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## The Wise Group

### Response to the Energy Efficiency Commitment April 2008 to March 2011: Initial Consultation.

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#### Introduction

The Wise Group strongly welcome this early opportunity to comment on the shaping of EEC prior to the formal consultation stage in Spring 2007. In particular we welcome the emphasis placed on a smooth transition between EEC2 and EEC3. The EEC2 programme has enjoyed considerable success and has resulted in a significant growth of capacity within energy efficiency sector. It is critical therefore that the momentum built up under EEC 2 and the resultant capacity, is not lost as a result of monetary gaps in the transition between the two programmes.

#### The Wise Group

The Wise Group is one of the UK's leading employment and regeneration agencies, and operates throughout Scotland and the North East of England. We are a not-for-profit organisation, whose central mission is to help those outside of, or disadvantaged within, the labour market to change their lives through improving their labour market position and to contribute to the wider regeneration and sustainable development of the communities in which we work.

The Wise Group has operated the **Strathclyde and Central Energy Efficiency Advice Centre** since its inception in 1994. We deliver a comprehensive energy efficiency advice service to residents across 12 Local Authorities alongside a range of other services all of which play a pivotal role in reducing energy demand. These include:

**Sustainable energy advice** - We provide advice to domestic clients on areas including energy efficiency, renewables and some limited sustainable transport advice (the latter area being a planned element of medium term development). The sustainable energy advice service is crucial in delivering the energy efficiency message to the public and therefore reducing demand and is delivered via a range of media including telephone advice, home visits, signposting to other organisations or grants and the provision of informative literature and reports.

**Sustainable energy education** - We deliver energy education to primary, secondary and tertiary education establishments and believe that educating the younger generation is an essential component of encouraging behavioural change in society.

**Strategic support for Registered Social Landlords** - Both Local Authorities and Housing Associations can have a huge influence on the domestic sector. The Local Energy Support Programme provides support on sustainable energy matters and helps to instigate projects that reduce energy demand. In the medium term we are hoping to influence planning policy within Local Authority areas (following the examples set by the London Borough of Merton, Woking and Milton Keynes councils. We also contribute to fuel poverty strategies to ensure homes are adequately and affordably heated.

**The Scottish Community and Householder Renewables Initiative** - We provide advice on small-scale renewable technologies and grant availability.

**EST Business Advisors** - Staff in the department market the UK Government's resource efficiency programmes, which focus on energy efficiency and waste minimisation and are aimed at the business sector with a particular emphasis on Small and Medium Enterprises.

**Loan and grants scheme management** - We administer commercial and domestic interest-free loans to encourage take up of energy efficient technology.

Our role both as a key provider of energy efficiency advice and support and as a agency that delivers individual support to the most disadvantaged unemployed individuals in Scotland (those most likely to also suffer from fuel poverty) puts us in a strong position to offer comment on this consultation document.

### Key Messages

- ▶ EEC is one of the most effective means by which to reduce carbon emissions.
- ▶ In order to maintain the momentum achieved by EEC2 it is vital that actions are put in place to enable a smooth transition between the two programmes. EEC2 has become a victim of its own success, with virtually all monies spent or committed. We would therefore ask Defra to bring forward the start of EEC3 to avoid the loss of the momentum or capacity that has been built up as a result of the success of EEC2.
- ▶ We would strongly support a move towards carbon emissions targets rather than just energy efficiency targets. This would level out the playing field in terms of projects that may not save a lot of energy, but will reduce carbon emissions (such as moving from electrical heating to ground source heat pumps).
- ▶ Microgeneration should form an element of the EEC programme, providing additional support to the mainstreaming of household level generation capacity.
- ▶ Whilst we strongly support the Government's stance on fuel poverty several of the options for priority group targeting may result in a reduced impact on carbon emissions as a result of EEC. We believe that it is critically important to maintain a clear perspective on the central mission of EEC - lessening the risk of climate change, and not to allow this to be diluted by attempting to meet several targets simultaneously.
- ▶ The promotion of both improved energy efficiency and of renewable energies requires a combination of regulation, incentives and education.

## Response to Consultation Issues

Outlined below are our perspectives on the four key issues raised by the Consultation document, namely:

1. The commencement of provisions in the Climate Change and Sustainable Energy Act 2006 for carbon emissions reduction targets.
2. Transitional arrangements from EEC2 to EEC3
3. The approach to social equity under EEC3
4. The potential for EEC3 to evolve towards, or include a system for trading energy efficiency or 'White' certificates

### 1. The Climate Change and Sustainable Energy Act 2006 - implementation of provisions for carbon emissions targets.

Central to any strategy must be the continued and increased promotion of energy efficiency activity, which remains critical to the reduction of carbon emissions. This should be delivered in tandem with the promotion of micro-generation of power and heat, whilst retaining the focus of EEC at the household level.

