



Energy and Climate Change Committee

Oral evidence: [Home Energy Efficiency and Demand Reduction](#), HC 552

Tuesday 3 November 2015

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Members present: Angus Brendan MacNeil (Chair); Rushanara Ali; Tom Blenkinsop; Mr Alistair Carmichael; Glyn Davies; James Heapey; Matthew Pennycook; Dr Poulter; Antoinette Sandbach; Julian Sturdy

Questions 1 - 31

Witnesses: **Peter Broad**, Policy Manager, Citizens Advice, **Peter Smith**, Head of Policy, National Energy Action, **Philip Sellwood**, CEO, Energy Saving Trust, **Grant Bourhill**, Energy Systems Catapult, gave evidence.

Q1 Chair: Good morning. Can I welcome witnesses and ask you to state their names and their organisations for the record for the Committee?

Philip Sellwood: I am Chief Executive of Energy Saving Trust.

Peter Smith: I am from National Energy Action.

Peter Broad: I am from Citizens Advice.

Grant Bourhill: I am from the Energy Systems Catapult. When I submitted my response, I was with the Energy Technologies Institute but the programme capabilities moved into the Energy Systems Catapult.

Q2 Chair: That is effectively the catapult that has projected you on further in a short space of time. Thank you all very much. If I can remind you that we have a tight schedule today, so hopefully we will have short questions from the Committee, and brief and to-the-point answers from yourselves would be appreciated. Thank you. I am going to start off. First, I wonder how successful you think the UK energy efficiency policies have been over the last decade, particularly with changes of policies and mind from various Governments.

Philip Sellwood: Perhaps I could kick off. Contrary to what some might believe, I think the policies themselves, particularly those that pertain to area-based policies—ECO, CERT and CESP—and their predecessors, have been extremely successful. If you look at the figures for 2015 compared to 2000, we will see that energy efficiency in the most

vulnerable homes, which stood at about 29% in 2000, is now less than 7%, so if you take that as a measure of success then it has been successful.

What I would say, however, is what has been unsuccessful is the lack of continuity of those policies, the chopping and changing, which I think has led to some poor measures installed and also poor value for money over time. I think some of the aspects have been extremely successful; others much less so.

Grant Bourhill: If I could build on Phil's comment, broadly speaking, the amount of energy that we use in domestic homes from 1970 to today has stayed approximately flat. That is despite the fact that we have a lot more houses than we had in 1970 and that we are heating our houses to a higher temperature than we did, but of course the policies to introduce more efficient boilers and energy-efficiency measures have meant that we are not using the same amount of primary energy to do that. I think that is consistent with DECC's statistics that a lot of the easier-to-treat properties have now been dealt with. The other success that I would add from the policies over the last 10 years is that there is real evidence now, not just within the industrial supply base but also within Government, about what works and what does not work. Personally speaking, I have very good contacts within DECC with a very strong body of knowledge about energy efficiency that has been built up over that period. It is very helpful to have a client that understands the measures.

Peter Smith: Just to highlight some statistics that were not in NEA's written evidence: over 70% of homes now have loft insulation; approximately 73% of homes have cavity wall insulation; and condensing boilers are in approximately 50% of homes. Where we seem to be falling down is particularly on solid wall properties, where only 3% of properties with solid walls have insulation. We have done the low-hanging, low-cost stuff pretty well and at scale.

However, solid wall insulation particularly is a bit of a blind spot. We would cite that, even with that investment, low-income households are disproportionately still living in the least efficient properties. Only 5% of fuel-poor households live in properties that are A to C rated, and the majority live in the least efficient properties. While the national picture has been pretty positive, and we have seen significant volumes of energy efficiency being deployed, when it comes to low-income households, they are still lagging too far behind.

Peter Broad: Obviously, we have seen big success over the last decade but, if you look over the last five years, efforts have tailed off somewhat, particularly the policy framework that we have looked at over the last five years with Green Deal and ECO. That was intended to introduce this new market, fuelled by consumer demand, with ECO there to support measures that were either for hard-to-treat properties or for those most in need in fuel poverty. That model has not really materialised. I think it has failed because it failed to persuade consumers to invest their own money, either through Green Deal finance or otherwise. I think it failed to deliver consumer confidence—that was one of the aims of policy—and the supply obligation has been both too small to deliver fuel poverty targets and not appropriately designed to tackle fuel poverty. The changes midway through the ECO to focus on low-cost measures undermined the broad outline of that model that was put in place.

Q3 Chair: Given that their efforts have tailed off a bit, was ECO as successful as previous schemes that were in place before it?

Peter Smith: In 2013 we moved away from a situation where we had supplier obligation primarily delivering low-cost measures sitting alongside a Treasury-funded programme that had a bespoke purpose to tackle fuel poverty, to a framework where, from 2013 onwards, we have been wholly reliant on the energy suppliers to deliver pretty much 100% of the assistance to low-income households. We would say that that policy decision has impacted low-income and vulnerable households. By the nature of the supplier obligation and the obligations we put on suppliers, we ask them to deliver them at least cost, so we focus on the low-cost measures, the low-hanging fruit. We treat everybody that is eligible as pretty much the same. We do not categorise vulnerability within that eligible bracket, so there is no guarantee of assistance for very vulnerable households. We would see that movement to a sole reliance on energy suppliers to deliver all the assistance as damaging, and that needs to be addressed.

Q4 Chair: ECO quite easily have met the targets and it has left a push/pull effect on those who are delivering ECO on the frontline to housing. Were the targets too low or was it too easy? What effect did that have on those companies that were delivering insulation and had geared themselves up to do that? Did they not feel a stop/start?

