

Energy Saving Trust's response to the Scottish Government's call for evidence to Inform the consideration of the future expansion of the Home Energy Efficiency Equity Loan Pilot to a nationwide support scheme

Submitted 8 October 2021

1. What is your view on the use of equity in people's homes in order to support the decarbonisation of buildings and the improvement of energy efficiency as a means to improve wellbeing and support independent living? Please explain your answer.

Energy Saving Trust believes it is important that a wide range of financial support schemes to support the decarbonisation of buildings and the improvement of energy efficiency, is available to suit all consumers and their needs so that changes in people's homes can happen at the pace needed to support the Scottish Government's ambitions. We also believe it is important to mobilise private investment because, as the consultation notes *"whilst public funding will be part of the solution, investment from individuals through mechanisms, such as the equity loan, will be an essential financial tool which will support the decarbonisation of homes"*.

With the forthcoming introduction of regulation, the availability of appropriate finance will be particularly important to ensure compliance with standards and to help avoid significant backlash against regulation.

In addition, as the consultation notes, there are people who are neither eligible for the Scottish Government's standard interest free loans nor for support under the Scottish Government's national fuel poverty programme and it is this gap in the market that the equity loan pilot was designed to fill. People without significant regular income but who hold equity in their property can access this scheme to improve their homes, which allows them to live more comfortably in their existing homes, rather than needing to find alternative accommodation. This coupled with the repairs element of the equity loan can be seen as a benefit unique to this scheme which will help to improve wellbeing and support independent living.

For all these reasons we think that the use of equity loans has a role to play not only in supporting people in Scotland to improve the energy performance of their homes but also in supporting independent living and improving wellbeing.

2. If you have direct experience of the equity loan pilot, please provide views or evidence on the impact of the loan product and support provided.

As the organisation that manages the equity loan pilot on behalf of the Scottish Government Energy Saving Trust has direct experience of the equity loan pilot. As noted in the consultation document our feedback on the impact on the impact of the loan product and support provided is *"largely positive about the benefits"*.

It is important that householders have investigated various different options before deciding to take out an equity loan. We believe that this type of support should continue to be provided, if the scheme is rolled out nationally. It is also important that householders receive adequate levels of support throughout the rest of the process. Under the equity loan pilot householders have been "handheld" through the process by a Care and Repair officer and we believe that a similar type of handholding support will continue to be important if the scheme is rolled out nationally.

3. Do you have views on the eligibility and scope of the pilot as it exists now? Please explain your views.

As the consultation document notes the *"pilot enables older homeowners, those who receive disability benefits and services, and those who may be seen as vulnerable consumers who may have minimal liquid assets, an opportunity to release equity to carry out required energy efficiency and maintenance improvements allowing them to remain living independently in their home and their community for as long as possible."* These are homeowners who, as noted above, are neither eligible for the Scottish Government's standard interest free loans nor for support under the Scottish Government's national fuel poverty programme. Under both of these programmes (the Scottish Government's standard interest free loans and the Scottish Government's national fuel poverty programme) householders receive substantial levels of subsidy. However, while there is cashback associated with the standard loans there is no cashback associated under the equity loan pilot – indeed there is no level of subsidy provided. There is therefore a discrepancy in the level of subsidy provided to different groups with those that are arguably more disadvantaged (as the consultation document notes the pilot has aimed to help *"older homeowners, those who receive disability benefits and services, and those who may be seen as vulnerable consumers who may have minimal liquid assets"*) receiving less subsidy than others who are arguably less disadvantaged (i.e. those receiving cashback with the Scottish Government's standard interest free loans). In this

context we believe that consideration should be given to reviewing the levels of subsidy under any future nationwide equity scheme.

We also believe that that the scope of any future scheme could be expanded to cover all council tax bands (i.e. not just Council Tax bands A-C). While fuel poverty rates generally decrease as council tax bands increase¹ fuel poverty is still prevalent amongst those living in all council tax bands. It would therefore make sense to ensure that those living in council tax bands D-H who aren't eligible for support under the Scottish Government's Warmer Homes Scotland programme and who are not eligible for the Scottish Government's standard interest free loans have a funding route available to them.

