph 52).

The Government welcomes the innovative way in which Centrica has improved household energy efficiency by working with local authorities to provide incentives through the council tax and encourages such collaboration. We are monitoring the council tax rebate scheme closely. It demonstrates the strength of a market-based approach in tackling existing housing, being just one of a

number of innovative schemes energy suppliers have developed as a means of helping deliver on their ambitious Energy Efficiency Commitment (and now CERT) targets.

Under council tax legislation there is no specific discount scheme for taxpayers installing energy efficiency improvements to their property. However, local authorities do have discretionary powers to grant reductions or exemptions on an individual basis or for a class of council taxpayers. It is up to local authorities to decide how to use this power, and there is no requirement for the Government's approval.

17. Having recognised that stamp duty reductions or rebates can incentivise energy efficiency improvement in new-build homes, the Government should apply the same logic to existing homes. Once again, the Government's emphasis on measures aimed at new development underestimates the carbon reduction contribution required from the vast bulk of the housing stock. We recommend the development of a scheme to provide stamp duty rebates or reductions for all home-owners who act on certain Energy Performance Certificate recommendations within a year of moving in. (Paragraph 54).

The Government fully understands the need to improve the energy efficiency of existing homes, which make up the bulk of the housing stock. Since 1997 the Government has introduced a number of measures to reduce emissions from households including:

- the Energy Efficiency Commitment and CERT, which will deliver 154 million lifetime tonnes of carbon dioxide savings between 2008-2011 through obligations on energy companies to install energy efficiency and microgeneration measures in people's homes
- reduced VAT rates for energy-saving materials
- the Low Carbon Building Programme to provide grants for microgeneration
- reduced VAT rate for installing microgeneration technologies
- the Landlords Energy Saving Allowance to encourage private landlords to improve the energy efficiency of their property
- the Warm Front scheme to help provide heating and insulation measures in the homes of the most vulnerable
- the Act on CO2 help-line, run by the EST to help homeowners improve their energy efficiency.

The Government has announced in the Budget Report that it is also 'interested in exploring what more can be done to raise awareness amongst the public of the ways and benefits of improving domestic energy efficiency, and to find ways to make solid wall homes more efficient'. These issues will be explored in the consultation on the energy efficiency strategy planned for this Autumn.

As for taxes, the Chancellor keeps all taxes under review as part of the Budget process, and the Committee's recommendation has been noted.

18. We recommend that as part of its current review of financial incentives the Government investigate the potential for subsidising feed-in tariffs to encourage the uptake of home microgeneration technologies.’ (Paragraph 90).

The Government is committed to increasing the deployment of renewables, and we are pleased with the progress made since we introduced the Renewables Obligation (RO) in 2002. We are committed to the RO as the principal mechanism for incentivising the deployment of renewables. However, we recognise that the RO was primarily designed for large-scale renewables and in its original form was not easily accessible for microgenerators.

We have made a number of changes over the past few years to make the RO more accessible for microgenerators. The latest of these was to allow microgenerators to use agents to claim their Renewable Obligation Certificates (ROCs) for them and in just over a year, this initiative alone has seen the number of microgenerators accredited under the RO increase by over 250 per cent. The Government still has plans to do more, doubling the incentive for microgeneration offered under the RO (which will be enabled by the Energy Bill⁹) and tackling non-financial barriers, such as reforming aspects of planning to make it easier for householders to install their own microgenerators.

However, in the light of the EU 2020 renewable energy target, the Government is now consulting on what more could be done to provide financial support to the small-scale generation of electricity, as part of the Renewable Energy Strategy consultation published on 26 June 2008. In the consultation we seek views on whether a move to a feed-in tariff system may have advantages. Given the scale of the challenge presented by the EU 2020 targets, and wider carbon reduction goals, it is right to consider these issues in the round as part of the Renewable Energy Strategy.

Energy Performance Certificates

19. Given the urgency with which we need to respond to climate change, the Government needs to find a means of disseminating Energy Performance Certificates more rapidly than can be done purely through a mandatory requirement at the point when a home is marketed for sale or for rent. Further ‘entry points’ for EPCs might include, for example, the points at which planning permission for major works is sought, or at which works are carried out under programmes such as Warm Front or the Carbon Emissions Reduction Target. (Paragraph 59).