Philip Sellwood: I think it is an illustration of what I said in my initial comment, which is: if there is no certainty over time people will game the system. They will see that there is probably going to be a policy that will only last for perhaps the life of a Parliament and, as Peter said, they will set about delivering the cheapest implemented measures. What that has done to the supply chain further down is that it has led to a “foot on the accelerator, foot on the brake”, and of course that has led to all sorts of issues in terms of quality of installation and, indeed, quality of the organisations coming into the marketplace. It has been less about the success of the implementation and more about the failure of the continuity of the policy that has led to some of those issues.

Q5 Chair: ECO was a system that was gamed, you are saying?

Philip Sellwood: I think it was gamed, yes.

Q6 Antoinette Sandbach: The devolved nations have implemented their energy efficiency policies differently. Have there been any lessons learnt from the differences between the approaches in the devolved nations as opposed to in England?

Philip Sellwood: Sorry, I don't want to hog this, but we run the systems in Scotland and I would draw a very clear distinction between what has happened in Scotland and, to a lesser degree, in Wales—particularly as it pertains to both energy efficiency and fuel poverty—in that, despite the austerity, both of those Governments, particularly the Scottish Government, have consistently invested in the core infrastructure that delivers energy efficiency. In Scotland, for instance, we still have a nationwide spread of energy efficiency centres, which provide a one-stop shop, not just for energy efficiency and fuel poverty but also for renewables and also for transport and waste.

There is a much more integrated policy, which is important, but probably the most important thing is again this whole issue of the fact that they have continuously invested over the last decade and that has given people the confidence—particularly organisations to my left here—to refer to the Home Energy Scotland network, otherwise I believe those constituents perhaps would be lost.

Peter Broad: That point is probably the most crucial point in terms of the biggest piece of a puzzle that is missing. If a householder is eligible for support in England, they might not be guaranteed to receive any measures. Therefore, the kind of effort that you are expecting from referral agents, public sector bodies, health practitioners to refer into these schemes and get people to take up the support and say, “This is a good idea for you”, that confidence is not there. Whereas in Scotland, certainly with the area-based local authority-led HEEPS programme, that confidence is there, and in Wales and increasingly in Northern Ireland who are also looking to deliver energy efficiency through an area-based approach. It is that combination between having supplier obligation doing helpful stuff, but not being solely reliant on it, and having other public sector bodies engaged in this agenda, which we do not seem to have right in England in the recent past.

Chair: Thank you. We are going to move now to the Green Deal and Antoinette would like to lead on this.

Q7 Antoinette Sandbach: We have had quite a lot of evidence that complexity was a major barrier to take-up of the Green Deal. Where do you feel that the process could have been simplified?

Grant Bourhill: Perhaps I could start with that. Stepping back from the Green Deal, I think it offered a lot of potential benefits in terms of the opportunity to drive innovation in the supply chain as well as the opportunity to bring in alternative financing. As you alluded to, a lot of the disadvantages with the Green Deal have been well-documented: about complexity, interest rates, upfront payments and so on.

A piece of research that we have carried out I think sheds a slightly different light on that. We conducted a 2,500 home survey about the importance of heat for the residents in each of those homes. If I had to guess at what the answer would be before we conducted the survey, I would have guessed that the answer was: it is all about cost and cost is the most important thing. But what came back from that—and retrospectively it is perhaps not surprising—was about a third of people valued comfort above everything else; a third of people value control. That might be control over costs but it might also be control about knowing that the equipment works, it might be about control, about the time that they take to get their house warm; then about another third of people just don’t have any interest in energy whatsoever. One insight from that is the Green Deal was focused purely on cost and purely on savings but, as all of us know, we make decisions for our households that are not just based on cost and savings; they are based on aesthetics, noise, security, comfort and so on. I think a potential new angle, looking forward, is focused on the outcomes that different segments want as opposed to purely just focusing on cost and savings.

Peter Broad: With the Green Deal there are already complex issues with the product itself, things like the Golden Rule. The framework that was put in place by Government added complexity where it could have simplified things. For instance, there were different administrative frameworks for Green Deal and the Energy Company Obligation, and different consumer protections for those two schemes, which were very difficult for consumers to get their heads around. With ECO and the Green Deal you would have no idea of what kind of support you were getting before you had an assessment, so, as we alluded to earlier, it was very hard to refer consumers into those schemes.

Q8 Antoinette Sandbach: Can I just pick you up? You referred to the Golden Rule. Is that something that, moving forward, you would say, “Keep it” or “Get rid of it”?

Peter Broad: Moving forward, you would want to think about what role a pay-as-you-save system would have in a wider scheme and what the incentives are for consumers, because we can spend too much time talking about the details of the Green Deal finance package. Green Deal finance dealt with one barrier, which was upfront cost. But research showed that, coming into the Green Deal, it was only a minority of consumers who wanted to install measures but did not have the upfront capital to do so. The Green Deal dealt with that but it did not raise awareness more widely than that. It did not provide a clear benefit to consumers over and above that upfront cost issue.

Peter Smith: There were two major risks associated with the Green Deal, from a low income and vulnerable perspective, which we were keen to highlight during the passage of the 2011 Energy Bill. The first was around the extent to which it would be delivered alongside the Energy Company Obligation. As I described earlier, in that time, 2011, after the 2010 CSR, we were moving away from having grant funding for energy efficiency targeted at low-income households and pretty big supplier obligations. The concern was, because we were being told that the supplier obligation was the only game in town from a low-income fuel poverty perspective, that we wanted to capture as much of that from a fuel poverty perspective as possible. Therefore, the ability for able-to-pay households, affluent households, to capture some of the supplier obligation to pay for lots of energy efficiency activity, some of which they could perhaps have paid for out of their own pockets, was a concern because the poorest people would be paying for that policy.

