

Consumer Focus response to Consultation on Heat and Energy Saving Strategy

May 2009

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About Consumer Focus

Consumer Focus is the statutory organisation that champions the interests of consumers across England, Wales, Scotland, and, for post, Northern Ireland.

We were formed through the merger of three organisations – energywatch, Postwatch and the National Consumer Council (including the Scottish and Welsh Consumer Councils).

Through campaigning, advocacy and research, we are the voice of the consumer in private and public sectors by working to secure fairer markets, greater value for money, and improved customer service.

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Executive Summary

Consumer Focus welcomes the Department of Energy and Climate Change (DECC) and Communities and Local Government consultation on its heat and energy saving (HES) strategy.

Great Britain is facing significant challenges in meeting the demands of current and future consumers and our environmental obligations. It is essential that the interests of, and impact on, consumers are put at the heart of policy decisions and the aims of the HES consultation are very welcome, for example:

- the intention to improve the energy efficiency standards of all homes in Britain by 2030
- the recognition that the financing of improvements to homes must be fair
- looking beyond the 'quick-wins' of loft and cavity wall insulation
- the encouragement of a 'whole house approach'
- the encouragement of intensive area-based approaches, learning from CESP
- partnership with communities and local authorities in delivering policies
- assurance for consumers through accredited advisers and the formation of a Heat Markets Forum

Achievement of these aims would make a major contribution towards meeting fuel poverty and climate change targets, while also cushioning consumers from energy price rises.

However, there are major shortcomings to the HES proposals:

- there is no target minimum energy efficiency standard for homes that receive measures, for example based on the Standard Assessment Procedure (SAP) or Energy Performance Certificates (EPC)
- targets are aspirational and not focused on carbon saving and fuel poverty targets
- there is no reference to the next phases of Warm Front and Decent Homes programmes, both of which represent significant public expenditure programmes that benefit low income households.
- there is no funding specifically allocated for community involvement or coordination of programmes.
- there is insufficient recognition of the obstacles to action by consumers: hassle, heritage and housing tenure.
- no actions are proposed that would provide overt financial incentives to consumers or improve the value of high energy efficiency standards in the property market
- consumers are influenced by a range of factors - cost and information are only part of the mix

Proposed recommendations to improve the heat and energy saving strategy

We recommend the HES proposals are reformed in the following way:

1. a minimum Energy Performance Certificates (EPC) standard is set for each property type, with better performance required where the location allows for the implementation of renewable energy generation. This would help ensure no occupants of improved homes live in fuel poverty, and was a central feature of the recent fuel poverty bill that was supported by a wide range of poverty and environmental NGOs, trade unions and consumer bodies
2. a target minimum EPC standard would encourage the installation of a wide range of measures for hard to treat properties, such as solid wall insulation, heat pumps, solar thermal panels and biomass boilers
3. funds raised from consumers' energy bills are matched with funds from general taxation
4. some funds from a central pot are distributed by a central coordination body to local authorities to help them co-ordinate local programmes and offer incentives to consumers, with a sufficient proportion of these funds allocated to areas with a combination of high levels of fuel poverty and high levels of solid wall and/or off gas housing
5. the Government produces a costed business plan that sets out how it will meet its statutory fuel poverty and climate change targets. The Government should also commit to preventing fuel poverty re-occurring in the future. Given the urgency of both the fuel poverty and climate change challenges, the Government should bring forward its final HES to start much sooner than 2012
6. higher energy efficiency standards are rewarded through council tax rebates and through different stamp duty levels
7. new regulations are introduced which set minimum energy efficiency standards for homes and which are gradually improved over time
8. all households can easily access independent energy advice which is tailored to their circumstances. Comprehensive cross-referral systems are established with other advice providers, eg on benefits, debt and independent living
9. exemplar homes are created in each local authority area to develop local skills and to communicate how the programme will work, what impact it has on homes and to provide advice and basic tools for people to use immediately
10. funding is allocated for voluntary and community group involvement, to include outreach with vulnerable households, welfare rights advice and support to minimise consumer disruption
11. funding is allocated for doorstep assessment, coordination and integration activities and reduce the 'hassle factor' in housing repair programmes (re-wiring, plumbing, storage, re-decoration etc)
12. there is a fair distribution of rural properties treated each year and of properties treated across Scotland, Wales and the English regions

Background

Consumer Focus welcomes the reference that will be made to responses to this consultation by the Welsh Assembly Government and the Scottish Government in consideration of their policies, noting particularly the important role we see for local authorities, for whom responsibility is devolved. We wish to note that the UK Government should in turn, learn from the Welsh Assembly Government and make target EPC standards central to all its energy efficiency policies. Its fuel poverty policy could learn from the Scottish Government's inclusion of micro-generation measures in its assistance package for low income households.

Consumer Focus has responded separately to the Government's consultations on the extension of the CERT programme which we broadly support and on the proposed Community Energy Savings Programme (CESP).

Introduction

The Government is facing significant challenges summarised as consumer attitudes, fuel poverty, climate change, energy security, and affordable energy. The issues that need to be addressed by this strategy are:

i. Consumer Attitudes

- The public is pulling in different directions. A large group – around 40 per cent – have bought into anthropogenic (man made) climate change and are looking to act. A minority – around 15 per cent – reject anthropogenic climate change, while around 40 per cent are yet to be convinced (Ipsos MORI, 2007)
- A significant minority (23 per cent) of the British public are not concerned about climate change and 60 per cent agree that many scientific experts still question if humans are contributing to climate change (Ipsos MORI, 2008)
- 68 per cent of the British public want to see the Government do more on climate change (Ipsos MORI, 2008) but there is a high degree of cynicism about funding of any action, with seven in ten voters believing the green agenda has been 'hijacked' to increase taxes (Opinium Research, 2008)
- This strategy, with its focus on changes to individual homes, needs buy-in from a public of whom 70 per cent believe they have little or no influence in limiting climate change

ii. Fuel poverty

- Recent energy price rises have pushed the number of fuel-poor households to 5.4 million¹, the highest level for nearly a decade. There is a particularly pressing need to improve the energy efficiency of dwellings occupied by the fuel poor, which in England for example have an average SAP score of just 36 (Pedro Guertler, 2009). The severity of this is illustrated by the fact that a dwelling with a SAP of 35 or less is deemed to be a Category 1 Hazard under the Government's own Health and Safety Rating System and a level at which local authorities are required to take action (DCLG, 2006)
- The Committee on Climate Change has estimated that the funding of the Government's proposed climate change mitigation measures through consumers' energy bills will place 1.7 million people in fuel poverty, while energy efficiency measures will bring 0.4 million out of fuel poverty (Committee on Climate Change, 2008, p. 395). It noted that this could be avoided through an alternative financing mechanism for the Supplier Obligations, where consumers bear more, or all, of the costs associated with energy efficiency improvement and where such improvements in low income households is financed under a separate targeted mechanism (Committee on Climate Change, 2008).

iii. Climate change

- Most of the observed increase in global average temperatures since the mid-20th century is very likely due to the observed increase in anthropogenic Green House Gas (GHG) concentrations (IPCC, 2007). Temperatures will probably rise by between 1.8°C and 4°C, though increases as small as 1.1°C or as large as 6.4°C are possible.
- Impacts of climate change on British consumers include (UK Climate Impacts Programme, 2009):
 - hotter summers, bringing health risks that will put pressure on health services as seen in 2003
 - reduced rainfall in the south east, making supplies more expensive
 - routine flooding from heavier rainfall, including the quadrupling of homes affected by flooding from sewers – insurance will be increasingly difficult to source for flood-prone homes
 - snowfall will decrease, affecting the winter sports economy in Scotland
 - increased risk of inland flash floods and more frequent coastal flooding and increased erosion (due to storminess and sea level rise) will damage infrastructure, causing increased costs across the economy
 - more severe changes in climate are predicted elsewhere. These will affect the availability and cost of products, including essentials such as food and climate change related migration will potentially put further pressure on resources within Great Britain

- many consumers are likely to be concerned about the threat facing people living in areas that are more exposed to changes in climate and whose lives, homes and health are endangered by water stress, floods (and related diseases), coastal erosion, droughts, and wild fires
- A reduction in the burning of fossil fuels, through energy efficiency measures and a move to renewable and low carbon sources for energy generation is therefore in the interest of all consumers.
- The Government has a challenging target of increasing the proportion of its energy use provided from renewable to 15 per cent by 2020². In 2007, five per cent of the UK's electricity supply came from renewable sources, with 4.9 per cent from Renewable Obligation (RO) eligible sources (BERR, 2008)¹. The current proportion of total energy use that comes from renewable sources is less than two per cent (Renewables Advisory Board, 2008)

iv. Energy security

- Economic growth has been delivered on the back of the continuous growth in production of fossil fuel supplies. The use of these can no longer be relied upon, not only due to concerns about CO₂ emissions but also the ability for supply to continue its growth (ITPOES, 2008).
- In spite of economic pessimism, research by Ipsos Mori in 2008 found strong support (59 per cent) for investment in renewable energy in the UK, even if this increases prices for consumers. Given recent increases and reports of more rises to come, the strength of backing is perhaps surprising and may hint at a broader public desire for greater national self sufficiency on the energy agenda in response to volatile global oil and gas markets.

Response to individual questions

Q1 Do you agree with the level of ambition and the indicative pathway set out in this chapter? If not, why, and what alternative would you suggest?