The Energy Performance of Buildings Directive (EPBD) has been introduced in stages so that all buildings will require an EPC on construction, sale or let by 1 October 2008. Clearly the Government’s first priority must be to implement the Directive in full as it stands. However, the European Commission has already signalled that it intends to look further at a follow-up to the Directive, including a commitment to consider thresholds for refurbishments. So this would offer an opportunity to influence future entry point requirements.

⁹www.berr.gov.uk/energy/bill/page40931.html

The Government would be wary at this point of prescribing that EPCs should be undertaken, for example as a condition of receiving assistance under the Warm Front scheme, or for accessing energy efficiency measures under the CERT, in case this inhibited people taking up support under these schemes. But how best to utilise information from EPCs and encourage people to take action on them will be an important issues for the new energy efficiency strategy.

20. As Energy Performance Certificates contain guidance, rather than mandatory requirements for improvement works, the Government is relying on a mixture of information and incentives to encourage millions of householders to choose to make the improvements for themselves. We recommend that the Government work closely with the mortgage industry to provide market-based financial incentives, such as ‘green mortgages’, that will encourage new homeowners to undertake improvement projects within a short period of their occupying their property. (Paragraph 61).

In the 2007 Budget, the Chancellor recognised that tackling the existing housing stock can play a major role in combating climate change. Green financial products could pay for themselves, help cut energy use and energy bills and increase the sale value of homes.

The Government consequently engaged with banks and building societies to encourage a mortgage market that could help people to invest in energy efficiency measures and microgeneration installations. Since then, we have been pleased to see that several banks have launched a range of green loans or energy-efficient advances to those who want to make improvements to their home. Green mortgages have also proved popular in some banks, whereby a home’s predicted carbon emissions are offset or energy efficiency measures and microgeneration installations are encouraged through low interest rates.

We recognise that take-up remains low, but the Government will continue to promote energy efficiency to homeowners through policies such as EPCs that will have a role to play in equipping the consumer with more information on which to base their judgements. The Government will also continue to work with energy suppliers through policies such as CERT to ensure that energy efficiency is encouraged with all homeowners.

21. We recommend that Energy Performance Certificate ratings be included in all advertisements for houses for sale, as they are for fridges and washing machines, so that prospective buyers may be aware of them from the outset. (Paragraph 62).

There is already a requirement for the energy performance graphic or the EPC to be on or contained within, the written particulars made available to any prospective purchaser of a building.

22. We recommend that the Government publish as soon as is practicable research on the extent to which Energy Performance Certificates are causing householders to undertake the works recommended within six months or a year of moving into new homes. We recommend that they

publish as soon as possible the data gained from experience among owners of larger homes since EPCs were introduced on a limited basis in August 2007. (Paragraph 63).

We will be evaluating in full the implementation of the EPBD, and expect to tender for the research later this year. The Government agrees with the Committee that it will be crucial to gather evidence on the extent to which EPCs have encouraged behaviour change by householders, and this will form an important part of the research.

23. For the longer term, we recommend that the Government commission research into the idea of requiring householders to obtain a periodic energy performance rating. (Paragraph 66).

This is not within the scope of the current Directive. However, the renegotiation of the Directive proposed by the Commission would provide an opportunity for exploring the issues. As mentioned in the response to recommendation 19, how best to utilise information from EPCs and encourage people to take action on them will be important issues for the new energy efficiency strategy.

24. Giving householders information on what might be done to improve the energy efficiency of their homes is only one half of the equation. They also need to know who can do the works, and more importantly given fears about costs, hassle and cowboy builders, who can be trusted to do them cost-effectively and well. We recommend that the Government set a mid-term goal for Energy Performance Certificates to provide information on approved builders, installers and engineers. (Paragraph 67).

The Government agrees with the importance of householders having confidence in installers of energy efficiency measures. A number of competent persons schemes under the Building Regulations and accreditation schemes sponsored by BERR (Microgeneration Certification Scheme and TrustMark scheme) Defra (WarmFront) have been introduced and cover the various trades which may get involved in installing such measures (for example gas installers, heating engineers, plumbers). These are publicised on the relevant department websites and local authority building control bodies will be able to advise householders. All the schemes have consumer protection measures built into them. There is no requirement for installers to join any of these schemes but Government publicity encourages householders to employ those that do belong to such schemes as offering more reassurance of having a good job done at a reasonable price.