4. What is your view on the contribution a nationwide equity loan scheme focused on both energy efficiency and decarbonised heat solutions can make towards supporting our climate change and fuel poverty targets? Please explain your answer.

We think that a nationwide equity loan scheme focussed on both energy efficiency and decarbonised heat has an important contribution to make towards supporting the Scottish Government's climate change and fuel poverty targets. It is important to bear in mind that the equity loan is a niche product and it will not deliver the Scottish Government's climate change and fuel poverty targets alone but it will bridge an important gap in the market and play a role in ensuring that no-one is left behind as Scotland transitions to net zero.

In order to drive greater uptake of equity loans we think any national roll-out would need to have sufficient publicity in order to drive widespread awareness of this financial support option.

5. Please provide your views on the proposal to expand the equity loan pilot to a full nationwide support scheme, please explain your position.

Energy Saving Trust supports the Scottish Government's proposal to expand the equity loan pilot to a full nationwide support scheme. This is because, as noted in our response to question 1 above, it is important that a wide range of financial support schemes is available to suit all customers and their needs, that private investment is mobilised, that appropriate finance is available to ensure compliance with forthcoming standards and that the gap in funding for those who are neither eligible for the Scottish Government's

¹ See: <https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2020/12/scottish-house-condition-survey-2019-key-findings/documents/scottish-house-condition-survey-2019-key-findings/scottish-house-condition-survey-2019-key-findings/govscot%3Adocument/scottish-house-condition-survey-2019-key-findings.pdf?forceDownload=true>

standard interest free loans nor for support under the Scottish Government's national fuel poverty programme is filled.

6. Do you have a view on which energy efficient measures and zero emission heating solutions should be included in the list of eligible measures? Please explain your position.

We support the proposal outlined in the consultation that "*secondary technologies will be considered such as solar PV and thermal storage*" where zero emission heat solutions are not technically feasible or financially viable, or where they would otherwise lead to higher running costs for fuel poor households.

We would like to make the following additional points in relation to which energy efficiency measures and zero emission heating solution should be included in the list of eligible measures:

- We think that consideration should be given to only including the most efficient types of electrical storage heaters on the list of eligible measures. Consideration could also be given to including only heating systems that support decarbonisation through increased flexibility of electricity use – for example, smart high retention storage heaters running on time-of-use tariffs.
- We note that public subsidies for oil and LPG boilers have recently ended, and we think that public support for gas boilers (where appropriate) should be phased out from 2025 and as such we think that gas connection should no longer be an eligible measure (unless no alternative options exist for any particular property) after that date. This timescale would be broadly consistent with the timescales for removing public support for LPG and oil and the dates by which the Scottish Government has indicated that it will phase out the need to install replacement fossil fuel boilers in off-gas areas (i.e., leading the way with the removal of public support c. 5 years in advance of an overall phase out).
- Consideration could also be given to measures that might increase uptake of the equity loan offer and/or further improve wellbeing. Energiesprong in the Netherlands for example offers new kitchens and bathrooms as part of the wider retrofit offer.

7. a: Do you agree that a nationwide equity loan can support the reduction of fuel poverty in Scotland?

Yes, Energy Saving Trust agrees that a nationwide equity loan can support the reduction of fuel poverty in Scotland.

b: Do you have any suggestions on how a future scheme could better support a reduction in fuel poverty in Scotland? Please explain your answer.

We think that a future scheme could better support a reduction in fuel poverty in Scotland in the following ways:

- By expanding the scheme to cover the whole of Scotland so that greater numbers of fuel poor households can benefit.
- By expanding the scheme to cover properties in all council tax bands (i.e., not just Council Tax bands A-C) so that greater numbers of fuel poor households can benefit.
- By undertaking work to overcome delays with the legal process in order that fuel poor households can benefit from the support offered by the scheme much earlier.

8. a: The equity loan pilot uses the EPC recommendations as a basis for eligible measures which can be funded by the loan and we will be consulting on a reformed EPC assessment process to better align with wider net zero objectives as part of our Heat in Buildings Strategy. Do you agree with using the EPC in this way for a future scheme?