1. Consumer Focus welcomes the step change in the Government's consideration of the heat market, but is less certain about the level of ambition in relation to other initiatives. The consultation proposes that current policies are allowed to bed in, with a review in 2012, but they are fundamentally weak in that interventions may only be possible when property changes hands or is subject to the planning process. We are keen to learn from CESP pilots how the Government can intervene in the remaining housing stock to achieve tough SAP-based standards; interventions that are needed to meet carbon emission reduction and fuel poverty targets, but that are likely to get significant resistance from consumers due to high cost and hassle factors.
2. Further to this, measures will need to be scaled to meet the target for climate changing emissions. Consumer Focus supports the adoption of the intended target of 42% by 2020, as identified by the Committee on Climate Change (Carbon Budgets, 2009), following a global deal in Copenhagen at the end of this year. The Government needs to show its warm words regarding green jobs, the financial savings to be made from energy efficiency and a low carbon economy are not limited by the level of a global deal. Further more, this level is what is required by the science, it means a more gradual transition, and it will drive decision-making away from costly projects that have no place in a low carbon economy.
3. We would like a clearer target on the 'whole-house' approach – what number of households must take up the approach to support the Government's targets, rather than 'have the opportunity to take up'? And what number of homes must be retrofitted as part of each carbon budget period?
4. The public agree that the Government has a mandate to act (Ipsos MORI, 2009) (Ipsos MORI, 2007) and may welcome the option of energy efficiency measures but this does not mean that they will willingly open their doors – particularly for more disruptive measures such as solid wall insulation. We believe that a community or street-based approach is essential to appeal to the 54 per cent of consumers who say they would do more if others do as well (Ipsos MORI, 2007) and lessons can be learnt from Kirklees Council and others.
5. Consumer Focus believes that GB Governments must present a transparent assessment of how this work and additional work in Wales and Scotland will be funded, and how it will affect consumers in different circumstances (income, energy use, house type).
6. Delivery of this strategy is only going to get more difficult:

- the quick wins of loft and cavity wall insulation are due to be complete by 2015
 - there is a reliance on access to homes, but this is challenged by:
 - evidence on consumers' understanding of urgency. Close to one in three consumers believe their individual responsibility should only involve recycling and basic home energy saving measures at most (Ipsos MORI, 2008)
 - consumers give energy a low priority, or just do not understand what saving they could make: 82 per cent of British consumers do not know what energy tariff they are on while energy bills are seen as the most difficult to understand of all household bills (EST, 2008).
 - the hassle factor of installing measures in hard-to-treat homes
 - concern about heritage preservation
 - the ability to engage both the owner and tenant of rented accommodation.
 - these measures have a longer payback period
 - uncertain future economic environment
7. Fairness is paramount (1.26-1.28). Consumer Focus has concerns about the regressive way in which the renewable heat incentive is funded as it is not based on any kind of ability to pay and measures will not be available to all homes from day one, or potentially for many years. In general, Consumer Focus welcomes the development of mechanisms that will see measures paid for by the beneficiary. However, it supports the continuation of additional support to those on low incomes to meet both social and environmental goals.

Q2 Do you agree with the Government's policy approach set out in paragraphs 1.31 onwards to achieving our ambitions on heat and energy saving?

Inclusion of heat measures

8. The focus on heat is particularly welcome. 34 per cent of fuel poor households live in 'off-gas' properties – compared to 12 per cent of those who are not fuel poor (*Fuel Poverty Bill Coalition, 2009*). Consumer Focus is particularly keen to see renewable heat technologies implemented in these hard to treat properties, as these should offer energy at lower cost and with lower carbon emissions than conventional non-gas heating fuels. This action will help the Government work towards its targets for fuel poverty, as well as its targets for renewable energy generation and cuts in carbon emissions.

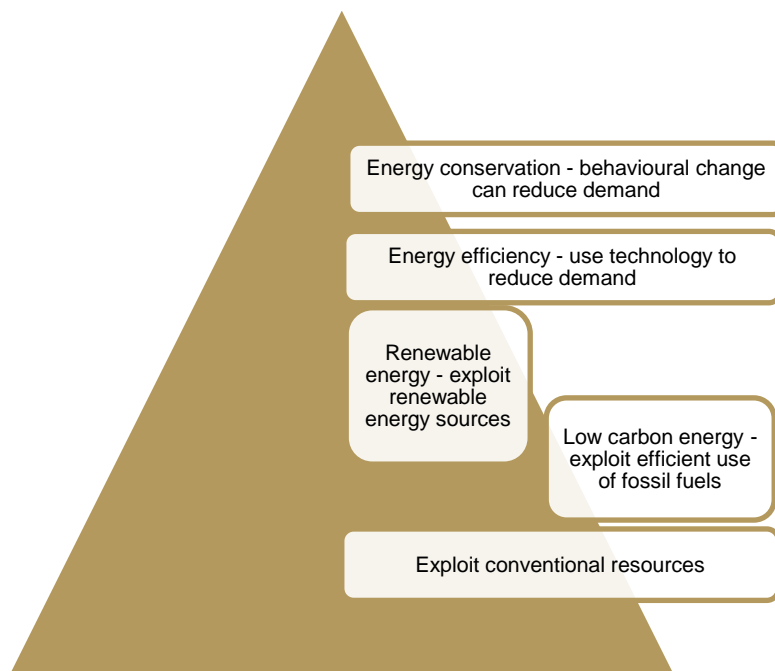
The energy hierarchy

9. Consumer Focus believes that the Heat and Energy Saving Strategy must follow the energy hierarchy, with the maximum carbon savings delivered at each point. Given the challenging targets for cutting carbon emissions and the impact this will have on the consumers' and taxpayers' wallets, we are concerned by 1.37 which seems to question whether the insulation of a building is necessary prior to the installation of low carbon heating technology.

10. Over time, each step through the energy hierarchy leads to higher emissions, less security, and higher cost to the consumer in financial and environmental terms. Our understanding of the hierarchy follows:

- provide the tools to aid behavioural change: the inclusion of real time displays with smart meters; kill switches; teach school children and students how to read energy bills or include a lottery for people who have reduced their energy since the equivalent billing period; and reconsider the introduction of carbon quotas
- consider all measures to maximise energy efficiency: Undertake an RDSAP assessment as used for the EPC; all measures should be presented to the assessor, not only those that raise the SAP by one point as happens at present, as they can have a significant cumulative impact. Consumer Focus believes that this programme should bring all properties up to a minimum of energy efficiency standard of SAP 81 where physically possible
- the RDSAP assessment should include the consideration of the incorporation of thermal mass and passive solar gain, this may be an option for new homes, major conversions, and the small number of current autonomous or passive houses in Great Britain that are not currently assessable by the Reduced Data Standard Assessment Procedure (RDSAP) methodology
- decentralised energy should be considered alongside renewable energy options, with decision-making based on the maximisation of carbon savings over the lifetime of the system

Figure 1: Energy hierarchy (adapted from Institution of Mechanical Engineers, 2009)



11. The strategy should, as a minimum, adopt the requirements set out for householders in the Low Carbon Building Programme (BERR, 2007):

You must undertake a number of energy efficiency measures before you are eligible to apply for a Low Carbon Buildings Grant. These measures will ensure that you are minimising your energy requirements. Before applying we require you to have:

- a. insulated the whole of the loft of the property to meet current building regulations eg 270mm of mineral wool loft insulation or suitable alternative
- b. installed cavity wall insulation (if you have cavity walls)
- c. fitted low energy light bulbs in all appropriate light fittings
- d. installed basic controls for your heating system to include a room thermostat and a programmer or timer.

12. The Government needs to be clearer on how it defines 'cost-effective'. Cost-effectiveness will change over time. Short-term costs need to be considered against the long-term costs of not meeting a minimum standard such as SAP 81 in the light of rising and projected future energy costs.

Challenges: hassle, heritage and housing tenure

13. The Government is right to be concerned about the hassle factor significantly impacting this programme. This will be a deterrent even where measures would be taken at no cost to the household. Ideas to address this include:

- Work with employers to allow householders to take time off to oversee any work
- Involve (and fund) 'trusted intermediaries' from voluntary and community sectors and other local agencies (particularly in the case of low income and vulnerable households) to explain benefits of improvement and support with minimising disruption
- Provide the labour required to move furniture and other items, and storage where needed due to time or space considerations
- Install a platform over any loft insulation so that households do not lose valuable storage space
- Where a street or community approach is being taken, there are additional options:
 - Take a modular approach with insulation panels prepared offsite as far as possible to minimise disruption
 - Arrange local storage and employ a local removals service
 - Arrange a community 'garage-sale' to help householders make some money from clearing their lofts
 - Arrange a bring-and-share day, with any goods left over recycled through Freecycle (or equivalent), to local charities, or according to their raw material

- Encourage streets to work together in considering options. For example, external solid wall insulation may be more acceptable and cheaper if the approach is agreed by a number of neighbouring homes, and has a lower hassle factor for the householder.

