

December 2016

## Energy Saving Trust submission: London's Environment Strategy

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Energy Saving Trust is pleased to feed in to the Greater London Authority's consultation process to update its Environment Strategy. We attended the GLA's workshop event as part of this process and recently our CEO, Philip Sellwood, gave oral evidence to the London Assembly Environment Committee as part of its inquiry into fuel poverty and energy efficiency, following up with a written submission. This has all fed into the response below.

Energy Saving Trust is the leading, impartial sustainable energy organisation. We work on behalf of governments and businesses across the UK providing services in the area of data, assurance, grant and loan administration, consumer engagement and advice.

For the Department for Business, Energy and Industrial Strategy (BEIS) the Energy Saving Trust delivers the telephone-based Energy Saving Advice Service in England and Wales. We also undertake other research and awareness-raising work for the department on a project-by-project basis. Prior to the coalition government, for over 15 years, the Energy Saving Trust ran national energy advice services as a grant-funded organisation.

In Scotland the Energy Saving Trust is a principal delivery partner of the Scottish Government for home energy efficiency. We run comprehensive local and national advice and support programmes.

Public engagement on energy is at the heart of our work. In total each year the Energy Saving Trust handles just under half a million energy efficiency advice calls on behalf of UK and Scottish governments. Energy Saving Trust has a unique relationship with the public around energy saving and renewable energy and our response reflects that.

## 1. Key points

- London is doing poorly on both renewable energy deployment and domestic retrofit.
- The Mayor has the opportunity to ramp up ambition and delivery, making use not only of his mayoral powers but also of his 'soft powers'.

- Our 'key asks' are:

### *Energy efficiency*

- We call on the Mayor to set **energy efficiency as a London infrastructure priority**, building on the ground breaking zero carbon homes policy, to reinvigorate lagging home retrofit policy.
- Incorporate the '**efficiency first**' principle in all things energy and buildings related, in recognition of the fact that the cheapest energy is the energy that is not used.
- Ten years ago, Scotland, like London, was missing out on its fair share of ECO funding. Through a systematic capacity building and support programme Scotland now gets more than its per-capita share of ECO money. **London needs a similar systematic approach to overcome barriers to energy efficiency and ECO uptake.**
- Strong enforcement of the **Private Rented Sector** (PRS) minimum energy efficiency standards and explore options to introduce stricter requirements through licensing, and health and safety regulations.
- Map out options for London to introduce its own minimum energy performance standards for the private sector, both owner occupier and private rented.
- 50% of London's homes are flats and flats have had significantly lower rates of energy efficiency refurbishment than homes. A systematic review and **action plan is needed to address the complex regulatory and other barriers to retrofitting flats.**
- Create new partnerships and identify how to make best use of existing national advice services, such the Energy Saving Advice Service, to ensure that London energy programmes and Energy for Londoners can **provide the best possible advice and support to London's citizens in energy efficiency and switching energy suppliers.**

### *Renewable energy*

- **Offer GLA and TfL buildings' roofspace to community energy groups** to host renewable energy installations and purchase the energy produced.
- Set out **standard lease and PPA agreements for buying energy from community groups** for use by the GLA, TfL, London Boroughs and potentially to be used as a template for the private sector.
- Follow the recent example of the Welsh government, and work towards **procuring 100% of GLA's electricity from renewable sources.**

## 2. Current situation and trends

London is currently underperforming on home energy efficiency, receiving less than its fair share of ECO funding and failing to retrofit at sufficient scale<sup>1</sup>. The zero carbon homes policy shows that the right political will can achieve a lot however and we believe the updated Environment Strategy presents a clear opportunity to increase ambition on home energy efficiency and renewable energy generation and get London back on track.

In per capita terms London is missing out on Energy Company Obligation (ECO) funds. London has in fact received the lowest number of improvements per 1000 households of all regions in GB<sup>2</sup>: 34 measures per 1000 households compared to the GB average of 58. The poor performance of London is in stark contrast to Scotland where 77 households out of 1000 have received measures. This is a profound reversal for Scotland: ten years ago Scotland, as well as London, was missing out on its fair share of ECO funding<sup>3</sup>.

The reversal in Scotland's uptake of ECO has a lot to do with the strong emphasis that the Scottish Government has placed on energy efficiency, putting in place a comprehensive range of energy efficiency programmes, all of which can be reached through the one-stop-shop advice service, Home Energy Scotland. The Scottish Government has explicitly sought to design its programmes so that they can leverage in ECO funds, and – working with the Energy Saving Trust – provides local authorities, housing associations and other relevant local actors support in attracting and making best use of ECO money.