The second concern that we had about the Green Deal—and it comes back to your point about getting rid of the Golden Rule—was the ultimate sanction with the Green Deal: if you fail to pay it you can get disconnected. We changed the law in 2011 to allow energy suppliers to disconnect households for failure to pay energy services charges, rather than supply of gas or electricity. It was a big erosion of consumer protection, in our book, albeit for the right reasons: we wanted to make sure homes were more energy efficient. Certainly the people that may be on the wrong side of the Golden Rule are households that under-consume energy and, therefore, cannot meet the theoretical expectations that those energy efficiency measures are supposed to deliver, so there was concern about the suitability, let's say, of the Green Deal from a fuel poverty perspective.

Philip Sellwood: I would give a very straightforward answer: no. The reason is that when the Golden Rule was brought about, it was broadly as a consumer protection instrument. It has clearly failed to deliver on that. Now that we are moving into high-cost measures, one of the failures of Green Deal is that measures that needed to be put in place, around solid wall and other high-cost measures, always failed the Golden Rule. It was basically saying, “I will set the hurdle rate so low you are bound to fail”. Going forward, I think the Bonfield Review—and I am helping Peter deliver this—will come forward with better consumer protection that does not restrict the ability to bring those policies together to enable some of those high-cost measures to be implemented.

Peter Broad: I have one final point on that. I think the Golden Rule was important where the loan moved from household to household. That proved quite an off-putting part of the policy, per se, so I think you would be looking at whether that was how you would want a loan to work in future. If you change that, then the Golden Rule is less important.

Q9 Antoinette Sandbach: That leads on to my next question, which is: if it was up to you, would you have reformed or scrapped the Green Deal, and should DECC design a new pay-as-you-save model, and, if so, what should be the key features of how that would be designed?

Peter Smith: From our perspective, it is about horses for courses. It is making sure that if we think it is important to have an able-to-pay policy that is effective and certainly is not reliant on levy-funded resources to prop it up—and we want an effective able-to-pay market and the pay-as-you-save mechanism could play an important part of that—where we think that Government should not be so prescriptive in regards to the Private Rented Sector (PRS) Energy Efficiency Regulations that were introduced in the last Parliament. They wrote in the Green Deal policy as part of the compliance mechanisms around that. For instance, the policy was to get all properties after 2018 at least to an E, but you could get around that if you took out the Golden Rule. We do not think that it is appropriate to tie Government policies into the regulations as part of the compliance mechanism. We think that there are opportunities, however, around mechanisms that are tied to the property and not the electricity meter. You could have a soft loan scheme that was repaid on the sale of the property, for instance, for able-to-pay households, again trying to encourage able-to-pay households to invest their own money or provide a non-levy funded mechanism to deliver that outcome.

Grant Bourhill: As Philip said, we are finding ourselves in the position now within the UK where a lot of the easier-to-treat properties have been done. We are moving into much harder-to-treat and much more expensive measures.

To give you a sense of that, we are doing some practical work retrofitting some pre-war buildings to get a 30% improvement in fabric efficiency. It is going to cost about £15,000 to £20,000; to get a 45% improvement is going to cost about £30,000. I think that plays to your question about what do you do with a pay-as-you-save scheme, because I think the measures are now the marginal costs are becoming so high versus the benefit.

Coming back to my earlier point about most residents, cost is not the main thing; saving money in their home is not the main thing. It is for many people, but not for the majority of people, so there is an opportunity to look at offering a work-through—for example, times where you are naturally renovating your home in any case—because then the actual marginal cost of doing some of these harder-to-treat measures may not be so high.

Peter Broad: Thinking about the future of pay-as-you-save, generally a loan is not a driver of action, it is an enabler, so you get a loan because you want to do something; you don't do something because you can get a loan for it. I think that is an important thing to remember. A lot of consumers would not want to take out a loan no matter what the interest rate is. They would rather pay for things themselves. If you were looking to subsidise a loan to 0% or to provide an upfront incentive for consumers, a lot of consumers would prefer the upfront incentive. I think DECC's research showed more consumers would prefer. If you put in place incentives, a loan is one way that people can pay for measures who don't have the upfront cost, but expecting the loan to do all the work is a bit too much. The Government can do things to bring the cost of finance down using its borrowing costs and things like that, so I think loans can play a part but expecting it to drive action in the first place is misplaced.

Philip Sellwood: Is it a Green Deal? Definitely not. Whether you agreed or disagreed with it as a concept in the past I think it has run its course. In terms of providing, however, alternative financing mechanisms, whether pay-as-you-save or loan schemes, have proved surprisingly fruitful for the near able-to-pay, if I can call it that. These are people who want to do something. They will not be in receipt of the sorts of benefits that will enable them to get support, but they still want to do something. Pay-as-you-save does represent a reasonably good option, as do loans, and we certainly would not make a distinction one way or the other. In terms of England, specifically England, talking about something that is green and it is a deal now seems totally toxic.

Q10 Antoinette Sandbach: There were over 600,000 Green Deal assessments. Only 15,000 Green Deal plans are in progress and the finance company is not accepting any new plans, so you may have answered this already, but do you think the Green Deal was a complete failure?

Philip Sellwood: No, I don't. I think the Green Deal may have been a complete failure but the bits around it may not have been, depending on whether you believe Government's figures and others' figures about it. A number of people chose to take advantage of what the Green Deal was offering but did not take advantage of a finance package. That was a fundamental flaw in the Green Deal. It was being sold as a finance package, not as, to your point, a package that would deliver home comfort, heat, health and so on. No one really knows how many people took action as a result of the Green Deal halo effect, if I can call it that. Clearly what has failed is the finance package.

Q11 Antoinette Sandbach: There may have been a value in having a Green Deal assessment, but it may not have been coupled—in other words, that gave the consumer information they could act on—with the Green Deal finance?

