

The Chartered Institute of Building

submission to

The Department of Energy and Climate Change (DECC)

on the consultation

Green Deal and Energy Company Obligation (ECO)

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CIOB response to Green Deal and Energy Company Obligation (ECO)

About the CIOB

The Chartered Institute of Building (CIOB) represents, for the public benefit, the most diverse set of construction management professionals in the construction industry.

Our Mission:

To contribute to the creation of a modern, progressive, and responsible construction industry; able to meet the economic, environmental and social challenges faced in the 21st century.

Our 7 Guiding Principles:

- Creating extraordinary people through professional learning and continuous personal development.
- Promoting the built environment as central to the quality of life for everyone everywhere.
- Achieving a sustainable future, worldwide.
- Advocating exemplary ethical practice and behaviour, integrity and transparency.
- Pursuing excellence in management practice, and technological innovation rooted in evidence based science.
- Being socially responsible and working responsibly.
- Enabling our members to find an emotional resonance with the Institute; their success is our success.

We have over 47,000 members around the world and are considered to be the international voice of the building professional, representing an unequalled body of knowledge concerning the management of the total building process. Chartered Member status is recognised internationally as the mark of a true, skilled professional in the construction industry and CIOB members have a common commitment to achieving and maintaining the highest possible standards within the built environment.

The CIOB puts sustainability at the heart of its business. We consider carbon dioxide emission reduction in the built environment as an absolute priority in achieving the targets set out in the UK Climate Change Act (2008). To this end, we have developed a free online toolkit called Carbon Action 2050 (www.carbonaction2050.com) to assist the industry in this aim; a toolkit which is part of the Government's response to the Low Carbon Construction IGT report.

Our submission below has been developed for the public benefit and is informed by feedback from our members, both as individuals and from our Chartered Building Company/Consultancy (CBC) scheme.

Executive Summary

The Chartered Institute of Building (CIOB) welcomes the opportunity to respond to this consultation on the *Green Deal and Energy Company Obligation (ECO)* from the Department of Energy and Climate Change (DECC).

- CIOB wholly supports the Government's commitment to energy efficiency and job creating initiatives, such as the Green Deal and ECO, as they have the potential to transform the energy efficiency of the UK's building stock, assist in eliminating fuel poverty, and contribute to a successful and world-leading construction industry and green economy. However, there are a number of issues, outlined in our response, that require addressing if the Green Deal is to succeed on these levels. Indeed, DECC's own Impact Assessment highlights a drop-off in insulation upgrades as a result of the Green Deal and ECO, meaning lost carbon savings and lost financial savings for consumers.
- We are concerned that the Green Deal in its current form offers no real incentives for consumers to actually install energy efficiency measures at their properties. Granted, the lack of an upfront cost appears to be an obvious benefit, and there is a small amount of money available for 'early adopters', but the fact remains that energy companies are struggling to even give away free (or, in some cases, incentivised) insulation, and that research from both DECC and others has shown that there are still notable numbers of consumers who either lack the knowledge or motivation to make their property more energy efficient.
- On the reverse to this, there also appear to be few regulatory mechanisms in place to guide the Green Deal into position. For example, the use of enhanced Building Regulations that link to the Green Deal in terms of consequential improvements when carrying out other works on properties could quicken the pace of change to the UK's existing building stock. We understand, of course, that regulatory burdens are a real concern but the Green Deal is an opportunity to guarantee that the regulatory system is proportionate and ensure that there is a proactive 'carrot and stick' approach that will help underpin the ethos of the Green Deal.
- The mechanics and principles of ECO need to be reviewed; it is essential that ECO is used in such a way as to provide support to all of those that live in fuel poverty or require support for other reasons, including in the social housing sector.
- We consider that, in a generic sense, the Green Deal options available must be listed to the general public, as well as the commercial sector, and be well understood. Advantages and disadvantages must be worked out and a conclusion reached. From the outset, however, the building must be understood in terms of its condition and its performance in-use (operation); options for retrofit and refurbishment

must consider the effects on both these aspects. We recommend ensuring work is not undertaken unnecessarily when alternative solutions, which might be more beneficial in the long-term, ought to have been considered. Assessors/advisors need to be fully aware of the benefits of good maintenance and repair and that the most simple and least expensive retrofit options may provide some of the best results, and should always be considered in the first instance.

- In order to protect the reputation of Green Deal, and to prevent the safeguards being built into it from being undermined by the use of unregulated contractors and sub-contractors, it is essential that all ancillary works are carried out by TrustMark registered firms.

Full Response

1. Do you feel the proposed requirements on Green Deal assessors set out in the main body and at Annex A of the Code of Practice are clear and robust enough to support the Green Deal assessment?