We recommend that London learn from the Scottish example by designing its energy efficiency programmes to make best use of ECO funding. Energy Saving Trust, based on our work with the Scottish Government, would be happy to discuss our experience in this area if of interest.

A key aspect of the Scottish approach has been to develop support programmes to address the specific energy efficiency challenges that Scotland faces. London, similarly, needs to focus on its distinct energy efficiency challenges – notably the high proportion of flats, older properties and private rented homes in the capital.

### ***Focusing on flats***

Fifty percent of London's homes are flats and flats have tended to miss out on energy efficiency measures and ECO funding<sup>4</sup> because it is complex to get freeholders to agree to install measures and leasehold law poses multiple barriers to installation of measures. Further, ECO affordable warmth

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<sup>1</sup> [https://www.london.gov.uk/sites/default/files/gla\\_migrate\\_files\\_destination/Carbon%20targets%20report-Could%20Do%20Better.pdf](https://www.london.gov.uk/sites/default/files/gla_migrate_files_destination/Carbon%20targets%20report-Could%20Do%20Better.pdf)

<sup>2</sup> Household Energy Efficiency National Statistics, headline release October 2016. BEIS: <https://www.gov.uk/government/statistics/household-energy-efficiency-national-statistics-headline-release-october-2016>

<sup>3</sup> See Halcrow Group, 2008 *Review of Energy Efficiency and Microgeneration Support In Scotland* p.118 published by Scottish Government <http://www.gov.scot/Resource/Doc/225346/0060948.pdf>

<sup>4</sup> See English Housing Survey analysis undertaken by EST Policy Advisor published by UKACE – <http://www.ukace.org/2016/02/taking-action-to-improve-energy-refurbishment-of-flats/>

funding has supported gas boiler replacements and many flats are electrically heated (up to July 2015 only 4.9% of measures under ECO affordable warmth funding had been installed in flats<sup>5</sup>).

There is also a particularly high proportion of flats in converted houses in London. Converted flats are the least energy efficient homes in the housing stock, over twice as likely to pose a serious “excess cold” health and safety risk to residents as other homes in the stock<sup>6</sup>. These are particularly problematic homes because converted flats tend to be in Victorian buildings: the technical problems of improving these old, hard-to-treat houses are compounded by the complexities of multiple decision makers and freehold/leasehold law.

These are complex problems though there is progress being made in some area (e.g. the Energy Saving Trust is involved in research led by Oxford University Law Faculty into how amendments to leasehold law could facilitate more retrofit in flats). GLA needs to produce a focused review and action plan that considers specifically how refurbishment rates in flats can be increased.

### ***Private Rented Sector***

Fuel poverty is a particular challenge in London due to the prominence of the Private Rented Sector (PRS), which represents around 27% of the London housing stock<sup>7</sup>. The PRS has the highest proportion of residents in fuel poverty, and the highest proportion of non-decent and highly energy inefficient homes: 28% of private renters live in non-decent dwelling compared to 18% of owner occupiers and 14% of social renters<sup>8</sup>. As such we urge the Mayor and the GLA to put in place a robust enforcement mechanism ahead of the introduction of the minimum energy efficiency standards for the Private Rented Sector to ensure the regulations deliver the intended benefits.

#### *The case to central government: Minimum PRS standards*

No private rented home should rate below an “E” on an Energy Performance Certificate. We ask the GLA to make the case to central government for a rigorous implementation of the minimum energy efficiency standards in the private rented sector which will take effect from 2018. As the plans to implement this policy currently stand, landlords of homes below the minimum standard will not be required to make energy efficiency improvements unless there are grants or subsidies available to cover the full cost. We believe this is practically unworkable and that landlords should be required to pay for upgrades to bring their properties up to the minimum, decent ‘E’ EPC rating. There is little disagreement that auto manufacturers should be required to produce vehicles that meet minimum safety standards and we believe the same principle applies to rented accommodation. The government has discussed amending the secondary regulations so that landlords of F/G banded homes should have to pay for the upgrades to bring them to an E standard, within a £5,000 cap. We accept this proposal, but it needs to be put into secondary regulation as soon as possible if landlords

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<sup>5</sup> DECC, ‘Data tables: Green Deal, ECO and insulation levels, up to June 2015’ (2015) Table 1.12a [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/461301/Detailed\\_GD\\_ECO\\_and\\_insulation\\_statistics\\_tables\\_-\\_17\\_Sept\\_2015\\_Final.xlsx](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/461301/Detailed_GD_ECO_and_insulation_statistics_tables_-_17_Sept_2015_Final.xlsx) accessed 16 July 2016