14. A further challenge is the question of heritage. The Government needs to consider how Great Britain's architectural heritage is preserved and whether it is incorporated in the funding models.
15. The architectural heritage of a property is important to many consumers, but its preservation comes at a cost. Consumer Focus believes that the installation of any energy efficiency measure should leave a home fit for living in, but the cost of retaining decorative architectural features should not be carried by energy consumers in any way as this would be particularly regressive. The cost of preservation includes both the time required to deal with English Heritage (Listed Building Consent affects around 500,000 buildings and approximately 1.2 million homes in Great Britain are in conservation areas (Bottrill, 2005)) and the materials required to move or recreate features. Costs may be reduced through a street-by-street approach but often the size and design of fittings will be unique to a property, particularly for older properties. As with other challenges, the cost-effectiveness of making changes may improve as energy prices increase.
16. In terms of fairness, Consumer Focus welcomes the efforts made to date in social housing but we have serious concerns about the low energy efficiency levels required under the Thermal Comfort Criteria in the Decent Homes Standard. Analysis of the 2003 English House Condition Survey suggests that around one million homes passed the Thermal Comfort Criteria while being rated below SAP 35, a proxy for a Category 1 Health Hazard under the Government's own Housing Health and Safety Rating System. The Government needs to set challenging and common energy efficiency standards across all its energy efficiency programmes. It supports the recommendations made by the Energy Efficiency Partnership for Homes in its report, 'Improving energy efficiency in private rented housing' (2009, pp. 4,5), including:
 - a communication campaign together with increased support and advice for landlords
 - targeted CERT-funded schemes
 - improve tenant awareness of the role of EPCs to drive demand for energy efficient homes
 - review landlord compliance with EPCs
 - mechanisms to support whole-block programmes
17. In terms of economic benefits, the rhetoric in section 1.53 to 1.54 has been undermined by the gap in support for the renewable energy industry due to the end of Stream 2 of the Low Carbon Building Programme and we welcome measures to address this problem in Budget

2009. The introduction of feed-in tariffs and the renewable heat incentive requires a healthy and forward-looking industry to support it.

18. Claims of lower energy bills may be overstating the case, particularly as consumers are seeing the costs of increasing numbers of initiatives added to their bills in a regressive manner. Energy prices are likely to rise and expectations need to be set. It is crucial that claims made about the savings consumers can make from changing behaviour, using low carbon technologies or smart meters are realistic and transparent else consumers will lose confidence in green claims. Consumer Focus believes that the economic benefit of these measures may be some protection for participants from rising prices, rather than an outright drop.
19. Consumer Focus welcomes the Government's understanding that carrots, such as a renewable heat incentive, should be explored to drive CO₂ reductions where carbon trading under the European Union Emission Trading System (EU ETS) would do little to influence the individual consumer. Consumer Focus welcomes the Government's understanding that the extension of carbon trading, in the form of cap and trade, is not worth pursuing. Further to this, we support the ring-fencing of least 20 per cent of the revenues from auctioning to support a range of fuel poverty and climate change related measures. It is both inappropriate and inequitable that consumers, especially those on low incomes, should bear the costs of the EU ETS while the revenue from auctioning passes to the general Treasury pot.

Q3 How can the Government encourage people and communities to change behaviour to save energy? What is the appropriate balance between changing attitudes, and providing advice and information?

20. The methods outlined in Chapter 2 assume that behaviour result from deliberative, cognitive processes. In reality, self-interested rational thought is subject to an individual's idiosyncrasies including habits and routines; social, moral and altruistic behaviours; collective and social decision-making contexts ('I will if you will') and emotional or affective responses (Jackson, 2004).
21. Habits and routines are difficult to break, but can be influenced by using a consumers' values to appeal to the other aspects of their decision-making – what drives their behaviour within their social context? These values can be a better motivational template than segmentations such as lifestyle, life stage, profession, region, age, sex or wealth. Using the Values Modes System, consumers can be divided into three broad groups (Rose, Dade, & Scott, 2008):

Consumer Type	Per cent population	Attitude to climate change	Impact on communication
Pioneers	40%	<ul style="list-style-type: none"> • Early adopters • Quick to take responsibility and embrace reasons to act, but... • Talking rather than doing • Seek inter-dependence 	<ul style="list-style-type: none"> • May already have considered the approach and have a firm idea on its value. • Like authenticity and stories about real people from which they can draw their own conclusions
Prospectors	40%	<ul style="list-style-type: none"> • Least reached by global issue or community issue 'campaigns' • Most enthusiastic and competitive material consumers • Least likely to vote or have strong political allegiances 	<ul style="list-style-type: none"> • Need to be reached through an experience or an attraction rather than with messages • Take a behaviour and turn it into a product • Saving money, not carbon • No hint of politics, ethics or campaigns
Settlers	20%	<ul style="list-style-type: none"> • Disbelief • In denial or avoiding change • Try to avoid thinking about it 	<ul style="list-style-type: none"> • Resonate messages with safety, belonging or security

22. This response refers to these options by way of illustrating how 'value mode' theory can be used to understand and influence consumer behaviour. This is just one model that should be explored and Consumer Focus is keen to look at further approaches with DECC, drawing on the experiences of its National Social Marketing Centre³ in other sectors.

Pricing

23. While there is scepticism about green taxes, and any tax changes should be subject to scrutiny, pricing is likely to be the clearest way to send a signal to consumers about how to act, with choice editing taking out products that have an unacceptable impact, as with leaded petrol in the past. At present, the Government is lagging behind enlightened retailers such as Wyevale who have removed the sale of gas patio heaters from their stores.

24. Consumer Focus supports the use of VAT to send signals to the market about the value of energy efficient products.

25. Consumer Focus also urges the Government to investigate alternative energy tariff structures, such as rising block tariffs, that encourage more sustainable consumer behaviour (ie address both environmental and equity concerns).

Government policy

26. Changes in pricing need to be backed up by positive messages, not necessarily about climate change or energy use, but about health, wealth, technological advances or community spirit, dependent on the target audience. Positive responses do not come from energy saving facts, which can turn many people off – particularly the Prospectors who actively consume the most. Instead we need positive messages from:

- making energy efficiency and renewable energy more affordable and desirable, make it appeal to gadget lovers
- emphasising the health benefits of energy efficiency will act as a strong motivator for many older people (Attend Rights to Warmth, *Changing attitudes towards the cold*, eaga PCT)
- sharing the experiences of others, from all walks of life – people love looking into others' lives, and others' homes even more
- action in the workplace to show how money can be saved and maybe benefit team/community spirit

27. Positive messages are currently swamped by conflicting messages, from government policy to advertisements. The aviation industry seems particularly keen on dark humour (Air Asia asks consumers if they want to save energy on heating bills, by flying away instead); but the Government is sending conflicting messages with its policies on road building and airport expansion, while requiring consumers to pay higher energy bills to cover the cost of energy efficiency and infrastructure measures – payments that hit those in fuel poverty hardest.

28. The MORI research commissioned by the Government clearly shows that consumers expect strong leadership from national and local government, including grants and loans for upfront installation costs (paid for through general taxation) (Ipsos MORI, 2009). The research also suggests that consumers want legislation that sets minimum standards of CO₂ for homes by a set deadline. This is very similar to Consumer Focus' call for minimum EPC/SAP standards domestic properties.

Skills and training

29. At the point of decision-making, consumers are most dependent on the advice they are given by their builders and plumbers. These professions need their skills brought up to date, and the retro-fitting of publicly-owned and leased buildings could provide them with the necessary learning environment.

Smart meters

30. Consumer Focus has a number of concerns about the implementation of smart meters:

- costs of roll out passed on to consumers in a regressive, unfair or inequitable way
- unequal access to types of technology
- disruption as meters and displays installed
- support for faulty meters and displays
- consumers don't understand how to use new technology or change behaviour
- contracts may get longer as suppliers seek to recoup costs of displays – locking in consumer with poor deals
- tariffs become more complex as shift to time of use tariffs etc – potential customer confusion
- consumer protections needed eg on use of data, prevent remote disconnections

31. It appears that messaging around cost saving, accurate billing and/or the installation of the latest technology could appeal to the majority of consumers, provided they are assured of the accuracy of the meter, the use of data, and the impact of the installation on their home and their personal security.

32. Motivating consumers to use the smart meter to reduce their energy consumption is a different matter. Consumer Focus recognises that real time displays linked to smart meters are an essential tool in motivating households to change behaviour. However, they need to be installed alongside face to face tailored energy efficiency advice and a national awareness campaign. It would be helpful for those advising consumers to ask some prompting questions to ascertain how to engage the consumer. As the report quoted as evidence in the CERT consultation states 'the impact [of real time information] may only last for a short period of time or be uncertain if it is not interpreted... in a way the energy user relates to' (Enviros Consulting, 2008).

Products and services

33. The current A-G rating is an effective tool to communicate an appliance's performance, particularly when it is supplemented by information on running costs. It provides information that relates to cost as much as carbon, allows the consumer to make a choice (although this may be edited by regulation or the retailer over time) and gives consumers assurance about the quality of a product.

34. Consumer Focus is extremely disappointed by the EU's decision on labelling going forward which will cause confusion to consumers and cynicism about the accuracy of information and the seriousness with which Government and companies take energy efficiency.

A community-based approach

35. According to Rose, Dade and Scott (Climate change: motivating consumers, 2008), the UK 'media, business and politics all pay disproportionate to Prospectors'... as they are 'committed consumers' and are 'least likely to vote or have strong political allegiances'. This

leaves 60% of the population feeling unrepresented in the media and these groups have social motivations. Pioneers like to understand how measures affect and work for real people, whilst Settlers value a sense of belonging. Both of these values can be appealed to by a community approach.

