



COMMUNITY  
ENERGY PLUS

## Home energy efficiency and demand reduction inquiry October 2015

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### The Energy and Climate Change Committee inquiry into home energy efficiency and demand reduction

Energy efficiency and demand reduction is one of the most cost effective ways to cut carbon emissions, improve energy security and reduce consumer bills. However, the Government has announced the end of two key policies - Zero Carbon Homes and the Green Deal - without bringing forward any replacement schemes. The Energy Company Obligation (ECO) is also due to come to an end in March 2017.

The Energy and Climate Change Committee are investigating what lessons can be learnt from these and previous energy efficiency schemes.

### Introduction to Community Energy Plus

Community Energy Plus is a charity and social enterprise providing services to help householders and communities in Cornwall enjoy warmer, more energy efficient homes. Since the charity's formation in 1998 we have worked in partnership with a wide range of public, private and third sector organisations to support a variety of innovative projects relating to energy efficiency and renewable energy in Cornwall. Before 2014, a significant focus of our charity's work has been the delivery of energy efficient home improvements and we are proud to have installed loft, cavity wall and external wall insulation and heating improvements in over 25,000 Cornish homes.

### Executive Summary

- A 'one size fits all' approach to the design and delivery of energy efficiency initiatives have failed to meet the needs of rural housing stock, with little support available to 'hard to treat' properties and those not served by the gas network.
- Energy efficiency in the private rented sector lags behind the privately owned and social housing sectors. Private landlords are driven by cost implications and are often reluctant to make improvements when an upfront cost by them is required.
- The lack of consumer trust in energy suppliers and sometimes aggressive lead generation practices by call centres and doorstep sales people has hampered the take-up of previous

schemes.

- Successive schemes have focussed on delivering the lowest cost measures, often regardless of whether they were suitable for the property or deliver long term value for money.
- Uncertainty about the potential future implications of taking out Green Deal Finance and the high cost of the finance were barriers to the scheme's take up.
- Accreditation and extended warranty expenses added to costs of installing external wall insulation under ECO and GDHIF.
- The Green Deal and ECO were unnecessarily bureaucratic. Householder terms and conditions written in legalese contributed to high dropout rates.
- The application system for GDHIF was set up for predominantly online applications without help from third party intermediaries, making it difficult for elderly and vulnerable to engage.
- Short GDHIF voucher redemption timescales and the stop-start cycle of funding resulted in instability in the sector and will leave a legacy of reduced consumer confidence and take-up of any future funding opportunities for solid wall insulation.
- The management of the GDHIF resulted in customers incurring unnecessary expense, inconvenience and disappointment, installers losing time and revenue by providing quotes and technical surveys and significant job losses in the insulation industry.
- GDHIF precluded those who could not afford to contribute towards the cost of installing external wall insulation and vulnerable clients who were unable to independently take part in the application process.
- The payment of GDHIF vouchers on receipt of invoice without any inspection or checks on the properties claimed for, left the scheme open to fraud.
- The number of people in the UK who live in rented accommodation is above the European average and highlights the importance of placing a greater responsibility on private and social landlords to improve the energy efficiency of their housing stock.
- Successive energy efficiency schemes funded by levies on energy bills have failed to provide the level of assistance that is required to improve the energy efficiency of the country's housing stock. Community Energy Plus strongly believes that energy efficiency needs to become a UK national infrastructure priority, with support prioritised to the most vulnerable in our society.
- Future schemes need to ensure that those who are able to pay for measures are encouraged to do so and that a greater focus is placed on improving the standard of rented accommodation in particular. 0% interest loans for energy efficiency improvements, with a more streamlined application process than the Green Deal, could remove some of the barriers that are currently preventing many householders and private landlords from taking steps to improve the energy efficiency of their homes.