<sup>6</sup> English Housing Survey Profile of English Housing 2012 Ch. 3, Tables 3.3 & 3.9

<sup>7</sup> English Housing Survey Headline Report. Annex 1: table 1.2. 2016 <https://www.gov.uk/government/statistics/english-housing-survey-2014-to-2015-headline-report>

<sup>8</sup> English Housing Survey Private Rented Sector report 2016 p3: <https://www.gov.uk/government/statistics/english-housing-survey-2014-to-2015-private-rented-sector-report>

are going to have time to prepare for the policy coming into effect. We suggest the Mayor should make a strong, urgent case for government to make this amendment to secondary regulations – as well as calling for a new, national grant scheme to cover the cost of upgrades to bring PRS homes to an E standard where these cost more than £5,000.

#### *Making best use of licensing and enforcement*

Boroughs have robust powers to tackle cold homes in the private rented sector under the 2004 Housing Act which: - requires licensing of all larger HMOs; allows additional licensing of smaller HMOs; allows selective licensing of problem PRS areas; and sets in place the Housing, Health and Safety Rating System under which landlords can be required to improve homes that pose an excess cold risk. It is vital that these 2004 Housing Act powers are used in full to tackle fuel poverty. Doing so means:

- Integrating requirements for basic energy efficiency measures into borough's HMO and selective/additional licensing scheme conditions and advisory documents – GLA can work with boroughs on this.
- Working with boroughs to ensure that housing environmental health and private sector housing teams are adequately staffed and resourced. One of the most dangerous aspects of the local authority cuts, in our view, has been the reduction in the number of council environmental health staff able to visit and act on dangerously cold homes in the private rented sector.

### **3. The benefits of greater home energy efficiency for London**

With the ambition of ECO being significantly reduced<sup>9</sup>, the failure of the Green Deal and the RE:NEW programme falling behind on its targets<sup>10</sup> it is clear that to deliver 2.9m retrofits by 2025 much greater ambition is needed.

The Scottish Government tailors its policies and policy objectives to tackle the specific challenges with the Scottish housing stock, for instance placing a lot of importance on rural fuel poverty. In London a similar tailored approach is needed to overcome the barriers in making energy efficiency improvements in the private rented sector and flats – the GLA and London Boroughs therefore have a vital role to play. It is common knowledge that policy is not effective if undertaken in a piecemeal fashion and to date this seems to have been the case in London, partly explaining the difficulty London has encountered in tackling home energy efficiency and fuel poverty. Although there are a number of policies to improve the energy efficiency of the built environment in London such as RE:NEW, RE:FIT and the Zero Carbon Homes policy, they have not been developed and implemented in a systematic, joined up way. The Environment Strategy presents an ideal opportunity to address this by forming a coherent and comprehensive plan to improve the energy efficiency of the London housing stock.

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<sup>9</sup> Consumer Funded Policies Report Table 11. BEIS. 2016 <https://www.gov.uk/government/publications/consumer-funded-policies-report>

<sup>10</sup> [https://www.london.gov.uk/sites/default/files/gla\\_migrate\\_files\\_destination/Carbon%20targets%20report-Could%20Do%20Better.pdf](https://www.london.gov.uk/sites/default/files/gla_migrate_files_destination/Carbon%20targets%20report-Could%20Do%20Better.pdf)

We propose a number of high level actions to move the home energy efficiency agenda forward:

- Set energy efficiency as a London infrastructure priority and integrate the energy efficiency first principle into GLA decision making, in recognition of energy efficiency as the first fuel: the cheapest energy being the energy you don't use
- Map out the options available to the GLA to introduce minimum energy performance standards for existing homes with a view of introducing a binding target before the end of this mayoral term
- Work with local authorities to ensure that carbon offset payments from zero carbon homes are coordinated and go towards domestic retrofit programmes.

**We call on the Mayor of London to set energy efficiency as a “London infrastructure priority”,** building on the ground-breaking zero carbon homes policy, to reinvigorate energy efficiency retrofit in the capital and in recognition of its wider benefits. By assigning energy efficiency the status of an infrastructure priority and establishing a clear delivery programme, long-term stability for energy efficiency funding and policy can be established, giving home owners and the public and private sectors the certainty to invest in improving the energy efficiency of the London housing stock. To have real impact, this commitment needs to make clear the intended outcome which would ideally be built around a set of ambitious and binding minimum energy performance targets across all tenures and house types. To our knowledge with London's limited devolved powers this is not currently possible and as such we recommend that the GLA sets up an expert working group to consider: - what current powers permit (legislative, planning, etc.); - the powers GLA and London boroughs would need to take effective regulatory action; - the costs and benefits of different possible targets, including considering supporting programmes. This would mirror the work undertaken by the Regulation of Energy Efficiency in Private Sector Homes (REEPS) working group<sup>11</sup>, set up by the Scottish Government, and would enable an informed discussion around next steps for London's existing housing stock.