36. Consumer Focus believes that a community based approach can help consumers understand what is possible and feel that they are part of something bigger. Action in the community also makes measures more relevant to local demographics and housing types.
37. Lessons can be learnt from existing schemes, although it is likely that additional funding will be needed to drive extension of these schemes.
- develop exemplar retrofit homes in each local authority⁴, representative of the local housing type(s), with guided tours as run by the Sustainable Energy Academy (Get inspired, 2009) and COIN (National Eco-homes Open Day events, 2009), to communicate the whole house approach. These must address the hassle factor and heritage issue faced in the local area
 - support the development of inspiring centres of excellence, such as the Centre for Alternative Technology, in each Government region
 - at either of the above, sponsor the provision of on-the-spot opportunities to access energy efficiency and renewable services. Last year London's Green Homes Concierge Service used Camden's EcoHouse to capitalise on the visitors' engagement in the issue and their ability to visualise the impact on their home and this approach was far more successful than cold-selling.
 - the retrofit of a social housing block by London Borough of Lewisham in March 2009 which had a 100% take-up rate. This focused on cavity wall insulation with additional measures such as hot water tank jackets, energy efficient light bulbs, and water efficiency measures
 - develop a network for organisations delivering behaviour change for sustainable living at the community level (Sustainable Consumption Roundtable, 2006, p. 53)
 - Eastleigh Borough Council's face-to-face engagement of a group of residents who had not taken up recycling
38. Consumer Focus strongly supports the Government's view of the important role that local authorities and other local organisations can play in a co-ordinating role. They also have local knowledge of the housing stock and distribution of areas/people in deprivation and could help prioritise measures for those most in need. This is a global issue that requires local action, skills and engagement. Consumer Focus also urges the Government to recognise the important role and value of local voluntary, community and other agencies in supporting the improvement programmes required.
39. Rather than delivering these schemes through suppliers, Consumer Focus wants to see the HES programme delivered through local authorities working within a regional and national

structure. This will reduce the risks of cynicism about the suppliers affecting consumer engagement; it will encourage local learning; provide more local employment; and directly supports the delivery of a street-by-street approach that would give priority to the homes in most need.

40. This would mean a greater transparency about the use of energy billing to raise funds for public works, and Consumer Focus understands the Government's wariness of green taxes. However, the current approach is a taxation of sorts and, worse, funds are being raised in a regressive way. Consumer Focus asks the Government to review the funding of its energy and climate change policies in a holistic manner, and to develop revenue-neutral taxation policies that incentivise low carbon behaviour rather than ones that punish those most in need.
41. Consumer Focus considers it essential that the Government (as well as consumers through their energy bills) commits significant public expenditure to the provision of energy efficiency measures – a message reinforced by the Government's own commissioned research (consumers want help with upfront costs by substantial grants and loans, paid for through general taxation (Ipsos MORI, 2009)). While Consumer Focus recognises the major constraints on public expenditure, there is considerable evidence that a major fiscal stimulus on energy efficiency would represent a very cost effective method for taking the economy out of recession (Impetus, 2009; Environmental Industries Commission, 2009; LGA, 2009, Killip, 2008).

Information

42. Consumer Focus welcomes the revision of the Act on CO₂ calculator. Highly engaged consumers would find it helpful to have ongoing tracking tools, one existing user-friendly example is www.thecarbonaccount.com. Tools such as this appeal to consumers with competitive streaks (the Prospectors) and those who like to understand others' stories (the Pioneers). It also has functionality to support community groups such as Carbon Rationing Action Groups. We also welcome the development of the underlying calculator as open source software to encourage its use via other gateways and to discourage poor imitations.
43. During the coming year, Consumer Focus will be assessing how green tariffs and other environmental information is best reflected on consumer bills and is working with Ofgem on the production of a guide to green tariffs. The current Ofgem probe does consider how to improve consumer information but this is largely focused on energy costs rather than energy saving or energy sources.

Property

44. Consumer Focus looks forward to the results of research on the impact of the EPC. Its current inclination is that without consumer demand driving up standards, the EPC should be tied to a financial measure to encourage awareness, for example through council tax or greater ties to stamp duty.

45. Our current understanding of the EPC is that it fails in its objectives in parts, for example it:

- does not disaggregate improvements, making it difficult for consumers to understand which measures would work best for them
- only includes measures if they make more than a SAP point – minor measures are left out that together could make a significant difference
- cannot account for passive house standards, where heating systems are not required
- fails to reflect the work done – it makes assumptions about insulation levels and the u-levels of glazing
- needs a more sophisticated database to reflect the different levels of performance possible from different products (not just boilers as it does now)

Q4 How can home energy audits be made most useful, and do you agree that the Government should use Domestic Energy Assessors, who have been suitably trained, to deliver them as widely as possible?

Suitability of DEAs

46. Advice should not be provided by suppliers but via a truly independent organisation or individual. Studies show that information provided by energy suppliers is more likely to be distrusted by consumers and this could have implications for behavioural change. The Ofgem Consumer First Panel, the Future Consumer report (March 2009) concluded 'There is a real lack of trust in energy companies to provide consumers with reliable information that will help them reduce their bills (p. 17)'.

47. As we understand it, the role of the Domestic Energy Assessor is to assess dwellings using specific software rather than to provide tailored face to face advice and behavioural support. The advice given as part of the Energy Performance Certificates tends to be generic, eg turn your lights off when not needed, if you turn your thermostat down by one degree etc. Consumer Focus does not believe that the DEA qualification alone is sufficient and would welcome the opportunity to contribute to the development of the National Occupational Standard.

48. In terms of the provision of advice to vulnerable consumers, there is arguably a further skills set and knowledge required that would be best provided from within the existing cohort of trusted providers such as local authorities or the Citizen's Advice Bureau. Again, we would welcome the opportunity to assess how the needs of vulnerable consumers have been incorporated into the National Occupational Standard.

49. Consumer Focus would also like to assess the complaint route for consumers, using its experience in the energy and postal market.

50. Reports must be quality assured, with spot checks and sufficient time budgeted for. Our concern is that it turns into a survey exercise. Each consumer and household is unique and from experience of the London Green Homes Concierge experience, which included behavioural advice, we estimate that visits will take between two and four hours, with more time spent advising on installers and approach.

Home Energy Audits

51. Face-to-face energy audits are ideally undertaken at the point of purchase or change in tenant, as 'whole-house' changes will cause disruption to residents. However, due to the scale of the challenge, it is likely that most will be undertaken when people are in residence.

52. DEAs should be able to provide energy efficiency tools up to a certain value such as chimney balloons, plug-in appliance meters, basic draught-proofing, energy efficient light bulbs and reflective radiator panels, with signposting for the purchase of other quick-wins. This is a lesson learnt from looking at consumer types, and the value placed on material solutions by Prospectors.

53. Consumers also want to know, there and then, who can help them and how much it will cost. DEAs need to be able to offer advice on local suppliers and grants, and provide ballpark figures on cost although caveats on costings will be needed, or provide immediate access to a service that can provide this information.

54. Consumer Focus supports a local approach, which would support the maintenance of accurate data on suppliers and grants, with national grants fed in from a central source. As with the London Green Homes Concierge Service, each area will need to build up a database of reliable installers and grant support by postcode and demographic.

Use of data

55. Any energy audit should report back its findings to the Home Energy Efficiency Database. Data capture should be sufficient to track progress on SAP standards, identify obstacles to higher standards and identify a strategic approach to rollout which prioritises the needs of vulnerable consumers.

56. More detailed reporting of measures resulting from all GB wide energy efficiency programmes is essential if improvements to the entire housing stock are to be achieved. The time gap between the installation of the measure and its reporting to HEED should not exceed one year.

57. Consumer Focus is pressing for more information on which measures have been installed on which types of homes and for what householders. As well as a breakdown by measure type, household type and property type (eg loft insulation in terrace homes of low income households over 70 years old) it would also be useful to have the data supplied by lower super output area and therefore ward, constituency, local authority, region and by nation.

58. In addition to this, it would also be useful to compare the distribution of measures according to population density and fuel type used, including those without mains gas. People living in villages, hamlets and more remote areas, as well as those off the mains gas are much more likely to be in fuel poverty than those in urban areas, market towns or with access to mains gas yet anecdotal evidence suggests they are much less likely to have benefited from a grant available from any kind of energy efficiency programme.
59. In this way the equity of the strategy can be examined and new programmes and initiatives more effectively targeted to fill the gaps. This data should be widely available in a format that is easily communicated to stakeholders. Ideally it would be publicly available via the Office of National Statistics, subject to data protection requirements in a format similar to the treatment of census data. This would also enable comparison and reporting against additional indicators. A more detailed dataset may be necessary for industry and the regulator, searchable by postcode, measure and property type.
60. Consumer Focus would like Energy Savings Trust (EST) and Consumer Direct to review their data capture to enable reporting on the consumer experience of energy efficiency at similar levels of detail. Most vital is an agreed reporting method on CO₂ impact even if publication of reports would take a little longer eg CERT funding apparently uses different calculations from RDSAP and this needs to be unified.
61. There needs to be common reporting between delivery organisations (eg local authorities or suppliers) in order to enable, as far as practicable, comparisons. We see no problem in a voluntary approach in the first instance but DECC should move swiftly to enforce this kind of reporting should suppliers not provide data in the required common format within a twelve month period.