Philip Sellwood: The failure was to say that you could only get one with the other, and then, if you put the Golden Rule on top of it, you did have a problem.

Q12 James Heappey: Staying focused on the able-to-pay market, does a loan or subsidy need to be the lever? I wonder whether incentivisation could be the lever instead. Is there a saving on business rates or council tax or stamp duty for achieving certain efficiencies in your home? That to me would seem less interventionist.

Philip Sellwood: I would be very surprised if certainly three out of four of the audience today would not agree that there is a pretty good track record over the last 10 or 12 years of research, which is around incentives for council tax, stamp duty and other fiscal measures, most of which have proved to be fiscally neutral and have been very powerful. British Gas did quite a bit of work in years past with local authorities and they found that giving about a £100 rebate on somebody's council tax had an absolutely dramatic effect on what people were prepared to do, because there are certain taxes—I don't need to tell this audience—stamp duty and council tax particularly, that are seen as just a tax for nothing, and citizens seem to be incentivised by the thought that they could get their £100 back from the Chancellor through either their stamp duty or their council tax. Those are things that have been proved to be effective.

I will say one final thing: a loan need not be a subsidy. A loan can be a quasi-commercial loan. One of the things that has surprised us elsewhere in the UK, where we run loan

schemes for individuals and businesses, is the low level of delinquency. When we approached the UK Government to talk about whether or not loans would be an option, it was felt, “Why would you give loans to a drowning man?” so to speak. The reality is the repayment for loans in Scotland is better than the commercial loan repayments. There is an alternative and I think it is a suite of these things. I don’t think there is a silver bullet, but I do think all of those are worthy of consideration.

Peter Smith: We are certainly not experts on able-to-pay energy efficiency, and our focus is very much on low income and vulnerable households. We would see the future as funding the able-to-pay market through non-levy funded incentives and longer-term regulation, particularly prioritising the social housing sector and continuing to see the increase in energy efficiency levels that have been going on there and the private rented sector as a starting point. For your owner/occupier, it is slightly more difficult to introduce heavy-footed regulation but, certainly, there is a strong rationale for strong regulation in those two sectors.

Q13 Matthew Pennycook: Just a short question on DECC’s role specifically. When we are talking about the performance of these schemes and what might replace them, I wonder what your thoughts are on whether the Department itself is properly resourced to design and deliver them. Does it have, I suppose, the required programme management and expertise to do this effectively?

Peter Smith: They don’t stand alone in isolation so they work with groups, like EST, NEA, Citizens Advice and others, to help tap into a wider level of experience on energy efficiency delivery historically, saying, “What has worked in the past?” and we are there to support the Department in that process. However, I think that there is a risk that you have a lot of civil servants that don’t know the background to what has worked previously on energy efficiency policy, don’t know about some of the successes that there has been in the other nations—as we were mentioning earlier—and do not look at that in a helpful way and say, “What worked in Scotland? Why is it that local authorities can deliver this stuff at scale through an area-based approach as well as having a self-referral mechanism?” It is having stakeholders like us that can support them, but also retaining that knowledge and experience of what has worked previously, what has not worked and drawing in the examples from other nations, which we think is really important.

Philip Sellwood: I want to emphasise that by saying I believe, in terms of physical resource, that that is not really an issue because in fact DECC was one of the few Departments in the last Government that grew in numbers, mainly driven by Green Deal and ECO, so I don’t think it is a question of quantity—to Peter’s point—but a question of taking good practice and making it continuous over time. We keep rediscovering the past and unfortunately, in my judgment, what we are in a cycle of, “Unless we change something, it cannot be good”. The reality is I would quite like no change, I would just like some continuity of what works.

Chair: Thank you, a very good message. We should move on to the next section we are targeting here, so I will ask Rushanara Ali to lead on this.

Q14 Rushanara Ali: Thank you. Mr Sellwood and Mr Smith, you have talked about some of the things that are being done in Scotland as well as Wales and some of the examples of success, so why is it that things are so different in England? What are the specific

interventions that you think would work and what is holding England back compared to Scotland?

Peter Smith: As I mentioned in my introductory remarks, we are now very, very largely reliant on energy suppliers to provide assistance to all households, regardless of vulnerability. There are things that you can do to current programmes, supplier-led programmes, which would make them more accessible to low-income and vulnerable households in general. In England, we have to recognise that local authorities and local public sector bodies are also very well-placed to be able to lead on this agenda. While the competence might have fallen away in recent years, due to resource constraints and other competing priorities, local authorities need to be put at the heart of energy efficiency policy. We do not do that in this country in a consistent way.

We have recurrent and non-recurrent competition-based funding programmes, which have toyed with the area-based local authority-level approaches, but we have never really backed that horse and said, “Suppliers can do so much and they can improve accessibility from a vulnerable perspective, but we also want to bring in a new partner or a new agency and those should be local authorities and their local partners”.

Q15 Rushanara Ali: What would you suggest? How would you unblock that particular problem? How would you advise the Government to do that?

Peter Smith: We would like to see the Westminster Government do what they have done in Scotland and to a lesser extent in Wales, which is to have an area-based programme that sits alongside the supplier obligations, like the Energy Company Obligation. In Scotland, every local authority gets an allocation of funds with the ability to top up if they are a keen local authority or they have more fuel poverty or harder-to-treat properties in their area. They can go back to the central Government and say, “You have given us this much. We will show you what we will do with that additional pot of money”. We would like to see that model adopted by Westminster.

Grant Bourhill: We have been working with Newcastle and also the Greater Manchester Combined Authority as well as Bridgend in Wales, supported by the Welsh Government, on developing local energy plans that are coherent within a national energy transition plan. I would say all of the local authorities that we are working with are very much focused on an integrated, multi-vector approach. They don’t want to just look at energy efficiency on its own or demand measures on its own, they want to look at demand measures with supply options and also understand what the national picture will look like, which is what our software tool, EnergyPath Networks, is helping them with. I would say that the local authorities we are working with are very much focused on an integrated approach at the local level as well as integrating that at a national level.