However, the Government would need to be careful of using a regulatory instrument such as an EPC to provide information about builders or installers as this could raise competition and state aid issues. The EST, through the Act on CO₂ advice line and their regional advice centres can provide information on local builders and installers and would be able to advise on what to look out for in a reputable builder and installer.

25. We recommend that the Government ensure private landlords, large and small, are fully aware of the requirement to introduce Energy

Performance Certificates for properties marketed for rent from October 2008, in order to avoid any lengthening of re-letting periods at a time of housing shortage. We recommend that information be disseminated, for example, through letting and estate agencies and landlord tenancy deposit schemes. (Paragraph 68).

The Government has been working closely with landlords on the development of guidance and this will be published imminently. A national print and radio campaign began in June 2008, and landlords will be one of the key audiences.

26. The introduction of Energy Performance Certificates represents a substantial leap forward in the provision of home energy efficiency information. We encourage the Government to maintain the momentum likely to be gained from this by seeking continuous improvement in the quality of information provided to householders by EPCs. (Paragraph 69).

The Government agrees with the Committee. We will be keeping under review both the content and presentation of EPCs to ensure that they are fit for purpose and provide useful and clear information for house holders. The proposed evaluation will complement the monitoring already under way to feed into this process.

The Government fully recognises the importance of the data collected from EPCs and the value of the recommendations report. We are putting in place measures to further support consumer understanding of the value of EPCs and how they can act on them, such as information provided to homeowners by energy assessors. We will be undertaking evaluation of the data collected on the register during 2008–2009.

Act on CO2 Advice Line (Green Homes Service)

27. We welcome the use by the new Green Homes Service of the information contained in posted Energy Performance Certificates to target those whose homes are least energy efficient. This should help householders themselves to reduce their fuel bills and improve their living conditions while also contributing to overall carbon emission reductions. (Paragraph 64).

The Government fully recognises that there is a need for a step change in the advice provided to consumers so that awareness can be transformed into action. The EST Act on CO2 advice line will play an important role in providing this comprehensive service, providing more tailored advice to consumers to take account of their individual circumstances and locations. Subject to a successful consultation, EST will benefit from access to the EPCs in being able to proactively contact homeowners who get the lowest home energy ratings (F and G ratings). The EST service will join up a number of sources of funding to provide easy access to the full range of discounted and free offers available, in particular the £2.8bn investment by energy suppliers under the Government obligated CERT, and the Warm Front scheme.

28. The single biggest difficulty in spreading energy efficiency measures across the housing stock lies in engaging millions of individual householders. Allied with this is the problem that actions taken by individual householders are generally piecemeal and partial, particular to their own homes. Given the economies of scale and wider environmental benefits that may be achieved from a more holistic approach, we recommend that the Government consult local authorities on how area-based programmes for basic home improvements, such as cavity wall or loft insulation, might be offered across significant sections of the housing stock rather than, as at present, in one home at a time, and thereby carried out more efficiently and cost effectively for households which wish to participate. (Paragraph 70).

The Government agrees that area based programmes offer a useful route for galvanising community uptake of low carbon measures and services. The Community Energy Efficiency Fund (CEEF) launched in July 2007 has, over the last year, been exploring the potential for this approach. Through CEEF we have distributed £6.2m in funding to 49 local authority led projects. These area based projects have identified households and provided a coordinated set of advice and measures to them through the Warm Front and Energy Efficiency Commitment funding. Projects are predicted to have benefited 600,000 vulnerable households and levered in over £100m of private sector funding. We will be evaluating, this summer, the full impact of the scheme and considering the next steps.

Building on this approach, the Government announced in April 2008 its intention to launch a new Green Neighbourhoods programme. We have asked the EST to develop a community based approach which helps up to 100 selected neighbourhoods in England reduce their carbon footprints by 60 per cent. The programme will make it easier, cheaper and simpler for neighbourhoods to take whole house low-carbon action. The EST aim to launch a competition for funding proposals by the end of the year, with first successful projects being funded from April 2009.