While many of the requirements do seem clear and robust, we believe that assessors should be independent rather than “impartial”. For example, under the current proposals, some Green Deal providers will potentially be in a position to prepare a valid EPC, to advise upon it *and* to carry out the work at the property. This offers a noteworthy risk that providers or installers could, via their assessors, influence which measures should be undertaken, with assessors choosing to favour those that the provider prefers to install, rather than those best for the property or that will lead to the biggest energy savings. The cheapest options, which are often the most energy efficient, should always be considered in the first instance. The use of commission based assessors will require careful management to avoid issues of bias or misrepresentation in selling the Green Deal, thus potentially undermining perception and impact.

The situation to avoid is one where building owners potentially pay excessive sums to achieve solutions that independent advice could have reduced significantly.

2. Can you think of any requirements that Green Deal assessors will need but that may not be covered by the suggested approach, combining National Occupational Standards (NOS) and Accreditation of Prior Experiential Learning (APEL)?

The suggested approach to training and qualifications for assessors is adequate, though requires a notable degree of caution. As a Green Deal assessment will be based on energy savings, future energy costs, capital costs of measures, cost of capital, and repayment schedules – all of which are complex – assessments need to be consistent and accurate. It is critical to ensure that there are guidelines, consistent methodologies and common assumptions that can be applied. This ensures consumer confidence and projected savings are actually delivered; lack of confidence in the ability of the assessors will lead to poor outcomes.

A strong understanding of Construction Technology is required as well as building performance. Otherwise, we envisage situations where work done under advice from an assessor will actually make the energy performance worse or have negative impacts on the building.

Assessors must have knowledge and understanding on pre-1920's buildings, which make up a significant number of UK properties and are often designated as 'hard-to-treat'. It is vitally important that assessors understand how the interface of measures work on solid wall buildings and retrofitting hard-to-treat properties.

3. In proposing to allow for the market to determine payment of assessors and cost of assessment, are there any further requirements we should be placing on assessors or providers in relation to (a) payment of assessors, (b) the cost of the assessment, or (c) declarations from the assessor?

See our response to Question 1 - if assessors are not independent, we agree that they must be required to declare this. In addition, it is imperative that appropriate safeguards are incorporated within the proposed certification framework and Code of Practice. Continuous independent monitoring of assessors is essential to ensure impartiality and credibility for the Green Deal that maintains and develops consumer confidence.

4. Do you agree with our proposed approach to third party assurance and enforcing compliance for those providing Green Deal assessments?

Yes, assuming that this is referring to Professional Indemnity Insurance (PII) and appropriate cover for such third party risks through building/public liability insurance.

5. Should the current EPC validity period for property transactions be used for Green Deal purposes or is a shorter validity period more likely to meet the needs of the Green Deal process?

In cases where changes have been carried out to the property that affect thermal performance, a shorter validity period of between 3 to 5 years is essential to determine if the projected energy savings are still being achieved. Indeed, this type of owner occupancy energy assessment is much-needed in order to determine trends related to domestic energy use and can lead to improvements to the Green Deal over time. An evaluation could be undertaken when a property is put up on the market or upon a change of ownership, ensuring that the new occupants are made aware of the effect of behaviour on energy bills and on how savings can be maximised through the use of energy efficiency measures. This will also likely improve uptake of the Green Deal.

6. Do you think that the approach to identifying and assessing non-domestic buildings, based upon the requirements and tools for Energy Performance Certificates, will capture all non-domestic buildings and business sectors for which the Green Deal is relevant?

Yes.

7. Are there alternatives to the simple approach to providing running cost savings in the non-domestic assessment that we should consider?

Including kWh as per Display Energy Certificates (DECs) plus the addition of carbon emissions would improve awareness of the carbon reduction agenda, most importantly the requirement for the UK to reduce its emissions by 80% by 2050.

8. Which measures should be added to the list of qualifying measures in Annex A for non-domestic properties, and what evidence is there that these measures improve the energy performance of buildings?

- Upgrading of existing Heating Ventilation & Air Conditioning systems to meet the minimum requirements set out in the Building Regulations. Better enforcement, regularity and thoroughness of air condition systems will result in less energy being used and an improvement on emission levels.
- Low energy lighting.
- Insulating window/door shutters and blinds.

9. Will the existing Appendix Q process, which will allow new measures to be added to the Green Deal assessment tools and to the list of qualifying improvements, support innovation in the market and how could the process be improved? In particular, what support could SMEs benefit from?