## **1. Why have previous approaches to energy efficiency failed to deliver significant results?**

- 1.1. We believe that the government has taken a 'one size fits all' approach to the design and delivery of energy efficiency initiatives which fail to meet the needs of rural housing stock. Successive schemes have focused on delivering the most cost effective measures and have failed to tackle the problem of improving the energy efficiency of homes with solid walls, which account for 35% of the Cornwall's housing stock. Boiler replacement schemes have focused on replacing gas boilers, meaning that around a half of homes in Cornwall which are not served by the gas network have been unable to take advantage of such offers.
- 1.2. Previous approaches have shown a bias towards improving the energy efficiency of social housing due to the ease of managing the delivery of schemes at the scale provided by housing associations. Private landlords are primarily driven by cost implications and are often reluctant to make improvements when an upfront cost is required. As landlords will not directly experience the financial and comfort benefits of living in a more energy efficient home, it can be difficult to persuade them to undertake improvements to the property.
- 1.3. While the availability of free and heavily subsidised loft and cavity wall insulation through CERT funding has been extremely effective in facilitating loft insulation installation, in Cornwall we are aware through the delivery of our own CERT funded insulation scheme that there are a large number of properties without lofts or with more than 100mm of loft insulation which have not been eligible for top-ups to 270mm.
- 1.4. The rapid rise of energy bills and media coverage of the huge profits by energy suppliers has positioned the big six energy suppliers as being seen as untrustworthy. We believe that many households do not take up the offer of energy efficiency measures provided by energy companies because of the underlying mistrust that the measures offered are genuinely free. Although Community Energy Plus has accessed CERT funding from energy suppliers, their branding has been omitted in the marketing of our insulation schemes. We have relied heavily on our partnership with Cornwall Council, who are held in higher regard by Cornish householders. Community Energy Plus regularly receives telephone calls from local residents who are trying to establish if an energy efficiency offer made by a doorstep salesperson is bona fide. It is likely that the persistent and sometimes aggressive lead generation practices by call centres and doorstep salespeople further eroded consumer confidence and hindered the take-up of energy efficiency measures offered by previous schemes.

## **2. What lessons can be learnt from current and previous schemes including Green Deal, Green Deal Home Improvement Fund, and ECO?**

- 2.1. Successive energy efficiency schemes have focussed on delivering the lowest cost measures, often regardless of whether they were suitable for the property or deliver long term value for money. We are aware of numerous cases of householders currently suffering the consequences of sub-standard Warm Front heating system installations completed 5-7 years ago. We are consequently delivering projects to carry out remedial work to ensure that vulnerable householders are able to heat their properties from the systems which are now out of warranty, but should have many years of service remaining.

- 2.2. Green Deal Plans are predicated on householders taking out Green Deal Finance to pay for the installation of energy efficiency measures and the loan being repaid over an extended period through their electricity bills. We were aware that a number of householders who were considering Green Deal finance felt concern about the potential future implications of repaying the debt and how it may affect future tariff switching and possible negative reactions with potential buyers or tenants towards taking on a property with Green Deal Finance attached to it. While the government provided reassurances to cover all of these issues, to householders and landlords considering Green Deal Finance, they were theoretical assurances which were yet to be tested in real life applications.
- 2.3. Green Deal Finance was expensive and for householders it was preferable to access finance elsewhere. This created a two tier system where those with savings, equity in their property or the ability to access finance, were able install energy efficiency measures such as double glazing and boiler replacements, whereas the less able to pay were either penalised by higher finance costs associated with Green Deal or were unable to progress with making their homes more energy efficient.
- 2.4. We know from our own experience of setting up an external wall insulation scheme, that installation costs are inflated in order for the installer to recover costs incurred through gaining and maintaining accreditation and in order to fulfill warranties. For example the standard warranties provided for an external wall insulation installation would be a 5 year installer guarantee and 10 year product guarantee. In order to meet ECO criteria our scheme required installers to provide a 25 year warranty.
- 2.5. The Green Deal and ECO were unnecessarily bureaucratic from both a service provider's and householder's perspective. An application for external wall insulation would typically require eight telephone calls and two home visits (for a GDA and technical survey). The process also involved an extensive amount of paperwork written in legalese which led to many householders dropping out part way through their application.
- 2.6. In autumn 2012 we secured ECO funding which would enable us to deliver a heavily subsidised and in certain circumstances free, external wall insulation scheme in Cornwall. The large number of solid wall properties in Cornwall enabled the charity to quickly generate a pipeline of over 300 properties before the sudden changes to ECO funding announced in early 2014 led to the withdrawal of our ECO funding. For a short time we hoped that the GDHIF would be able to help some of the householders with a grant towards the substantial costs of making their homes more energy efficient, however the rapid take-up of funding resulted in the scheme closing before the majority of the householders we were working with were able to take advantage of the opportunity. We anticipate that the legacy of the sudden stop-start nature of external wall insulation funding will be reduced consumer confidence and take-up of any future funding opportunities for solid wall insulation.
- 2.7. The application system for GDHIF was set up for predominantly online applications. There were many elderly and vulnerable customers who required the help of a third party to help them with this, which was made difficult as GDHIF scheme administrators could only speak directly to customers and not third party advocates. Effectively, many of these people were precluded from the scheme as charities and support organisations were unable help them within these restrictions.