Q16 Rushanara Ali: What are the financial implications of that? You mentioned central Government providing some funds.

Philip Sellwood: Interestingly enough, because of the continuity of support over time, most of the costs of the infrastructure—both in Scotland and Wales—has sunk, so most of the activity that now hangs off the back of that infrastructure is at marginal cost. Many of the programmes that are run, you often hear this refrain, “The Scottish Government and the Welsh Government are just spending loads more money”. The answer is: they are

spending money consistently over time, so they are not stopping something and then starting something else, which is dreadfully cost-inefficient.

The other thing is: you asked a specific question about what England should be doing or perhaps what Scotland and others are doing. The integration point is absolutely key. If you go to Scotland or you go to Wales, they do not talk to you about energy efficiency and renewables. They talk to you from a customer point of view and they see the integration of those policies and they are played out on the ground. For instance, when we give advice through the Home Energy Scotland network, we give advice regardless of whether it is energy efficiency or renewables. It is a seamless transition for the customer, so integration is key.

The final thing I would say—which we have not touched on today, but it is a very important aspect—is that having that infrastructure sort of floats all boats, in the sense that it keeps the supply chain local, it keeps the economy vibrant, it delivers on local energy generation and it delivers on security of supply. I think those are the things that are critical that we are not yet doing in England.

Q17 Rushanara Ali: In that context, the Government’s fuel poverty strategy for England, how confident are you that it is going to be successful?

Philip Sellwood: I think I will defer to my two colleagues on the left here.

Peter Smith: It has to be adequately resourced. We make no excuses for the fact that we are saying to central Government, “In the short term, you need to spend more money than you are currently doing” and I think the Climate Change Committee—as has been highlighted by Committee members in the session with the Secretary of State in the summer—highlights a big shortfall on where we need to be. It is not just about spending money, it is about recognising what the cost will be if you don’t act in an ambitious way. We estimate that in England and Wales we are at severe risk of spending about £22 billion over the next 15 years coping with the cost of morbidity associated with cold homes. We have to look at those counterfactual costs and say, “If we don’t do something, then there is clearly going to be a greater cost than if we do something more than we are doing at the moment”. We would try to turn the argument on its head and say that the Government fuel poverty strategy has to be suitably resourced. It also has to recognise, as I mentioned earlier, the limitations of delivering assistance solely through energy companies and look to a whole range of other actors that need to be engaged to make an effective contribution to Affordable Warmth.

Peter Broad: Yes, I would like to echo those statements. In terms of the resource, I think, even if the current funding that is going towards fuel poverty was being perfectly targeted at people who are in fuel poverty, then it would only be doing a third of what is needed in terms of the rate needed to reach the fuel poverty target. There is clearly a funding issue, but there is also a targeting issue: how well are these schemes reaching the fuel poor? Under the Energy Company Obligation—the Affordable Warmth Obligation is the part specifically targeted at the fuel poor—only 28% of the people who are on qualifying benefits for the Affordable Warmth Obligation are in fuel poverty. In the Carbon Saving Community areas, at most 30% to 40% of people in those areas will be in fuel poverty. As Peter has talked about, there are incentives with the supplier obligation to deliver at the lowest cost, which often means not delivering to people who need it the most. There is a

question about whether these policies, ostensibly targeting fuel poverty, are getting to the people who most need it. That is where I think a local authority approach is needed, particularly when you look at what we going to have to deliver in future, which is more hard-to-treat measures, such as more solid wall measures. We are going to have to engage with consumers who have not been engaged with in previous schemes—maybe those less likely to come forward and claim help or certainly less likely to contribute towards the costs of support as some consumers have had to do under ECO. I think that is where an area-based local authority approach is more and more important as we move forward.

Chair: Thank you. I will bring in Dan for a short question and then Antoinette for a shorter question and shorter answers.

Q18 Dr Poulter: At a local level now, there are health and wellbeing boards, which were established across all local authorities or unitaries, where they exist. Do you believe that they have the potential—in the way that they pull together a lot of key players in health and care and looking for an integrated approach—to be a vehicle for driving some of this agenda, which cuts across not just energy and heating issues but also across healthcare and dealing with some of the more vulnerable groups who are looked after?

Philip Sellwood: I think they have tremendous potential to deliver on that agenda, as long as the agenda is expressed in their terms. If you go along to a strategic health authority and try to talk to them about energy efficiency or renewables, frankly you will be given a polite response and that will be the end of the conversation. If you go along, as Peter says, and articulate the argument in the way that they understand, which is, “Do you realise that if you don’t deliver on energy efficiency you are driving a situation where children’s health, elderly health, mental health are all being adversely affected? By the way, that is costing you X and you could save Y if you did the right thing now”. If you articulate it in that way, they have the power to make stuff happen but at the moment we are misaligned.

Q19 Dr Poulter: Just quickly on that, one of the challenges on health not being brought is that housing is not compulsorily represented on those boards at the moment. If you were going to say to central Government one thing that could be done to drive this agenda forward to make these boards effective on this particular point of driving home energy efficiency, what would you say? One intervention?

Peter Smith: Can I have two?

Q20 Dr Poulter: You can have two, yes, but very quickly.

Peter Smith: Very briefly, Public Health England have to take strategic responsibility for compliance with NICE guidance to see who is complying with the NICE guidance on cold homes and who is not. Getting that national oversight will be really important.

The second thing you would do in the short term is provide some guarantee that the very vulnerable households, which are suffering a range of health inequalities, are guaranteed to receive assistance from national schemes. The biggest challenge that we have, in terms of encouraging a sustained contribution from the public health sector, is that they have to have confidence that, if they make a referral, that person will get the assistance they need. There is a massive reputational risk associated with referring someone to a closed door.