Q5 Should the Government work with industry to develop accreditation standards for advice about, and installation of, energy efficiency technologies? What would be the best model for such a scheme, and why?

62. Accreditation should be developed for advice and installation of energy technologies.
63. In terms of advice, we would urge DECC to investigate the training and qualifications offered by National Energy Action (NEA), which are already recognised in the EST's Code of Practice for Energy Advisors. NEA offer training in a single qualification which covers the provision of face to face home energy advice including behaviour. Government would do well not to develop additional unnecessary qualifications and training programmes should they already exist.
64. The CORGI scheme (now Gas Safe Register) is a useful model for installation and we would like to highlight the need for:

- A single scheme, potentially using the EST or another known logo to assure consumers
- Consumers should be asked to provide feedback to a central database, particularly when they are dissatisfied so that this can be investigated by the scheme's administrators.
- Roll out the training scheme in stages if necessary, with immediate training necessary on cavity wall and loft insulation an immediate priority following anecdotal evidence of insulation being left rolled up in lofts.
- On the job training opportunities. These could be provided through the development of exemplar retrofit homes in each local authority area.

Q6 Are the information, advice and support services provided by the Government to businesses effective in encouraging them to reduce their energy use and their CO2 emissions?

What other types of support services are useful and how can these be provided cost effectively?

Is there scope to do more on behaviour change through businesses and their employees? Please support your suggestions with evidence.

65. Consumer Focus welcomes the commissioning of research into the behaviours of SMEs and the split incentives related to rented premises. These reflect the problems also faced by domestic tenants.
66. We welcome efforts by businesses to support behaviour change amongst employees. This can be a sensitive area, as work life should not generally encroach on home life, but advice and other forms of empowerment can be offered as an optional benefit. The marketing of such a benefit is then likely to differ according to the values and attitudes of the majority of employees – whether it is marketed as advice on cost saving or as a lifestyle management service.
67. Provision of such services by the private sector are dependent on the overall economy, so cannot be relied upon. The Government should monitor the progress of such schemes to determine whether a larger rollout should be supported through direct funding or other incentives.

Q7 Are the existing commitments for public sector buildings sufficient for the public sector to fulfil its role in driving improvements and leading by example?

68. Commitments are sufficient for the short-term. The aim is to reduce emissions from buildings by 30 per cent by 2012 (DEFRA, 2006) relative to 1999/2000 levels. However, existing targets for buildings are not being met, as has been reported by the NAO (Building for the future: Sustainable construction and refurbishment on the government estate, 2007).
69. Energy consumption across central government departments and agencies costs £150 million per year. The NAO estimated that if the government meets its energy consumption reduction targets, it could be making savings of £22.5 million per year by 2010, and £45 million by 2020. Assessment of progress in central government and in the application of local government performance use of resources criterion, must be robust and failure addressed.
70. The public sector can only lead by example if it sends out a single message across departments. This is not the current case. For example, 22 times the amount of new and additional spending in the Pre-Budget Report's green stimulus has been put aside to assist the car industry. £27million of this is specifically designated for the new Land Rover, with further commitments to 520 miles of road expansion (New Economic Foundation, 2009).
71. Potentially related, the ONS has found that fewer than 15 per cent of the public trust the Government to give correct information about climate (The Office of National Statistics, 2009), a level of trust that damages the potential for the Government to demonstrate leadership.
72. Finally, green leases should be tested within the public sector to understand how they work in the UK property market to the benefit of tenants.

Q8 What will be the most effective way for Government to develop RHI and FIT policy so that combined financing packages of insulation, renewable heat and small-scale low carbon electricity technologies might be offered?

73. Consumer Focus wants the Government to publish a transparent strategy to explain its approach to placing costs on energy consumers' bills. The current piecemeal approach does not provide assurance that the Government understands the impact of the various levies on fuel poverty. We believe that a less regressive approach could be taken through a fairer mix of fiscal reform and costs applied to energy bills. This should be coupled with a revision of social tariffs to provide protection to those who suffer most from high energy prices.
74. We advocate the development and introduction of the RHI and FIT policies in tandem. The 12 month difference in go-live dates will:

- reduce the likelihood that related paperwork will be comparable
- reduce consumers' ability to choose the technology that is most cost and carbon-effective for them
- cause confusion, assuming a low level of understanding of the differences in the tariffs and the different types of technology amongst the majority of consumers

75. We support the adoption of a clear energy hierarchy (see paragraph 9) and the setting of tough SAP standards for improvement as the best way of ensuring a 'whole house' approach and as a guide financing packages. Consideration must be given to all measures to understand the cumulative impact of different options.

76. Such an approach should be regularly reviewed to take into account exceptions to the general hierarchy, for example:

- The grey line for hard to treat houses when it comes to consideration of the renewable heat incentive. The installation of a renewable heat source may offer greater carbon and cost savings than the installation of solid wall insulation in hard to treat homes off the gas network
- Connection to a gas-powered district heating network may offer more cost-effective carbon savings than some renewable energy installations

77. Consumer Focus is concerned by the risk of double-counting measures, particularly where they both use regressive funding from consumers' energy bills. CERT currently seeks to help consumers use energy from micro-generation sources. As mentioned in 2.41 in the CERT consultation, from April 2010 CERT will need to take account of the introduction of FITs and, a year later, the RHI. There may be a short period of overlap, but Consumer Focus wants this limited to April 2011. After this point, the financial incentive for consumers should be provided by the new tariffs.

78. The Government will want to ensure there is no double-counting of carbon savings from the go-live date for the feed-in tariff. Carbon savings should only be reported at the point of implementation (ie under the new tariffs).

79. Nevertheless, consumers need to be advised on the opportunities offered by micro-generation as part of the wider energy hierarchy, and introduced to the option of the feed-in tariff or RHI. We suggest that initial advice is still provided by DEAs under CERT as part of the fixed score and later as part of the energy audit proposed in this consultation.

80. Consumer Focus is extremely concerned about the impact of these tariffs, along with other schemes, on consumers' bills. We want the Government to take measures to minimise the cost of this scheme to all energy consumers, and to ensure fairness in its implementation. For example, efforts should be made to ensure that individuals or organisations who have benefitted from publicly-funded grants in the past get a tariff that recognises this earlier

support. The CESP programme, and other measures, should be used to ensure fuel poor households are able to access the benefits of this scheme.

81. The cost of the renewable energy tariffs will be added on to bills in addition to the costs of the ongoing renewables obligation, the Heat and Energy Saving Strategy and the investment in energy networks and technologies required to support a move to low carbon energy generation. The resultant rise in energy bills has a particularly negative impact on low income households and on those who have little control over their energy use. It may also influence the acceptability of these and other initiatives that seek to address climate change, energy security and affordable energy.
82. The funding of initiatives through consumers' fuel bills is a more regressive way of raising revenue than funding through general taxation.
83. Low income and rental households may end up paying for benefits that will go to better off homeowners, as renewable energy systems are, in general, more easily installed by owners of larger homes who have higher levels of disposable income.
84. The Government must ensure low income and other vulnerable consumers receive an equitable share of the benefits of the Renewable Energy Tariffs to lower the impact of the costs.
85. We ask for the following measures to be considered in the Government's consultation on renewable energy tariffs in order to develop an equitable approach:
 - cap the amount levied on consumers' bills to cover the renewable energy tariffs, with a lower cap or zero levy on consumers in receipt of social tariffs
 - develop a model for review of renewable energy tariffs that ensures they take into account changes in the market
 - levy the costs of the renewable heat incentive across all heating fuels
 - produce guidance on the communication of costs on consumers' bills
 - include costs of financing capital when setting tariffs
 - establish a priority group mechanism to help ensure equity of access to the tariffs
 - provide complementary support mechanisms outside tariff structures for householders, communities, and micro-enterprises
 - develop a model that appeals to private landlords and their tenants
86. Further to this, the consultation on renewable energy tariffs later this year should clearly define:
 - the predicted impact on consumers' bills, with particular reference to the impact on:
 - a. the pricing of social tariffs
 - b. the numbers of households in fuel poverty
 - c. the cost of different fuel types
 - the level of support from general taxation, and the rationale for the sourcing of funding
 - proposals for complementary policies to encourage installation of small scale renewables, particularly in the properties of low income households

- how the cost will be levied equitably across different socio-economic groups
- a summary of the costs and benefits of environmental and energy security measures
- the need for cost-effectiveness, and how decision-making will follow the energy hierarchy

Q9 What action, if any, should the Government take to enable finance to be arranged for the higher cost energy efficiency and low carbon measures? Are there other options the Government should consider? Please provide evidence to support your response.

87. Firstly, it is not clear how the Government aims to finance home energy audits. We assume that this is part of the financing of energy efficiency measures, despite the audits not, in themselves, resulting in carbon savings.

88. Secondly, Consumer Focus is concerned that the consultation underestimates the costs of the strategy. Work by the Sustainable Energy Academy, looking at the retrofitting of around 30 homes, found that carbon emission reductions of 60 per cent or more typically cost £20,000.