The key issue is ensuring that there is adequate resource to allow for minimum delay in bringing improved or innovative products into the Green Deal. Cost control and/or grants are essential to ensure SMEs have the appropriate support to provide innovative products that evolve and meet Green Deal requirements.

10. What innovative ways can the government use to encourage uptake of a package of measures and could our existing proposals support this.

We support the use of incentives to encourage uptake of a Green Deal package of measures. One of the most effective ways of doing this appears to be using an expanded version of ECO to include more measures than just solid wall insulation. In effect, this is an holistic approach to buildings and could also be effectively promulgated into other areas such as security, safety and overall aesthetics.

11. Please provide views on the potential inclusion of hard-to-treat cavities (and potentially other measures of a similar type), and proposals for how properties might be accommodated in the ECO without excessive complication or perverse consequences.

There are a substantial number of hard-to-treat (HTT) buildings in the UK. In England, HTT homes equate to an estimated 9.2 million dwellings and solid-wall homes account for 72% of this stock, of which 5 million in England are known as traditional buildings.¹

Traditional buildings have solid walls which breathe. They absorb moisture and this must be allowed to evaporate. Inhibiting this process can cause serious decay which itself has the potential to reduce the lifespan of existing building-fabric, thus necessitating carbon-generating remedial work and reducing the building's energy efficiency. Wall insulation can also affect the performance of existing building-fabric. For example, the installation of internal wall-insulation will isolate the original wall from the effects of warm interiors. This will reduce the thermal performance of the original wall and also result in it remaining damp and cold for longer periods of time, thus increasing the risk of frost damage (cryoturbation) and that possibly caused by invasive vegetation (floralturbation). This is further exacerbated if a building is not kept in good external repair.

Penetrating dampness and rising dampness are also problems that must be understood, particularly where traditional buildings are concerned.

Interstitial condensation is another risk. This could affect any timber elements in the structure of a building, possibly resulting in dry rot, wet rot, infestation or the appearance of invasive species. It could also severely affect the quality of the internal environment potentially leading to ill health, often termed 'sick building syndrome'.

The benefits of retrofit and refurbishment may not be achieved if the design (and in particular the detailing), methods deployed and the standard of work is not satisfactory. This will require the correct skills and expertise with a proper knowledge of existing buildings. Before work is undertaken, it must be ensured that the causes of any dampness are treated and the building permitted to dry out. Otherwise, enclosing spaces that are damp could result in a host of serious problems.

Insufficient research has been undertaken into many of these issues, which is possibly the biggest risk of all. This has the possibility of leading to ill-informed decision-making and taking; the consequences of getting things wrong are severe in terms of the performance of the buildings, the health of occupants, along with the waste of time and substantial amounts of money. The acquisition, use and dissemination of data are essential for monitoring success, or lack of; this applies not only to the 'performance of measures' but also the effects (short-, medium- and long-term) on building fabric, structures and living environments.

12. We propose that the ECO Carbon Saving obligation should be achieved primarily by promoting and installing solid wall insulation. Should any other measures be supported, and how would these be defined?

See answer to Q10. We also echo the recent message from the Committee on Climate Change (CCC); the CCC is concerned that if the ECO focuses on just

¹ Energy Efficiency Partnership for Homes, 2008

solid wall insulation, areas where arguably more carbon savings are available (i.e. insulating lofts and cavity walls) may be neglected. Again, the cheaper options are often the most effective.

13. For the ECO carbon saving obligation, we propose that any other carbon saving measures should only be eligible when delivered as part of a package with solid wall insulation. Do you have any suggestions for the criteria by which eligibility within packages should be restricted, explaining why you think any such restrictions should be included?

Disagree. ECO is essentially replacing CERT, CESP and Warm Front, which led to installations of many energy efficiency measures aside from solid wall insulation (SWI). While we understand the effectiveness of installing SWI in non-HTT buildings, we believe it would be ill-advised to abandon the groundwork laid by CERT/CESP etc. when the measures installed under those schemes are often the most effective and where greater carbon savings are available.

14. We propose that any measure should be allowed under the Affordable Warmth obligation, provided it allows eligible households to heat homes more affordably. If you disagree, or feel there are risks to this approach, please explain and set out any restrictions you believe should be put in place.

Agree.

15. Do you have any suggestions for whether and how we should score, boiler repairs under the Affordable Warmth obligation, such that where repairs are more cost-effective than replacement systems, without significant impact on efficiency, these can be promoted?

16. We are proposing that any heating measures should be allowed under the Affordable Warmth obligation, including for households off the gas grid, and extra incentives should not be put in place for air or ground source heat pumps. Do you have any evidence to bring to bear on the performance of heat pumps to improve the ability of vulnerable households to heat their homes affordably?