- 2.8. The GDHIF voucher scheme only allowed 6 months for the work to be completed. This combined with the short periods in which applications could be made, resulted in installers having unmanageable workloads as all customers needed work to be done at the same time. The stop-start cycle meant that installers had to lay off staff during the in-between periods and be able to recruit the necessary skills at short notice to meet the next period of demand. The negative effects of this lack of continuity reverberated throughout the supply chain as well as ultimately to the end customers.
  - 2.9. Many customers who tried to be proactive in getting their quotes, EPCs and GDAs ready in time for the next release, found that they could not recover their expected GDA cashbacks or other associated costs.
  - 2.10. It has been reported that the rapid take-up of GDHIF funding in order to install external wall insulation, was the result of speculative or “phantom” activity taking place where vouchers were being issued without genuine customers agreeing to the Scheme terms and conditions. However, there has to date been no reporting of the outcome of that speculation or how many of the suspected “phantom” vouchers were redeemed.
  - 2.11. The way in which GDHIF was managed resulted in customers incurring unnecessary expense, inconvenience and disappointment, installers losing time and revenue providing quotes and technical surveys and significant job losses in the insulation industry. As a cashback scheme, it helped only those who could already afford to pay and precluded those who could not, it disadvantaged the vulnerable who were unable to independently take part in the application process. The payment of vouchers on receipt of invoice without any inspection or checks on the properties claimed for left the scheme open to fraud.
3. **How does the UK’s performance on home energy efficiency compare with other countries? What lessons can be learned from these countries on energy efficiency?**
- 3.1. It has also been well documented that the UK has one of the highest levels of excess winter deaths (which is linked with fuel poverty and energy efficiency) across the whole of EU. The UK currently, has 10.4% of its population living in fuel poverty, and in Cornwall we have an average of 14.4% - which rises to as high as 32% in some Local Super Output Areas. Excess winter deaths and high levels of fuel poverty are due to the housing stock being inefficient, less well insulated and a poorer standard than other EU countries, which results in lower indoor temperatures, illness and death.
  - 3.2. The number of people in the UK who live in rented accommodation is above the European average and highlights the importance of placing a greater responsibility on Landlords to improve the energy efficiency of their housing stock. We believe that the minimum energy efficiency standard that will come into force in 2018 does not go far enough in its requirement for private landlords to achieve an EPC level of E or above.
  - 3.3. Gas prices in Nordic countries are significantly higher than in the UK. This has forced the market to find more cost effective means of heating their homes and district heat solutions are now commonplace.
4. **Recommendations for action**
- 4.1. Successive energy efficiency schemes funded by levies on energy bills have failed to provide the level of assistance that is required to improve the energy efficiency of the country’s

housing stock. Community Energy Plus strongly believes that energy efficiency needs to become a UK national infrastructure priority and be allocated sufficient funding to make cold homes and fuel debt part of our history.

- 4.2. The government needs to provide a long term commitment to delivering a future where everyone can afford to enjoy warm and healthy homes. It is essential that support is prioritised to the most vulnerable in our society.
- 4.3. It is also important that those who are able to pay for measures are encouraged to do so and that a greater focus is placed on improving the standard of rented accommodation in particular. We believe that the availability of 0% interest loans for energy efficiency improvements, while ensuring that process of applying for finance is less onerous than the Green Deal, could remove some of the barriers that are currently preventing many householders and private landlords from taking steps to improve the energy efficiency of their homes.