89. Consumer Focus supports a move away from the regressive funding of measures through energy bills (3.16), believing measures should be funded by a 50:50 split between:

- general taxation – the most equitable way to fund measures, as better off households contribute more and lower income households pay less than if measures are funded through a levy on all energy consumers' bills. It is clear that consumers consider the Government should provide substantial grants and loans that are paid for through general taxation (Ipsos MORI, 2009). Consumer Focus also notes that the increased demand for skills from the building sector would reduce the costs to the taxpayer of unemployment in that area
- the property owner (including landlords) – to reflect the cost savings they will make in future, or to reflect the market value in the case of a rental property

90. Where costs are placed on the owner-occupier, these need:

- a modest subsidy, to act as an incentive
- to allow for work to be undertaken with no upfront cost
- to be repaid at a rate whereby savings exceed loan payments, with an option for earlier repayment if the householder prefers...
- ...while also reflecting the lifespan of the measures
- to be communicated in plain language in a single bill, alongside energy use
- to reflect ability to pay, through the use of publicly-funded grants to assist the fuel poor in part or in full
- to allow for switching for providers, at no additional cost in terms of time, cost or complexity

- from a reliable lending source, underwritten by the Government
- to be transferrable on change of occupancy, with charges attached to the house rather than the occupant, and to be signalled clearly in the Home Information Pack or EPC

91. Further financial incentives will be needed, such as a linking of EPC ratings to Council Tax or stamp duty.

92. Where costs are placed on private landlords, the approach needs:

- to be linked to regulation, such as the enforcement of the Housing Health and Safety Regulation System, as lower energy bills are not a sufficient incentive
- to allow for work to be undertaken with no upfront cost
- to ensure that the tenant does not pay twice for the work:
 - Through a higher rental cost
 - Through paying for the loan through their energy bills
- to communicate costs and impact in plain language to the tenant and to the landlord
- to allow for switching for providers by the tenant, at no additional cost in terms of time, cost or complexity
- funding needs to be from a reliable lending source,
- to be transferrable on change of occupancy, with charges attached to the house rather than the occupant, and to be signalled clearly in the EPC

Vulnerable consumers

93. We would like further information on how improvements to the lowest income homes will be financed after CESP. There is no reference to the next phases of Warm Front and Decent Homes programmes, both of which represent significant public expenditure programmes that benefit low income households.

94. Replacement of these two programmes, which are funded by general taxation, with a programme funded by consumers would represent a very regressive step since low income consumers pay a much higher proportion of their income on fuel than higher income consumers.

95. It is crucial that there is a co-ordinated approach across all Government Departments (DCLG, DWP, BERR and DECC) and across all schemes. Government should investigate the setting of common minimum energy efficiency standards and what efficiencies and benefits could result from a single scheme.

96. Consumer Focus also wants assurance that consumers who have difficulties paying their energy bills are identified and supported at the earliest stage possible, including referral to independent advice and assisted with the installation of energy efficiency measures. We consider suppliers' debt recovery procedures need improving such that they effectively result in no consumer being disconnected from their supply. Consumer Focus considers there

should be a wider debate about whether it is appropriate for suppliers to retain the power to disconnect consumers from the essential services of gas and electricity supply.

Finance Models

97. Consumer Focus is primarily interested in the interface with the consumer, but recognises that there are some major challenges in designing the funding process.

98. The following stakeholders may have a part to play:

- energy suppliers – we believe that the suppliers have a role to play in the billing of consumers, both to minimise the cost of developing new systems and to provide the consumer with a single interface. However, they cannot provide independent advice on efficiency and therefore are not a suitable delivery body for such measures
- domestic or personal energy advisers – the initial energy audits will be vital in setting the levels of funding required. These advisers must be independent from the energy suppliers, or consumers will distrust their motives, and be able to advise on all aspects of the energy hierarchy, including behavioural change
- National Grid and DNOs as finance houses – the consumer does not have a relationship with the National Grid or the DNOs so any body, including these or a new central co-ordinating body, could undertake the role of raising finance and routing it through to the (potentially numerous) energy efficiency providers on behalf of the consumer. Consumer Focus would prefer that this was the main function, or at least a core competency, of such a body, and so does not believe this role sits well with the National Grid or the DNOs
- DNOs – do not have any track record of delivering energy efficiency programmes but we understand that DNOs have a role to play in linking bills to households rather than the residents. They therefore need to be involved, alongside suppliers, in the billing mechanism
- local authorities – have the trust of residents, and are well-placed to communicate and manage change programmes. The cost of this work will need to be incorporated into the Government's calculation, and a source for that funding identified
- Scottish and Welsh Government – responsibility for local authorities is devolved so consideration has to be given to existing and potential delivery structures in those nations.
- ESCos – independent bodies may wish to raise funding and deliver energy efficiency measures, using the DNO-Supplier billing mechanism to recoup costs over the long-term. The Government should consider whether there should be provision for third parties (from the private, public and third sectors) to use the billing mechanism, and how they would be accredited.
- A central co-ordinating body – is required to oversee the process, given the number of parties potentially involved, and to oversee the spending of funds from central

Government. Co-ordinating bodies will also be needed within Scotland and within Wales to reflect the devolved nature of related energy and local government policy, but we support strong links between these bodies.

Q10 What should the Government do beyond these initiatives to promote investment in energy saving and low carbon energy technologies in business and the public sectors?

99. Consumer Focus's remit in relation to businesses is limited, but has concerns for micro-enterprises and small businesses which often suffer the same disadvantages as domestic consumers and in some cases are more vulnerable.
100. It understands from the BCC (2008) that SMEs currently account for over 50% of all business energy use yet little focus is directed toward this sector
101. DECC states in 3.48 that those small businesses that are based at home could potentially get access to any finance initiatives available to homes as an owner-occupier. This flexibility is welcome, but there is still the need to communicate and incentivise these small businesses which do not have the time or expertise to fully explore and understand the implications of climate change and energy price rises on their income.
102. One way to trigger a more active interest in energy use by SMEs is to end the automatic rollover of contracts, in order to make energy procurement a conscious decision, and to make pricing more transparent. This could give the energy industry a greater incentive to offer better customer service, including energy efficiency advice and raise the importance of energy management within SMEs.
103. Ofgem is supportive of the end of the rollover, a direct result of years of campaigning by Consumer Focus's predecessor, energywatch. Consumer Focus is monitoring this, and other work identified in recent Ofgem probe remedies, to ensure the regulator delivers tangible benefits to these consumers. Consumer Focus is also looking at options to expand our confidence code for online price comparison sites to the non domestic sector. Consumer Focus is also in the process of producing information to assist SMEs in the process of contract renewal and working with stakeholders to disseminate this.
104. Finally, the overall message to Ofgem and the Government is that any system for SME engagement has to be simple, since SMEs are often too busy trying to survive to deal with Government bureaucracy or schemes. They do not have the time, inclination or experience to deal with onerous procedures. One way to achieve this is through the use of intermediaries, on a local basis, to provide face to face advice to SMEs on the merits of energy efficiency, what can be done and the financial returns and assistance available. These could be delivered through local authorities, and we would particularly welcome such initiatives as part of any community approach to energy efficiency.

Q11 Should levels of support through the Renewable Heat Incentive vary by technology and/or customer group? Are there any other ways of differentiating levels of support under the RHI?

105. Consumer Focus believes that levels of support should vary by technology as it believes that a range of solutions are needed; and different properties will have limited options. A tariff reflective of start-up costs is needed.
106. Guidance in the property's energy audit should provide property owners with an optimum solution, and selection of another, more expensive technology should be questioned or even restricted in the funding framework. Advice to homeowners should consider the full life cycle costs and maintenance of a system, for example how will solar panels be kept clean.
107. The Renewable Energy Tariffs have the potential to protect those most exposed to energy price rises. We advocate the identification and development of a priority group for these tariffs, to drive installations to where they are most needed.
108. This could include reference to the proportion of households who produce renewable energy, either as a household or part of a community group, who:
- Are on low incomes
 - Are without mains gas
 - Are a community group that are specifically involving fuel poor households in the benefits of renewable energy generation
109. Tools to achieve this include the implementation of CESP, inclusion of the cost of financing within tariff levels for the priority group at a discounted rate; provision of funding for up-front costs through Warm Front, HEES and the EPA; allocation of specific funds to social housing providers; outreach teams working with community groups, or funding and support to national membership groups, to raise awareness of opportunities and support; and an annual review of progress and of obstacles found by these individuals and groups.

Q12 How can we introduce the levy to fund the Renewable Heat Incentive so as to minimise suppliers' administrative costs and reduce uncertainty among suppliers of fossil fuels for heat?

110. Consumer Focus is disappointed that the Government's concern is framed in terms of suppliers' costs. The levy will ultimately be paid by consumers or taxpayers. Funding it through a levy on energy bills is regressive and is one in a number of additional costs being added to bills. We ask the Government to produce a clear strategy and rationale for the additional costs being placed on consumers' bills at this time of economic pressure.

111. If consumers are to carry the costs, we question why only gas consumers should carry the costs of the renewable heat incentive, noting that this will increase bills by 25% by 2020 (HESS IA, 2009). The costs of the renewable heat incentive should be carried across heating fuels. This may be more complex to administer, as gas is metered, but it is perverse to incentivise the highest carbon fuels as proposed by this consultation. If the RHI is only applied to gas, Consumer Focus considers the RHI should initially be targeted at low income consumers in off-gas areas. This will require full financing for the up-front installation costs of renewable heat systems.
112. A further consequence of levying the cost on gas consumers is the impact on gas-fuelled combined heat and power. In producing dual outputs-heat and power-CHP consumes more fuel than a plant producing solely heat. Nonetheless it consumes less fuel than if heat was produced in a boiler and the electricity was produced in a central power station. The production of marketable heat is therefore of marginal benefit to producers and will be sensitive to price increases, particularly if these have not been applied to the competing sources of energy and heat. It would be counterproductive to introduce a measure that has the unintended consequence of penalising efficient use of fossil fuels.
113. We understand that work is underway on the distributional impact of the heat and energy strategy across income groups. This should include consideration for financial support from the public purse in recognition of the wider environmental and social benefits of these measures.