In doing so the aim is to demonstrate to others (e.g. individual householders, landlords, energy suppliers, local authorities) what can be achieved whilst building towards commercialised funding models, such as green mortgages, low cost loans and household-level energy services contracts. The programme will offer important lessons for the post 2011 Supplier Obligation. It will specifically aim to demonstrate what can be achieved with older housing stock, the 'hard-to-treat' homes. The Government intends to launch the competition for funding proposals by the end of the year and, as with CEEF, local authorities will have an important role in helping develop the programme and lead the projects. The Government will be contributing potentially more than £10m over three years depending on the quality of proposals coming forward.

29. We welcome the creation of the new Green Homes Service from April 2008 and urge the Government to support its rapid introduction nationwide. The provision of a 'one-stop' source of information for householders is a significant step towards overcoming the 'information

barrier' to quick, simple and cost-effective action in many homes. We urge the service to provide information on competent suppliers and installers, and to monitor and report on the effectiveness of the works carried out. We expect in the future to examine further how the introduction of the service both widens information and leads to real improvement in individual homes. (Paragraph 77).

The Government acknowledges that providing specific house holder advice could be a key means of overcoming barriers to the uptake of energy efficiency measures. The new EST one stop shops will provide a comprehensive service – building local work plans through detailed market analysis, and a customer segmentation model to identify areas of the greatest carbon savings potential. This will allow more proactive targeting, in-depth support and local promotional activity as well as closer work with local and regional Government, business and community partnerships. There are competitive difficulties in the EST pointing or pushing customers towards a limited number of approved market players, however, we are working with the EST on how this can be overcome, learning best practice from their role providing the free advice component of the Mayor of London Green Homes Service, which was launched in December 2007.

Smart Meters

30. We welcome the forthcoming introduction of smart meters along with fuel bills that more comprehensibly tell householders just how much gas and electricity they use. We believe that suppliers should roll the meters out nationally as swiftly as can be achieved. The meters have a particularly important role to play in overcoming the information barrier that prevents simple, cost-free action in millions of households across the whole UK. (Paragraph 80).

31. We recommend strongly that the provision of real-time display units must not become a proxy for smart meters and must not be allowed to delay the full roll-out of smart meters to every home in the country within a decade. (Paragraph 82).

The Government published its response to the Metering and Billing consultation¹⁰ in April 2008. On billing, the Government intends to implement the proposal as set out in its consultation. From 1 January 2009, electricity and gas suppliers will be required to provide historic information that compares energy use in one billing period with the same period the previous year, on domestic customers' energy bills or statements or, for those customers with internet-based contracts, electronically.

On smart meters, the Government will move ahead with a roll-out of advanced metering for medium-sized businesses over five years, as announced in the Chancellor's 2008 Budget. For domestic consumers and small businesses, the issues are more complex.

¹⁰Government Response to the Metering and Billing Consultation www.ber.gov.uk/files/file45996.pdf

The Government's impact assessment work to date suggests a reasonably positive case for rolling out smart meters to small businesses. In July 2008, the Government will hold a consultation in respect of remaining business customers that will seek views on all aspects of rolling out smart or advanced metering to these customers. This will include an expanded impact assessment on which consultees will be able to comment.

At present, the economic case for domestic roll out is more questionable. For a roll out of domestic meters the Government has assessed a range of quantitative costs and benefits, alongside a number of broader intangible benefits identified, which it has not been possible to quantify. Given the complexity of the issues and the number of variables involved, the Government wishes to consult further with stakeholders on the impact assessments for small businesses and for domestic consumers before taking final decisions on the way forward. Some of the key issues to be considered are:

- treatment of risk (optimism bias) in the impact assessment
- the market model for any roll-out
- communications solutions for smart meters
- network benefits.

Given the need to undertake this further impact assessment work into a domestic/small business roll-out, and in order to take into account the initial results from the Energy Demand Research Project¹¹, the Government intends to confirm its decisions on smart metering for small businesses and for domestic consumers as soon as possible after the second report from the Energy Demand Research Project in November 2008.

In view of this position, the Government has decided to take powers now in the Energy Bill which will allow a roll out of smart meters to medium and larger businesses as soon as possible, but which will also provide the necessary powers to implement a roll out of smart meters to small businesses and to domestic consumers in the future should a positive decision be taken. Exercising these powers in relation to small business and the domestic sector will be dependent on the outcome of the further analysis and impact assessment work. To this end an amendment was made to the Energy Bill on 23 April 2008 to allow the Government to amend relevant gas and electricity licence conditions to roll out, or facilitate the roll out, of smart meters in the future.