Frankly, that is what we have, at the moment in England, so we need to address that situation.

Chair: The message on this side is almost that you want to end English devolution on energy and have it run from Scotland.

Q21 Antoinette Sandbach: I know that NEA has said that one of the big barriers is the lack of ability to share data around vulnerable customers, and particularly vulnerable groups. Has that changed in the last 12 to 18 months, and, if not, how do you get the information from A to B, other than the referral route that you have mentioned, because some of these very vulnerable customers simply will not self-identify and come forward in terms of energy efficiency?

Peter Smith: Just very briefly, from our perspective we see that a lot could be done in the short term without extending data-sharing powers by just opt-in. If you explain the programme in a suitably sympathetic and compassionate way, you will take people with you. On that basis of that opt-in, you can go and share that information with a range of public sector agencies and make sure that those vulnerable households get the support that they need. The Government should extend data-sharing powers, particularly on the Warm Home Discount Scheme, to include all low-income families. That would give their energy suppliers a range of information that they could use for targeting purposes on energy efficiency as well. But there is a lot you can do in opt-in anyway, regardless.

Philip Sellwood: Just one quick success story to illustrate how important this is: working with the energy companies through DECC's ESAS scheme, we now do data-matching with DWP for benefits. What that has meant is that whereas before the targeting that was previously taking place—rather unkindly, I have been quoted as saying it was “spray and pray” but I think that was probably not inappropriate—it was the law of probability that you were hitting. By going to a targeted benefits referral system, it is anonymised, so it is not compromised by data privacy, we are up to 80% success rate in terms of targeting. It is absolutely key that we get that right.

Chair: Thank you. Moving on to our next section on engaging consumers, I am now going to ask the very engaging Julian Sturdy to introduce it.

Q22 Julian Sturdy: Thank you, Chair. Do you think that the Government has done enough to engage with consumers? Have they pushed energy efficiency hard enough and, if they haven't, could they have done more?

Peter Broad: Looking at the Green Deal, I think there was too much focus from Government on the Green Deal itself and the finance package without making the case for energy efficiency, per se. We don't have a strong vision from Government about where we want to go with energy efficiency and what we want people to do in the long term. The Government was involved with advertising the Green Deal finance, which led to all kinds of trouble with the ASA, but it did not set in place this long-term vision. It did not say where it expected homes to be in terms of energy efficiency rating in the decades going forward. I think that is what people expect Government to do. They expect Government to show leadership. They do not expect Government to advertise specific programmes, necessarily, but to have that overall leadership role. I think also there is a lot of confusing

messaging around Green Deal and ECO and complex frameworks that obviously did not help increase engagement.

Coming back to the earlier point, was Green Deal a convincing offer for consumers that made them sit up and take notice and think, “This is something that Government is taking seriously”? I don’t think there was that signal from Government. Things that we talked about earlier, like council tax measures and those kinds of incentives, those are a clear long-term indicator from Government that, “This is an important issue that you should be thinking about”.

Philip Sellwood: Just a straightforward response. There has been a lot of work from Government and other agencies—including my own and everybody on this panel—to engage consumers with energy efficiency, but I think we are asking the wrong question because people are not interested in energy efficiency. They are interested in better health outcomes, social justice, heat and help in their homes, comfort and security. All of those are underscored by energy efficiency. The narrative has to change and we have to talk to people in the language that they understand, not the language that I understand running Energy Saving Trust or Government running the Ministry. We did some research recently and when you talk to people about their health outcomes, and what it would mean in terms of their comfort in their home and so on, rather than talking just about energy efficiency and their bills, we are over 60% in terms of the conversion rate when people understand it in their terms. There is a real opportunity for engagement, but perhaps we have talked about the wrong things to the consumer.

Grant Bourhill: I could not agree more with Phil. The emphasis on saving and cost I don’t think resonates with the majority of residents. When you look at insulation and draft-proofing, it is advertised as improving warmth or improving comfort, not about how much money you will save when you buy it. I think it is about the targeted messaging to particular residents rather than just a message all about cost and saving.

Q23 Julian Sturdy: We are talking about changing the language, basically, a longer-term vision as well. On that point, earlier on we touched on loft insulation: I think you said over 70%; condensing boilers at over 50%. You mentioned that a lot of the low-hanging fruit has been picked already, but when you look at the harder energy efficiency schemes, like solid wall insulation, which is only running at 3%, that is where it gets harder. Engaging with the consumers, how do you think we reach that higher fruit? We can throw more money at it, but we know there is not a lot of money out there to throw at it but, ultimately, how do we reach those harder-to-reach areas now?

Peter Smith: From our perspective, there needs to be a deliberate focus on trying to address that balance between low-income households and all households. I mentioned the general figures across the housing stock, but if I talk briefly for a second about fuel poor: 55% of fuel-poor households in England don’t have insulated cavities; 50% don’t have roof insulation; 60% are still using non-condensing boilers and 5% of fuel-poor households don’t have a central heating system. There is a gap there between what is happening across the whole housing stock and what the delivery looks like in low-income houses and we have to get that balance right. That is why we have argued in favour of the next supplier obligation focusing on low-income households explicitly, and doing a broader programme of works through local authorities alongside that to get that balance.

Q24 Julian Sturdy: Is it changing the message? We talked about changing the message. Do you think changing the message will help on that?