N/A

17. To what extent can existing product lists, such as the list of Microgeneration Certification Scheme compliant products be used as the starting point for the Green Deal Products list?

The use of CE marking for products and systems will ensure a range of consistent European standards, including safety and product performance.

18. Do you agree that allowing enhanced product performance to be recognised in the Green Deal financing mechanism is useful? Do you have any specific views on how this approach could be implemented?

Yes – these could be included within the RdSAP methodology.

For questions 19-24 that relate to the Green Deal Provider and Plan (Chapter 3), we would be happy to comment as this evolves.

25. Is it necessary to afford consumers additional protections and extra comfort where they take out green deal plans in excess of £10,000? If so, is the proposed protection of reducing the saving estimate appropriate and is the 5% figure the correct adjustment?

Yes - all Green Deal plans should have some form of safety margin that increases in line with the cost of the plan.

26. Do you agree with the approach to the Year One charge that can be used in a Green Deal Plan?

Yes.

27. What would be the benefits of allowing Green Deal providers to vary the interest relating to a Green Deal plan in line with the most appropriate component of the fuel and light index?

There are benefits to this, particularly in the case of long-term Green Deal plans, but this would additionally complicate what is already proving to be an intricate scheme and would subsequently act as a potential barrier to Green Deal uptake. A suitable option would be providing the building owner with two options; one fixed interest rate and one variable interest rate.

28. Do you agree with the proposed approach to how the charge can vary in subsequent years of a Green Deal Plan?

As above, a suitable option would be providing the building owner with two options; one fixed interest rate and one variable interest rate.

29. Is £150 or 5% of the total Green Deal package (whichever is the least amount) an appropriate limit on the amount of cash incentives which can be offered by Green Deal providers?

Agree, though we hope that this does not limit the options for creative incentives that providers can offer to consumers.

30. Do you agree our proposed approach to the Golden Rule principle strikes the right balance between ensuring the necessary consumer protection mechanisms are in place whilst not unduly stifling ambition and investment in the Green Deal?

To an extent, we agree. However, there are some issues that must be taken into consideration:

- Product technology is in a state of constant development and innovation; the installation of less effective products in order to meet the Golden Rule increases the risk of these products being outdated before the measures have repaid themselves.

- Some measures might require maintaining and/or replacing multiple times over the payback period – this increases the likelihood that the Golden Rule will be broken if the consumer is obliged to pay for this maintenance and replacement.

31. Do you agree that eligibility for Affordable Warmth measures should be restricted to households who are in receipt of the benefits and tax credits similar to the CERT Super Priority Group and who are in private housing tenures?

32. We propose seeking a voluntary agreement with ECO obligated companies as to how they commit to following up referrals. Do you have any suggestions as to what this commitment should consist of?

33. Do you have any evidence or views to put forward on whether the benefits of ECO as a whole, or of the carbon saving obligation within it, are or are not likely to be distributed equitably to all income groups? If so do you think regulatory intervention is necessary to ensure a more equitable pattern of delivery and, in particular, do you have any comments on the likely effectiveness of setting a 'distributional safeguard' as a means of achieving this?

The below essentially answers the above three questions:

Those who have already acted to improve the efficiency of their home or those living in new build accommodation will see an increase in their energy bill to fund improvements to other households. Fuel-poor households tend to consume less energy than more affluent ones and may well consume less than they actually need to ensure a warm and healthy home environment. In view of this, it is difficult to see how these vulnerable households will benefit. They will clearly not accept installation of measures which lead to increases to their fuel bills.

Effectively, tenants in fuel poverty and poorly insulated buildings are benefitting landlords who, after refurbishment and probable rent rises, may be displaced and replaced by tenants not in fuel poverty and benefiting from the ECO grant. Whilst we assume this would not be the intention, it is essential that ECO is used in such a way as to provide support to all of those that live in fuel poverty or require support for other reasons. Therefore the proposal to exclude those that live in social housing from ECO's Affordable Warmth support is potentially damaging given that they will be required to pay contribution towards ECO via their fuel bills and many will be hardest hit by any increases.

The demand-side agenda should benefit from an equivalent level of ECO support in order to address fuel poverty and to contribute towards the reduction in overall energy demand, also supporting the security of supply and decarbonisation agendas. This approach is not only consistent with the Government's Carbon Plan, but is essential in overall energy policy terms and also supports the agenda of localism through allowing residents, homeowners, registered providers and local authorities to implement energy efficiency measures necessary to achieve appropriate standards of energy performance.

For questions 34-39 that relate to the Consent, Disclosure and Acknowledgement (Chapter 6), we would be happy to comment as this evolves.