The Government shares the Committee's view that standalone real-time displays are not a proxy for smart meters. However, the Government believes that real-time displays have the potential to help consumers reduce energy consumption and deliver early carbon savings, particularly in advance of a possible roll out of smart meters. The Government has therefore decided to work with the suppliers to reach a voluntary agreement on how displays can be made available to customers in the short-medium term.

¹¹Trials under the Energy Demand Research Project (often referred to as the "smart trials") are examining how consumers respond to better information about their energy consumption through a range of interventions, including smart meters, real-time display devices, better billing and energy efficiency information. The project is funded by £10 million from Government and a matching amount from energy supplies involved. Around 40,000 households are subjects of the trials, with smart meters in up to 16,000 households.

Microgeneration

32. We recommend that the Government undertake research into the number of non grant-supported microtechnology installations in the UK to provide an accurate picture of their spread and take-up. (Paragraph 89).

The Government, working with a consortium of organisations, commissioned in-depth research to better understand the number of microgeneration installations and its potential uptake. This research was published on 2 June 2008. It found that there were almost 100,000 microgeneration installations in the UK¹².

We believe that this research, which covers the number of grant supported and non-grant supported installations, negates the need for further research specifically into non-grant supported microgeneration installations.

Skills

33. We call on the Government to make an early assessment of skills deficits across the planning, construction and retrofitting industries, and to engage in dialogue with the construction industry on improving training in skills required for refurbishment and renovation of existing homes. We intend to return to this area in more detail later this year during our inquiry into Planning Skills. (Paragraph 94).

To deliver the Government's ambitions for housing growth, higher environmental standards and better places to live, we need the right number and mix of skilled workers.

Government has an important role to play by working with employers, trade unions and skills providers to ensure that education, vocational training, occupational standards and qualifications deliver the skilled workers needed.

Research by the Construction Industry Council, The Construction Skills Network, ConstructionSkills, the Office of Government Commerce and the Academy for Sustainable Communities, published in September 2007, all point to recruitment and retention difficulties, skills shortages and skills gaps. Our priority is to build capacity and improve skills across a broad range of sectors such as construction workers, built environment professionals, including planners, local government officers and to address skills gaps.

In following up our commitments in the Housing green paper¹³ in July last year we will continue to play a lead role in bringing the partners and individual sectors together to agree and implement a coordinated approach.

We are working with the Sector Skills Councils to ensure that appropriate training is available to deliver the types of skills we will need for the future.

¹²www.berr.gov.uk/energy/sources/sustainable/microgeneration/research/page38208.html

¹³Homes for the future: more affordable, more sustainable www.communities.gov.uk/publications/housing/homesforfuture

On planning specifically, we are delivering a programme to boost the skills and capacity of local authority planners. For example in 2004–2005 we launched a Post Graduate Planning Bursary Scheme, which has financed 513 bursaries for students wishing to train to become planners via the post graduate training route to date.

The Government have also funded the creation and operation of two distance learning planning courses delivered by the University of the West of England at Bristol, an MA in Spatial Planning, designed as a CPD option for planning practitioners; and a Foundation Degree in Planning, designed to provide an initial professional planning qualification for planning support staff.

On construction skills we expect the industry to respond to consumer demand for retrofitting, including investing in the skills required to enable retrofitting. The Sector Skills Councils are employer led independent, strategic UK wide organisations. It is their role to work with employers in their sector to identify skills needs. They then work with the education and skills system on the solutions needed to meet each sector's identified need.

SummitSkills, ConstructionSkills, AssetSkills and ProSkills are the Sector Skills Councils that cover the industries involved in retrofitting homes. Each of them has developed a Sector Skills Agreement as a key mechanism for articulating skills demand in their sectors, and to provide a framework for them to work with employers in their sectors and with key delivery agencies to address priority skills issues.

The Government will be looking further to assess the skills challenges arising from the Government's Housing Strategy, and will work with key stakeholders to investigate if a Skills Sector Agreement for house building, or something like it, would aid in the delivery of the Government's Housing Strategy.



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