Peter Smith: I think getting the buy-in from other Government Departments who also have some skin in the game is important. We talked about health. In the last Parliament, CLG had not been a particularly supportive ally in this agenda and it tended to sit in a box around deregulation and cutting red tape. Getting them back on board and trying to draw energy efficiency—in the way that we know the Secretary of State is trying to do with her new colleague at Central London grid—is important, but I think a whole range of other Departments need to be brought into the picture. That might help join up the business case and unlock suitable levels of investment, not just at a national level but also at a local level. It would encourage local authorities to take this as a strategic priority in a way that, historically, they have done but it has now fallen off their radar. A range of other factors, as I mentioned, need to be brought into the picture.

Grant Bourhill: From the software modelling that we developed, EnergyPath Networks, and collaborations that we have with Newcastle, Manchester and Bridgend, we are exploring the most cost-effective way to decarbonise a local area. That software tool, EnergyPath Networks, includes demand-side measures—all of the things that we have been talking about—as well as supply-side measures, local generation as well as generation that may happen outside of that local area. One of the things that that software tool allows not just the local authorities to do but also, importantly, residents in that local area is to understand the potential trade-offs with the choices that they may make. Newcastle is very, very interested in using the software tool, not just to create a local area master plan for Newcastle out over the next few decades but also as a communication tool to local residents to give a view of: what is the impact and cost impact of choosing different technologies, whether it is deep housing retrofit or whether it is other local supply options. It is a very valuable communication tool.

Philip Sellwood: You asked a specific question about the higher cost measures. I think there are two key things that we need to think about. One is about the level of innovation that isn't in that area at the moment. You contrast the fact that PV has come down tenfold in cost in the last decade—solid wall is about £300 cheaper than it was 10 years ago—because there is no innovation being driven into that agenda. Innovation is driven by scale, which is why, in a rather circular way, it is back to area-based schemes, it is about doing things at scale to drive down cost and drive innovation. Because I don't see too many people any time soon suddenly waking up, despite the narrative, thinking, "I absolutely must have solid wall insulation today". It is not going to happen. But if it was a quarter of the price and it was delivered at scale, then I think you might be talking their language.

Q25 Julian Sturdy: Obviously you talked about renovation, at the time of people renovating homes there needs to be a clear message that that is the right time to go out there and look at those incentives around that as well.

Peter Smith: Just on that point, some of the things I was referencing about CLG's appetite for this agenda, in the previous Parliament we had exactly that. We had a consequential improvements policy that said, "When you do a conservatory, you should also get the external wall cavity filled". That was described in *The Daily Mail* as a conservatory tax and the powers that be at CLG did not do much to dissuade that view. We need to make sure that we are all joined up across Government on this if we think it is important.

Peter Broad: I don't think that view was particularly wide-held outside *The Daily Mail*. Surveys showed consumers were broadly in favour of that policy.

Chair: It would not be the first time *The Daily Mail* was penny wise and pound foolish.

Q26 Mr Alistair Carmichael: Just be grateful they did not tell you that you were going to cause cancer; that is the other thing *The Daily Mail* say.

Mr Bourhill, you have done a magnificent job of selling the EnergyPath Networks; congratulations on that. Is this a tool that would achieve or facilitate what Mr Sturdy was talking about earlier, in terms of the greater use of data-matching, the use of data for an area like this?

Grant Bourhill: Absolutely it will. I think the trend in home control systems will help facilitate that data-gathering, because at the moment one of the gaps in data is information about the individual houses themselves as well as the occupancy of those houses. It is really difficult to get, so when you are planning energy efficiency measures and thinking about what the impact of those energy efficiency measures may be, of course you may have houses that are very leaky, but if they are not occupied, then spending a lot of money to retrofit them is not going to generate the outcome that you are expecting. The trend in technology towards more improved home controls, which are able to measure both occupancy as well as the thermal performance of houses, will help generate a much more substantial dataset that then can be made available to the EnergyPath Networks tool itself.

Q27 Mr Alistair Carmichael: That in turn then eventually informs Government on local policy?

Grant Bourhill: Indeed. The three local authorities that we are working with at the moment, the game is: how do we learn lessons and spread best knowledge among the other local authorities, as well as central government, about what we have learned with the integration of local area planning with the national plans?

Chair: Time is quite pressing and I will take Dr Dan Poulter for the last section.

Q28 Dr Poulter: You mentioned previously about some of the successes of Scotland's Home Energy Efficiency Programme. Not just talking about the generality but with some specific crunchy deliverables for Government, how would you suggest this could be replicated in England?

Peter Smith: As part of our discussions with Government about the Comprehensive Spending Review, we have been describing in detail what we hope a Warmer Communities Fund might look like. Essentially, you allocate a tranche of money and you say, "There it is". You allocate to all local authorities some funds. You provide to the local authorities, and the ones with greater capacity, the ability to go back to central Government and ask for a top-up on that. Then from the central Government's point of view, what you can extract from that money is much greater reporting on what they are doing for that dosh, either through enhancing existing mechanisms like the Home Energy Conservation Act, guidance and reporting around that, or introducing a new reporting mechanism that shows how that central Government money is being sweated at a local level through co-funding opportunities. That is how you would do it. That would sit alongside a supplier obligation that is still picking up the low-cost stuff in low-income

households and you see these two streams of funding coming together in a helpful way at a local level. I hope that is clear in our written evidence. We have suggested exactly how you would pull through a Warmer Communities Fund, but that is the model.

Q29 Dr Poulter: I want to come on now to some of the issues about building confidence in the sector, the public sector businesses and consumers, about particularly the longer-term framework. We have heard before in this Committee that it is important, if you are investing, that investors understand and businesses understand and have confidence in the medium and longer term. How would you view the confidence in the market at the moment in this area?

Philip Sellwood: I think the confidence is quite low, and the confidence is low because the aspiration of the policy is misaligned with the timing of the policy itself. What do I mean by that? I mean we have a policy that says by 2025 we will have certain aspects delivered in terms of home efficiency E rated. That is out to 2025 and then beyond to 2030. That was agreed in the last Parliament. But at the moment we have a policy that does not go beyond 2020, if you are generous. If I am an investor thinking, “I have an aspiration to deliver something by 2025 by driving innovation or investing in innovation”, what real incentive do I have if I know that that policy is only guaranteed until 2020?”