40. Are there any government backed and accredited scheme standards which operate at present (in addition to the Microgeneration Certification Scheme and Gas Safe), that could be considered as meeting the new Green Deal standard already?

TrustMark scheme operators and registered firms operate to a set of Government-endorsed standards agreed between industry groups, consumer protection bodies and the Department for Business, Innovation and Skills (BIS). Like the proposed Green Deal standards, TrustMark standards were set at a level that could work with existing structures in the industry, could be applied consistently across many diverse trades, and represented the right balance between consumer protection and cost to industry. In order to protect the reputation of Green Deal, and to prevent the safeguards being built into it from being undermined by the use of unregulated sub-contractors, it is essential that all ancillary works are carried out by TrustMark registered firms.

For questions 41-60, we would be happy to comment as this evolves.

61. Is there other information the Government should collect in order to enable effective monitoring, evaluation and reporting on the performance of the Green Deal and ECO?

Other information that Government can collect includes customer satisfaction for Green Deal provision, reasons for Green Deal proposals being rejected, reasons for not having any work done, and robust samples of occupancy energy assessments to determine the 'before and after' energy consumption.

We also recommend further research into how Green Deal measures will affect HTT buildings. Further information relating to this can be found in the response to Q11.

62. Should DECC be responsible for administering the ECO, with technical functions outsourced to the private sector, or should Ofgem administer the scheme? Please provide evidence to support your views.

As Ofgem has been responsible for the administration and operation of CERT and CESP, it would be a logical move for Ofgem to continue in this vein with ECO.

63. In addition to the specific questions asked throughout this consultation document, do you have any other comments on any aspect of our proposals?

Incentives and Regulation

We are concerned that the Green Deal in its current form offers no real incentives for consumers to actually install energy efficiency measures at their properties. Granted, the lack of an upfront cost appears to be an obvious benefit, and there is a small amount of money for 'early adopters', but the fact remains that energy companies are struggling to even give away free (or, in some cases, incentivised) insulation, and that research from both DECC and others has shown that there are still notable numbers of consumers who either lack the knowledge or motivation to make their property more energy efficient. A concerted and ongoing publicity programme is essential.

On the reverse to the incentives, there also appear to be few regulatory mechanisms in place to guide the Green Deal into place. For example, the use of enhanced Building Regulations that link to the Green Deal in terms of consequential improvement when carrying out other works on properties could quicken the pace of change to the UK's existing building stock. Of course, regulatory burdens are a real concern but the Green Deal is an opportunity to guarantee that the regulatory system is proportionate and ensure that there is a proactive 'carrot and stick' approach that will help underpin the ethos of the Green Deal.

Skills

The Green Deal is about the future – and it is important that future generations have the skills they need to take advantage of the opportunities of the green economy. From apprenticeships there will need to be a partnership approach between business, education, professions and Government in ensuring that the appropriate range of skills are available to deliver the Green Deal, from the most basic installations to the utmost complex measures and packages, in small dwellings and large commercial premises.

Consumer Protection

Paragraph 7.2 (10) in Chapter 7 suggests that installer certification bodies will need to provide the Oversight Body with updated information on members on an annual basis. We consider this to be very much lacking in terms of consumer protection – we are aware that many scheme operators' databases of registered firms are updated on at least a weekly basis, if not daily in the case of some industries.

Currently, the Green Deal is not well known among consumers. However, we feel that the burden for promoting the initiative must not simply rest with Green Deal Providers. The Government should work with relevant

organisations to devise a strong publicity programme, not only to ensure that the benefits to consumers are promoted, but the pitfalls of more unscrupulous traders are highlighted.

General

In a generic sense, the Green Deal options available must be listed to the general public, as well as the commercial sector, and well understood. Advantages and disadvantages must be worked out and a conclusion reached. From the outset, however, the building must be understood in terms of its condition and its performance in-use (operation); options for retrofit and refurbishment must consider the effects on both these aspects.

In order for maintenance and repair to be sustainable, it must be undertaken properly. This means using compatible materials in repair with the appropriate skills used. Where traditional buildings are concerned, this means using traditional building materials and skills.

CIOB recommends ensuring work is not undertaken unnecessarily when alternative solutions, which might be more beneficial in the long-term, ought to have been considered. Advisers need to be fully aware of the benefits of good maintenance and repair; the simple and least expensive options may provide some of the best results, and should always be considered in the first instance.

We are happy to be involved in the debate on the Green Deal and ECO as it develops and to working with Government and industry to deliver the necessary improvements to the existing building stock and achieve the carbon emission reduction targets.