Working towards a binding minimum target would achieve progress across many policy objectives, including – tackling fuel poverty and climate change, reducing ill-health, and creating and sustaining jobs spread across the capital. There is a substantial and growing amount of literature on the multiple benefits of energy efficiency. These include significant benefits in terms of economic growth and job creation, which would be a substantial boost to London's ability to create a thriving low carbon sector. In addition there are important health benefits to energy efficiency improvements, the NICE guidelines<sup>12</sup> on excess winter deaths, for instance, recognise the importance of well insulated, warm homes for health. An Energy Saving Trust paper<sup>13</sup> shows that the health benefits of energy efficiency (as a part of high quality housing retrofit) are increasingly referenced by government but do not make it fully into official final cost-benefit analyses in policy analyses. Similarly the jobs and growth benefits (energy efficiency delivers local jobs at all skills levels) could

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<sup>11</sup> <http://www.gov.scot/Topics/Built-Environment/Housing/sustainable/Energy-efficiency-private-sector-homes/REEPS-Working-Group>

<sup>12</sup> Excess winter deaths and illness and the health risks associated with cold homes. 2015. NICE. <https://www.nice.org.uk/guidance/ng6>

<sup>13</sup> Capturing the "multiple benefits" of energy efficiency in practice: the UK examples. 2015. <http://www.energysavingtrust.org.uk/about-us/our-policy-work>

be much better accounted for and considered: a Verco & Cambridge Econometrics report<sup>14</sup> finds that a national retrofit programme would result in £3.20 of increased GDP and £1.27 of tax revenue for every £1 invested in energy efficiency. In this way the proposed investment programme pays for itself in less than 10 years and yields net revenue for the government after that. A study comparing buildings interventions in Milton Keynes versus London, looking at a 2010-2050 timeframe, showed that London housing can achieve significant reductions in CO2 emissions, improvements in health and reductions in energy demand. The study finds that significant energy efficiency improvements result in increases in average life expectancy at birth of 4-5 months<sup>15</sup>. All this highlights the importance of getting retrofit right in the capital and the important benefits associated with home energy efficiency, benefits that are often not captured in the standard cost-benefit analysis process but that should be an important part of decision making.

Again, there are learnings from Scotland on this point and the Energy Saving Trust would be pleased to share the experience of our staff working closely with the Scottish government. Energy efficiency was designated a national infrastructure priority by the Scottish Government last June. Setting energy efficiency as a London infrastructure priority sends a strong message to all stakeholders that the Mayor takes the issues of fuel poverty, climate change and low carbon growth seriously and recognises the benefits that large scale investment in energy efficiency brings. It would also bring London in line with European Commission thinking on the issue which is pushing forward the principle of energy efficiency as the first fuel in EU legislation.

Linked to the idea of building energy efficiency as infrastructure, is the concept of “energy efficiency first.” In its recently published winter package the European Commission underpins its energy policy with the energy efficiency first principle. A report by E3G, Clientearth and RAP provides a detailed account of what ‘energy efficiency first’ means, explaining that “E1st” *“prioritizes investments in customer-side efficiency resources (including end-use energy efficiency and demand response) whenever they would cost less, or deliver more value, than investing in energy infrastructure, fuels, and supply alone”*. This seems like an inherently common-sense and intuitive approach to policy making however it is rarely adhered to consistently in practice. **Incorporating E1st into GLA governance structures would require decision makers to explicitly consider efficiency alongside other supply-side options and ensure that where available these lower cost options are prioritised.**

In Scotland setting energy efficiency as a national infrastructure priority has been very well received by political parties across the board, with the Scottish Conservatives, Greens, Liberal Democrats all committing to energy efficiency as an infrastructure priority in their 2016 manifestos (the SNP introduced it). **We think that a similar cross-party consensus can be built in London** if the current Mayor takes a leadership role on this issue and calls for energy efficiency to be a London infrastructure priority. This would be a unique and ground breaking announcement and something

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<sup>14</sup> Building the Future: The economic and fiscal impacts of making homes energy efficient. Verco and Cambridge Econometrics. 2014. <http://www.energybillrevolution.org/wp-content/uploads/2014/10/Building-the-Future-The-Economic-and-Fiscal-impacts-of-making-homes-energy-efficient.pdf>

<sup>15</sup> A tale of two cities: Comparison of impacts on CO2 emissions, the indoor environment and health of home energy efficiency strategies in London and Milton Keynes. Shrubsole et al. 2015. <http://www.sciencedirect.com/science/article/pii/S1352231015303198>



that we believe would receive broad support from businesses, NGOs and householders alike, as evidenced by the high levels of support the Energy Bill Revolution campaign received.