Yes, Energy Saving Trust agrees that the EPC should be used in this way for a future scheme.

b: Can you provide any alternatives? Please explain your position.

No, we agree with the use of EPC recommendations.

9. a: Do you agree with the proposed approach to consumer protection set out above?

We support the Scottish Government's aim to "*create the necessary environment to allow exemplary practice to become the norm and to ensure that confidence in energy efficiency and zero emissions heat measures is not undermined by poor or illegal practice*". In this context we also support their proposal to adopt the latest retrofit standards.

We are also supportive of the fact that the Scottish Government is "*considering the use of the UK Government endorsed TrustMark quality assurance framework*". As noted in our response to February's draft Heat in Buildings Strategy consultation we with think it is sensible to have a quality assurance framework that is consistent with that in other parts of GB, and provided it ensures in practice that installations are of high standard, customer

satisfaction is high and that any issues are addressed swiftly, the Scottish Government should adopt the UK government's TrustMark quality assurance framework

b: Are there any additional consumer protection measures that can be considered within Scottish Government competence? Please explain your position.

As noted in our response to February's draft Heat in Buildings Strategy consultation it will be vitally important that consumers are confident that the measures are appropriate to their home, the measures are fit for purpose and reliable, designed appropriately and installed by operatives who have the appropriate skills for their trade and who work to industry standards. Ultimately consumers need to know that work has been carried out to a high standard and that if it is not there is a system in place to rectify any problems quickly (ideally a single point of contact for recourse). The skills of the assessors, designers and installers are therefore of paramount importance. However, in addition to that, protections need to be in place should any link in the supply chain fail. For example, by ensuring designers have indemnity insurance and installers use products that come with a manufacturer warranty as well as a workmanship warranty which is also backed up either by insurance or by a trade body to ensure that consumers have redress even if the original company ceases to trade. Finally, as added protection we believe independent inspections of the work need to be carried out and should the work be deemed unsatisfactory then the supplier should be required to rectify it. If there are frequent non-compliance issues then there needs to be robust enforcement including the removal of suppliers from any approved, public facing, supplier directory.

10. The expansion of the pilot could provide a greater opportunity for eligible homeowners to participate in scheduled refurbishment works being undertaken by local housing associations and local authorities. Do you have suggestions on how best to achieve such a working partnership? Please explain your position.

We think that such a working partnership would benefit from having a dedicated member of staff within the team that manages the delivery of the equity loan scheme. This team member would be able to liaise directly with local authorities and housing associations. This would help to establish a solid working relationship between the equity loan team and relevant staff members in local authorities and housing associations, raise awareness about the scheme and how it works, and ensure that the equity loan team are involved in/aware of relevant scheduled refurbishments as early as possible. The relevant team member could also build resources and relationships to enable a better understanding of the required payment terms early in the journey with individual local authorities and housing associations. On this later point (payment terms) we think that there could be scope to review the payment process specifically for local authority

and housing association projects, although it is important to note that there are elements of the existing process that cannot change.

- 11. Do you have any suggestions on how to ensure delivery of the scheme is efficient and robust, including the legal process and customer support service whilst ensuring value for money? Please explain your answer.**

We have a number of suggestions about how to ensure the delivery of the scheme is efficient and robust including:

- As noted in our response to question 7b we believe that further work could be undertaken to overcome delays with the legal process to ensure that households can benefit from the support offered by the scheme much earlier. For example, a framework of solicitors who are clear on the scheme's terms available to potential applicants could improve the legal process timescales.
- We also believe that there is scope to deliver support to householders in more efficient ways than under the pilot scheme – for example we think there is scope for some of the support that is currently provided in-home to be provided by phone.

- 12. Please provide your views on any challenges and/or opportunities offered by the potential expansion of the pilot.**

We think that there are significant opportunities to be gained from expanding the pilot into a nationwide scheme, – the principal opportunity is that it will increase the numbers of people that are able to benefit from the scheme and thus play a role in both alleviating fuel poverty and tackling climate change. There are a number of challenges that the expansion of the pilot will face including those associated with cost effectively developing a support network that works across the whole of Scotland. As noted in our answer to question 11 there may be opportunities here to offer a similar support service but less hands on, which may cost less.