Q13 Do you think that financial institutions, such as banks or other loan companies, would be an effective way of assisting potential small-scale heat generators (such as householders) with financing of the initial capital cost of renewable installations?

What other considerations, if any, should be taken into account when determining eligibility for an up-front payment (for example, only generators with equipment below a certain size can apply, such as domestic customers)?

114. Yes, Consumer Focus understands that financial products will emerge to support the financing of the initial costs as a return is guaranteed by the tariff. As well as standalone loans, financial and other institutions may be able to offer advice on and financing of such measures through links to other products and services such as 'green' mortgages, insurance, and home improvement loans.
115. This would be facilitated by the option for the householder to specify a recipient of the income from RHIs, to reduce the risk for financial institutions and widen the pool of consumers that can take advantage of the RHI.

116. Consumer Focus does not support the marketing of loans or equity release to consumers on low incomes or with poor credit ratings, and a direct payment of the tariff to the financial service provider would be particularly desirable in such a case, with the tariff reverting to the property owner once the loan is paid off. The consumer should still be guaranteed lower energy bills in the meantime.

Q14 How can we maintain demand for renewable heat technologies before we introduce the Renewable Heat Incentive?

117. Firstly, we do not think that the renewable heat incentive should be introduced later than the feed in tariff in April 2010. The tariffs should be developed in tandem so that consumers have access to consistent and comparable schemes.

118. Consumer Focus would welcome immediate investment by the public sector in renewable heat technologies to maintain demand, and therefore the industry and expertise in the run-up to the introduction of the renewable heat incentive. Such investment, in social housing, offices, and public buildings, should be funded from general taxation as part of the Government's claimed investment in green technology. Such a programme could be used to identify some of the problems that may be faced in a rollout to other sectors.

119. An additional £45million was announced for the Low Carbon Building Programme in the Budget 2009. We believe that at least half of this funding should be allocated towards the provision of renewable heating systems to the homes of low income households.

Q15 Do you agree with the proposal to continue with a CERT-type obligation until December 2012? Do you also agree that the proposed CESP framework should run concurrently to the same end date?

120. Yes, we agree with the proposal to continue a CERT-style obligation until December 2012 and that the CESP framework should work, as a pilot, to the same end date. However, we consider the Government should bring forward new and parallel initiatives to install 'whole house' energy efficiency measures in consumers' homes. It is essential that, at the very least, trials of the various HES proposals are started well before 2012.

121. Consumer Focus has responded in details to those consultations separately.

Q16 Do you agree with our analysis of the potential impacts of a cap-and-trade approach to delivering energy efficiency in homes? Please support your answer with evidence.

122. Consumer Focus does not support cap-and-trade where it effectively transfers wealth from energy consumers to shareholders of profiting firms, as seen with phase 1 of the EU ETS.

123. The auctioning of allowances could help correct this inequity, provided the revenue is used to alleviate fuel poverty through the funding of energy efficiency and renewable energy measures.
124. However, as the consultation notes, a cap on the middleman does not address upstream decarbonisation or downstream behaviour – ie where control sits.
- **upstream:** Focus on a low carbon energy generation, with EU ETS auction revenue to support renewable energy generation and low carbon district heating over new coal plants without functioning carbon capture and storage.
 - **downstream:** Define when the time would be right to establish basic and equitable personal carbon trading, addressing the needs of those in fuel poverty, with an allowance covering gas and electricity, petrol, and train and plane journeys.
125. Again, Consumer Focus would like to advocate the use of the energy hierarchy. It appears that measures to cap emissions from fossil-fuel power supply are costly, but they may be necessary if preceding measures are not successful in driving down demand.

Q17 Do you have views on the merits of moving to a different approach for delivering energy efficiency to households? Do you have other suggestions of alternative delivery models which might be effective in achieving our objective?

126. Consumer Focus strongly supports an approach in which central Government takes responsibility for both strategic decision-making and the formation of a central body to co-ordinate delivery. The HES proposal to set up a central coordinating body, in conjunction with delivery through local authorities appears close to our preferred approach. We support many of the arguments presented in the consultation for the central co-ordinating body. Including it will:
- allow strategic allocation of spending due to the requirement that ‘suppliers pool funding for energy efficiency measures’
 - result in a higher level of consumer trust in energy information provided by the central body compared to information provided by fuel companies. This in turn is more likely to encourage changes in consumer behaviour
 - provide a single body for local authorities to liaise with, rather than the current situation of multiple bodies. This in turn will facilitate improved local authority engagement with delivery, as well as increased involvement of community groups
 - provide the Government with more control over the distributional impacts of energy efficiency policy and therefore the ability to tackle fuel poverty more effectively
 - increase the effectiveness of finding targeted households and hence will lead to lower search costs

- have greater potential to initiate large scale CHP or district heating.
- have greater potential to promote the development of ESCOs
- improve the economies of scale in information coordination
- limit the pass-through of wealth from low income individuals through their energy bills to energy companies' shareholders in the name of energy efficiency
- remove the connection, and therefore the related conflict of interest, between the supply of fossil-fuelled energy and the supply of energy efficiency services and advice on low carbon heat and power, and remove the related conflict in interests.
- enable policy to ensure geographic equity

127. A key issue will be the relationship between the central co-ordinating body and energy services suppliers. Data will need to be shared to drive local strategies; monitor progress against SAP targets; and benchmark performance across a range of indicators. However, access to necessary data may be limited by commercial confidentiality and data protection rules. This is a substantial barrier to achieving the desired policy objectives and where data is shared it should be subject to a formal data sharing agreement.

Q18 Would you support a voluntary code of practice on energy performance for landlords and/or builders? How high do you think uptake would be, and would it achieve much additional action? Please support your response with evidence.

128. This is too urgent an issue to rely on voluntary codes of practice. Consumer Focus prefers the use of a revised EPC to communicate energy performance and to place a value on energy efficiency in the marketplace.
129. Practical schemes need to be put in place that assure consumers of the quality of suppliers (whether DEAs, renewable energy installers and builders). These may be supported by reference to qualifications and courses, but ultimately the consumer is concerned about the performance of an individual or firm on the ground. Assurance is provided through the action of the co-ordinating body to respond to consumer feedback on suppliers' performance. This approach has been used by the London Green Homes Concierge Service. A wider service is offered by www.trustatrader.com, but this does not specifically refer to green building skills.
130. Consumer Focus believes that the Government should focus on using the EPC as a driver for action in the rental market. Consumers (the tenants) have a preference for a single, recognisable label. The success of a code of practice is dependent on a low supply of rental property and an environmentally- or cost-conscious tenant. That is too dependent on market factors. Rather than the provision of information, financial incentives are required to correct this current lack of value given to energy efficient housing.
131. We support the use of incentives, such as a link between the EPC and Council Tax charges, to drive energy efficiency in the short-term, but recognise that a minimum EPC may need to be set for the sale or letting of homes. This would be an extremely contentious move;

consumers (and the market) would need significant notice of such a move. We would therefore like to see a clearer indication of how the Government may legislate if voluntary measures are not adopted.

Q19 Should we require marketing material for property sales and rental to feature the EPC rating more prominently? If so how? What delivery bodies or industry groups could be given access to the EPC database, and how could they make best use of it while ensuring that it is not misused? Please support your answers with evidence.

132. Consumer Focus would like to explore this issue further on the publication of work that is currently underway on consumer responses to green claims.
133. As noted previously, a review of the EPC is urgently needed to make it a more reliable indicator for consumers.
134. Consumer Focus recognises the need to share more detailed information on the energy efficiency of homes. Clearly there are legal requirements that the database will need to meet, in terms of an individual's identity, but more detailed reporting of measures resulting from all GB wide energy efficiency programmes is essential if improvements to the entire housing stock are to be achieved.
135. Data needs to be widely available, perhaps via the Office of National Statistics, which can show what measures have been installed on which types of homes and for what householders. As well as a breakdown by measure type, household type and property type (eg loft insulation in terrace homes of low income households over 70 years old) it would also be useful to have the data supplied by lower super output area and therefore ward, constituency, local authority, region and by nation.
136. Direct access to the database should be limited to the local authority, or other delivery body, with a co-ordinated approach used to protect the consumers' interest.

Q20 Besides removing the threshold for consequential improvements, which will be considered in the consultation on changes to the Buildings Regulation in 2009, are there any other options for wider building regulation that you would like to see considered in the longer-term? Please support your answer with evidence for the effectiveness of your suggestions.

137. Existing tools can be enforced and strengthened over time. Simple messages are needed, and a few strong messages to the market may suffice, at least through to 2020. Consumer Focus's priorities would be to:
 - revise the SAP, RDSAP and EPC to address known issues and set a timetable for continuous review in line with changing science and technology

- enforce the Housing Health and Safety Rating System, with a ratcheting up of a minimum SAP rating. This could include provision for compulsory purchase where a landlord prefers to leave a building empty rather than complete energy efficient measures to avoid that unintended consequence
- link the SAP rating to Council Tax and Stamp Duty, or another fiscal measure, to provide a (revenue neutral) incentive within existing measures

Q21 Do you agree with the approach of conducting a review in 2012 to assess the effectiveness of other policies before considering further policy interventions for the energy performance of existing buildings?