One of the things I think that would not only be common sense, but would work extremely well, is to get a greater alignment between the outcome of the policy and the timing of the policy in a way, for instance—if I can just give an example very quickly—that the automotive industry has done extremely well. They know that their investment cycles are seven to 10 years, so therefore the policies that need to deliver on low-carbon transport are accordingly 10 to 15 years, so they have confidence that in investing they going to get a return. At the moment, there seems to be very little investor confidence in this sector.

Q30 Dr Poulter: I am conscious of time but just quickly on this—one of you might like to pick up on that after this as well—clearly at the moment there may be some slightly shorter-term thinking on some of the energy policies over shorter-term timeframes. How would you ensure that the transition between different schemes and obligations is managed properly to protect jobs and the industry and consumers?

Peter Smith: You have to address the short-term hiatus. We are seeing job losses at the moment and that is serious. The existing capacity within that industry is falling away until we get clarity on the short-term objectives for the continuation programme to ECO. Beyond the continuity programme that is likely to be extending ECO, as is pretty much for another year, we also need to have clarity about the future supplier obligation and what that is focused on doing and how it is going to be different from the policy. We also need something beyond ECO. We need something to drive the market beyond supplier obligations. Innovation plays a big part of that and innovation in an able-to-pay sector, but clearly, from a fuel poverty perspective, we need an additional funding stream as well, which is driven through a different range of actors. That is how you will start to motivate and put this area on the strategic priority list of public sector bodies, is through giving them some resource, expecting information back about what they are doing and how that is value for money. But that is how you get it on their strategic priorities radar, if you see what I mean.

Peter Broad: You mentioned consumer confidence, and it is very important—particularly if we are asking consumers to invest their own money, but also if we are asking them to

accept measures from energy suppliers or anyone else—that they have confidence that these are going to be the right measures for them and that these are going to deliver the savings that they say they will. This is something that the Green Deal set out to do but I don't feel like it achieved it. There has been a lot of concern about the quality of measures. There have been mystery shopping assessments that have not inspired confidence that these assessments are prescribing the right measures for the right homes. There is a very complex administrative framework there that creates costs for businesses as well as complexity and confusion for consumers. I think there is a lot that can be done through looking at that framework in a holistic way, looking at when audits are done, targeting audits, ensuring that audits can be shared between bodies involved in that. We would ultimately like to see one quality brand for the whole energy efficiency and low-carbon market. At the moment we have different frameworks for different schemes. We would like to see a single framework that brings that all together. That is being looked at by Government in the Bonfield Review and I think that is very positive, but it needs to deliver on its promises at this point.

Q31 Dr Poulter: I know we are running out of time, but I have one last question I would like to come to Mr Bourhill first on: how can the Departments support the development of a sustainable market for energy efficiency and what would you see a roadmap looking like from the short, medium and longer term? I think if you start, Mr Bourhill, and then briefly from each of you. I am conscious of time.

Grant Bourhill: As part of a lowest-cost pathway to decarbonise the whole of the UK across power, heat and transport, most of the models now are suggesting that carbon is almost totally eliminated from all homes. In round numbers, that means retrofitting 1 million homes a year for 25 years. If we start in the middle of the next decade, that means that, by 2025 from today we have to build the consumer confidence in technology, confidence in the commercial models, confidence in the policy and regulatory framework and confidence in the supply chain. The key piece for me in the next few years is doing at something at scale with innovation that is at sufficient scale that you can test different technologies, commercial models and supply approaches. Without that it is very difficult to go from the schemes, at the moment, which are very sub-optimal in terms of scale, and start deploying at 1 million homes a year.

Peter Smith: Beyond closing that funding gap that I have alluded to, which would provide confidence, we think that the ambiguity in certain regulations should be tightened up and that would send a very powerful signal to the private sector that the Government is serious about this agenda. In particular, the Private Rented Sector (PRS) Energy Efficiency Regulations that I mentioned earlier, there are a lot of exemptions and caveats within those regulations that could be tightened up. If the Government is bullish about its determination to make those regulations work and binding within the rented market, then that would provide a driver. Second of all, seeing some reintroduction of regulation within the social housing sector would also have that effect in the short term.

Chair: Thank you. Before we wrap up—and time is pressing—the engaging Julian Sturdy would like to engage with the panel one more time, and if I can ask only one of you to answer, please.

Julian Sturdy: Thank you, Chairman. It will be a very short question. I want to come back on something that we talked about earlier, when you talked about the change in language away from cost saving and energy efficiency more to comfort and health. I want to ask you, how does that level with the push for investment in new technologies, like the smart meter rollout that the Government is pushing hard on? What are you saying there? Is the smart meter rollout only going to reach those already informed consumers? Are we going to leave those uninformed consumers even further behind if you say we need to change the language? It may be “Yes” or “No” right across the board, I don’t know.

Philip Sellwood: I personally think that there are no smart meters, there are smart citizens. Unless we get people engaged with that technology in an appropriate way that benefits them—and this is not about the technology, this is about what the technology does for you as a householder, as a business, as an industry—if we talk in those terms, we have an opportunity for turning that around. If we just say, “Here is a piece of smart technology and it is going to solve all your problems” I think we are in danger of spending £12 billion extremely ill-advisedly.

Chair: Thank you very much. Can I thank the panel for coming along—Grant, Philip, Peter and Peter—for your answers, your engagement and your candour this morning and sharing your knowledge? It is much appreciated and we will be looking at that in the fullness of time. I am going to call this session to an end.