#### **4. Domestic and community energy generation**

As with energy efficiency retrofit, London is underperforming on renewable energy uptake. We believe that Energy for Londoners can play a very important role in changing this, but an ambitious programme of activity may be further for down the line. In the meantime **we think the GLA and TFL should offer roof space to community groups for PV projects and buy the energy generated.**

Community energy generation offers significant benefits in getting people engaged with energy, providing local, renewable energy to schools, community buildings, businesses and others and it can create a source of income that can be used for a variety of community benefits. The mayor should work with community group representatives to set up standardised lease and PPA agreements to reduce the administrative burden groups have to face. This would allow existing groups to create new projects and would also encourage new groups to set up by creating incentives and reducing the administrative burden they would face. By taking the lead on hosting community energy projects an important precedent would be set and we would like to see private organisations enter into similar agreements with community groups. Standardised templates to lease roofs and for power purchasing agreements (PPA) would be particularly useful to facilitate collaboration between community energy groups and private companies, reducing the ‘hassle factor’ and speeding up the process. There are many benefits to organisations that host solar PV on their buildings including the positive publicity it generates, improved ties with the local community, and potentially cheaper and more stable electricity prices.

**In line with the leadership role that the Mayor plays we also think that the GLA should be seeking to procure all of its energy from renewable sources. The Welsh Environment Cabinet Secretary, Lesley Griffiths, recently announced this for public services in Wales.** There is a requirement that 50% of that should come from Welsh sources with an ambition to increase it to 100% over time. We appreciate that for London local renewable procurement would not be feasible but it would set a strong example for the private sector and London Boroughs nonetheless. A 100% renewable energy requirement combined with mandatory local minimum (say at 25%) could also act as an important driver for public buildings to host community renewable projects.

In the longer term the Mayor’s office should set out a long term strategic vision for local energy, including solar, and the role that Energy for Londoners could play in engaging people with the Mayor’s green energy plans and creating a market for energy efficiency and renewables. We support the ambition for Energy for Londoners to become a supplier in its own right and believe that in doing this the scheme could play a vital role in supporting community energy groups, incentivising and encouraging the uptake of energy efficiency measures and playing a leading role in tackling fuel poverty in the capital.

#### **5. Energy prices and tariffs**

It will be difficult for the Mayor to bring about significant change in this area as he has limited powers. The most important thing the Mayor can do it to highlight issues that are particularly relevant to Londoners with BEIS and Ofgem and argue for strong action. Most of the issues relating to tariffs and energy markets have been looked in the Competition and Market Authority’s review of



the energy market with Ofgem currently consulting on how to implement its recommendations. The Mayor should feed into this process and work with Smart Energy GB and energy suppliers, as appropriate. Areas that might be of particular interest are:

- Ensuring technical barriers to installation of smart meters in flats are overcome and flats are prioritised for installation in the smart meter roll-out, given the high proportion of Londoners on low incomes – who most need to benefit from smart meters – living in flats. People in flats are more likely to be on lower incomes and as a result poorer people in London are likely to be some of the last in the queue for smart meters.<sup>16</sup>
- Ensuring that consumers on prepayment meters are given priority under the smart meter rollout.
- Make best use of existing advice services, such as the Energy Saving Advice Service, by signposting to it and ensuring that London energy programmes and Energy for Londoners make best use of any and all existing support programmes.
- Partnering with an impartial switching assistance programme to help guide households through the switching process. In Scotland Home Energy Scotland has partnered with Citrus Energy, a switching service run by a Scottish social housing provider, which assists households in finding the best energy tariff and guides them through the switching process. A similar model could be used in London.

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<sup>16</sup> See “Smart Meters in Flats: Quantifying the Problem in London and Other Urban Areas”, “Smart Meters in flats: will more deprived households have to wait longer for their meters?” [policypith.wordpress.com](http://policypith.wordpress.com)