Are there other options you think should be part of our strategy? Please support your answer with evidence.

138. Consumer Focus agrees that a review will be needed of current approaches.

139. However, further policy development is needed to facilitate additional interventions, and the Government should not wait to introduce those deemed workable due to the:

- Urgency of the issue
- Need to reward early adopters, and to be seen to reward early adopters
- Opportunity to test ideas on volunteers before formally rolling out schemes

140. At present policies are aimed at relatively easy intervention points such as change of ownership (or tenancy) and planning. These only allow small windows to influence the energy performance of a building. A large scale, proactive, area-based programme of improvements would bring about change much more rapidly.

141. Consumer Focus wants the Government to keep driving forward through the development of systems that embed the management of energy performance in the ownership of a building, for example through the use of EPC ratings to drive council tax charges or the sales price, or using VAT to send a message to the market about the importance of energy efficiency in appliances. Such ongoing incentives will be vital for driving action from 2015 when the initial quick wins of cavity wall and loft insulation should be complete.

Q22 Do you agree that the Heat Markets Forum should consider regulatory arrangements for district heating to ensure consumer protection? Are there specific issues you think it should cover?

142. Consumer Focus is strongly in favour of the Heat Markets Forum considering regulatory arrangements in order to protect consumers, as well as pursuing other objectives. Indeed, the absence of any such consideration would be a cause for concern. Given their essential

nature we believe consumer protection needs to be pursued in all energy markets, whether traditional licence condition-based regulation (as undertaken by Ofgem) is pursued or not.

143. We are particularly keen to see district heating and combined heat and power used to improve sustainability (in both low CO₂ and security of supply senses) and reduce fuel poverty. To ensure the full impact of heating technology (referred to in para 8.26) is considered, we are minded to recommend that the Environment Agency should be included as part of the Forum.
144. Any regulatory framework needs to be one that replicates what has worked in other comparable countries successfully. The Danish experience cited in the consultation should be investigated further; specifically the role of different levels of government in regulation and incentive structures and values and how these might be applied to the UK. The role of local government in implementing regulation is particularly important given that, as you conclude, district heating is not the best option for every area.
145. High network costs can be partly negated by the use of the renewable heat incentive and other forms of public money; indeed this may be essential in the early years of any district heating rollout given the high risk of negative returns on investment. We thus support any approach that means consumers' bills are not unduly burdened given the socialised benefits of district heating; government strategy needs to be backed up by money.
146. Consumer Focus is particularly concerned by the exposure of consumers to significant price rises. Customers in Leicester saw prices almost double in November 2008, with only one month's warning, and with no option to switch supplier. An initial review of the issues suggests that:
- consumers should be able to control the amount of heat that they consume (thermostats and meters are not always available in legacy systems)
 - more notice is required of price rises, with explanations of rises, and methods offered to improve efficiency and reduce average bills
 - mixed fuel use should be positively encouraged through the development of heating networks to reduce the impact of price rises for a single fuel. There is an opportunity to consider this in the development of the renewable heat incentive.
147. We also look forward to playing a very active role in any future forum; this will ensure that the problems Consumer Focus has identified in the domestic heating fuels market (one in which Ofgem plays no formal regulatory role) will not be replicated in district heating. In this context the ongoing standardisation of contracts will prove useful, and thus any extension of Ofgem's remit into these markets is not a pressing objective.

Q23 There are a number of ways to tackle commercial barriers to district heating. These include using the planning system and heat mapping, encouraging or requiring certain buildings to connect to networks and engaging property developers.

Which of these options should be taken forward and why?

148. Consumer Focus would be particularly supportive of requirements on public buildings over a certain size, in certain locations, to connect to district heating networks. This will form the basis for consistent heat loads, and provide some certainty for investors and additional customers from the private sector. Public sector energy spend will benefit in the long-term.

Q24 What are your views on the options for reducing the risks of poor returns on investment in district heating networks? Which do you think would be most effective and are there other more appropriate solutions?

149. Consumer Focus supports the use of energy technologies that make the largest carbon savings. In some cases this may be through renewable energy generation that will soon be supported by the new tariffs. In other cases, particularly densely-populated urban centres, district heating may be preferable particularly if it can source some of its fuel from renewable sources.

150. In addition to requiring certain public buildings to connect to such networks, Consumer Focus would support incentives for household connections through:

- a link between the EPC (or home energy audit) and Council tax, and the reflection in EPCs of the carbon-effectiveness of different types of district heating networks.
- including consideration of district heating connections in the community approach to energy efficiency
- community energy advisers to provide communities with a cost benefit analysis of moving to district heating

151. In terms of domestic consumers, consideration must be given to networks prior to the commencement of local street-by-street energy efficiency programmes so that building work is minimised.

Q25 Will the ETS and other policies, such as the Carbon Reduction Commitment and support for renewable combined heat and power, send a strong enough signal to encourage the development of CHP schemes and more efficient use of surplus heat? If not what measures do you believe would provide sufficient stimulus to accelerate new CHP capacity build? Can you provide evidence to support your view?

Q26 As electricity generation overall becomes much less carbon intensive than today, the advantages of CHP powered by fossil fuel in reducing carbon emissions will diminish, although it will continue to be a cost-effective energy efficiency measure. When do you think CHP powered by fossil fuels will no longer help to reduce emissions because the alternatives are less carbon intensive?

152. As the Government is continuing to support the building of new coal-fired power stations without proven CCS, it is unlikely there is a point before 2020 at which a CHP system that has already been considered preferable to the installation of renewable energy, will become less cost- and carbon- effective than electricity provided through the National Grid.

Q27 Should the Government do more to publicise the opportunities and benefits of CHP and surplus heat?

If so, how should it do this, and which are the key audiences we need to reach?

153. The Government must bring forward the introduction of the renewable heat incentive to launch alongside the feed-in tariff to demonstrate how important local generation and use of heat is. However, the renewable heat incentive will only support MicroCHP from non-renewable sources.

154. Publicity around the energy hierarchy and the role of surplus heat in cutting costs and carbon may help consumers understand the role that it can play, but ultimately it will be local authority and regional development agencies that are best placed to publicise the local opportunities and benefits, with large heat users such as social housing and business premises particularly targeted.

Q28 Do you consider such cooling technologies can play a role in delivering a renewable and low carbon energy mix? What opportunities exist for their exploitation in the UK? What further factors do we need to consider?

155. With rising temperatures, demand for cooling will rise and should therefore be considered alongside heating in the energy hierarchy.

156. Behavioural change and building regulations can help, but cooling technologies will play their part in critical circumstances such as hospitals and residential and care homes.

157. Consumer Focus notes the environmental impact of cooling technologies and would like confirmation that these are taken into account when planning permission is given for such installations.

158. Any non-critical use of cooling technology should not receive financial support from the public purse or from energy consumers' bills.

Q29 Do you agree with our analysis of the likely impacts of the proposals in this document and in the associated impact assessments on:

- carbon dioxide emissions?
- energy prices?
- fuel poverty?
- security of supply?
- sustainable development?
- the economy?

Are there any other wider issues that we should consider?

Do you have any other comments on the Impact Assessments?

159. Consumer Focus is concerned that the impact of different measures on energy consumers' bills is not transparent, as this impact assessment does not include the cost of Feed-in Tariffs, the costs of the development of carbon capture and storage, and other infrastructure costs. The Government needs to assure consumers that it has a strategic and equitable approach to tackling climate change, energy security, and fuel poverty, but the current regressive and piecemeal announcements are saying the opposite.
160. In undertaking a whole-house approach, Consumer Focus would like advisors to address water usage. This is particularly the case in the south east where water will be increasingly scarce, but efficient use of water would:
- make carbon savings in the processing of water
 - send a message that changes in behaviour are not restricted to electricity and heat usage
161. The whole-house approach should also look at services outside the home, for example by preparing the household or the street with a charging point (or points) for electric cars.
162. This consultation does not sufficiently address the relationship between HES and wider housing policy, such as housing renewal, housing market interventions and social housing policy. For example, it is essential that programmes to improve energy efficiency are integrated with support mechanisms for housing repair, such as home improvement agencies, local authority decent homes strategies for vulnerable private sector households and housing partnership projects.
163. Finally, we underline the importance of a continued role for public expenditure to address this societal need. Wider public policy also plays a role: the public will not accept the need to make their homes more energy efficient while the Government supports conflicting policies on aviation expansion and road-building. The regressive nature of these measures is even more pronounced when compared with those schemes.

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¹ Consumer Focus estimate based on BERR estimate in 2006 (BERR, 2008) and the understanding that 40,000 households fall into fuel poverty with every 1% rise in energy prices.

² The UK target for is 15 per cent (see paragraph 3 of the House of Lords report on the EU targets at <http://www.publications.parliament.uk/pa/ld200708/ldselect/ldcom/175/175.pdf>)

³ www.nsms.org.uk

⁴ The MORI research (2009) reported a similar call from consumers for demonstrations of improved retrofit properties in their local area. Consumers wanted these to demonstrate that such properties would look similar to mainstream homes of today.

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