#### Larger-scale, low-emission energy/heat production & EEC

Whilst we fully support any actions that promote development of renewable heat and energy production, we would question whether EEC is the correct medium through which to achieve this. EEC was designed specifically to deal with energy efficiency measures at a household level, and there is a danger of diluting both the message this sends, and the funds available by introducing infrastructural measures to the programme.

A significant amount of energy efficiency and renewable energy activity can be addressed at a household level, and we believe that the EEC should be focussed at this level, rather than be diverted into dealing with larger-scale infrastructural developments.

#### Microgeneration

We strongly welcome the government's emphasis on "a holistic approach to carbon abatement in the household sector" by encouraging the take-up of both energy efficiency activities and microgeneration. The greater promotion of microgeneration or decentralised energy (DE) across the UK could have a significant impact on carbon emissions where currently two thirds of the UK's primary energy input is lost through heat going up cooling towers and electricity transmission from large-scale power plants<sup>1</sup>.

Microgeneration allows householders more control, securing supply and ensuring that they have a personal understanding of and interest in their own carbon emissions. It could be of particular value in addressing the energy needs of hard to treat homes particularly through the greater use of micro-CHP, solar water heating, ground source or air source heat pumps.

Including microgeneration within the EEC will help to 'mainstream' this approach to energy production, removing the perception of these technologies as 'novel' and further promoting a sustainable long-term approach to meeting our energy needs.

### **Reducing energy consumption - influencing attitudinal and behavioural change**

A vital dimension of reducing carbon emissions, both through increased energy efficiency and through the greater take up of alternative energy sources, is information and education. Unless people are fully informed of the options available to them, and of the impact of their energy use, they are unlikely to fully engage in these processes.

There is a need to change people's perception of energy efficiency and of energy itself as a limited and valuable communal resource. Action should be taken to influence lifestyle choices promoting energy efficiency and micro-renewables as attractive and socially responsible options.

Actions to achieve this could include:

- ▶ The wider introduction of two-way dynamic metering and smart meters -to ensure that people are better informed about the energy that they are consuming and the impact that it has and to reduce constraints on micro-generation. Feedback on smart metering and associated feedback devices has been positive and more widespread use in the domestic sector would undoubtedly ensure consumers reduce their consumption. In the current climate of high domestic energy bills, a rapid roll out of real time energy displays offers an exciting opportunity to encourage an ethic of monitoring consumption within households, which could lead to significant carbon savings.
- ▶ The introduction of informative billing to ensure people are aware of their energy use.
- ▶ The wider promotion of youth education programmes - educating the younger generation is an essential component of encouraging behavioural change in society.
- ▶ The promotion of independent in-the-home advice delivered by impartial agencies, which tend to be more trusted than representatives of individual utility companies.

### **Innovation**

We welcome the focus on innovation within EEC, but feel that a delicate balance needs to be struck in terms of supporting innovative actions and providing adequate resources to support tried and trusted approaches.

Any innovative measures need to follow due diligence to ensure that they are effective in meeting the targets of EEC. Moreover it is critical that learning from these more experimental approaches is passed on and shared across the industry. Without this there is a danger of limited resources being wasted on unproven technologies, or on those that may work at a commercial level, but are not suitable at a domestic level.

If this approach were to be adopted we would suggest that only a small proportion of EEC funding be ring-fenced for unproven technologies. Again we feel that EEC is not necessarily the correct forum for experimentation with new approaches. It would perhaps be more appropriate for there to be a separate innovation fund to support these kind of approaches, with EEC being reserved for tried and trusted proven techniques that are known to reduce carbon emissions.

### **Lifetime Carbon Savings targets and scores**

The use of a lifetime carbon savings approach is a highly sensible one and will give a far more accurate indication of the impact of energy efficiency activities. We would support a Government stance following the Climate Change and Sustainable Energy Act, to use lifetime carbon savings, without lifetime discounting.

The use of a lifetime approach would actively encourage technologies that would otherwise be unlikely to be supported, because they have a longer pay back period (either carbon or financial) such as many Microgeneration technologies.

Discounting lifetime impacts in favour of shorter term impacts would, we believe, simply further skew the market against technologies that may have a significant impact on energy consumption and carbon emissions, but will take longer to achieve them. We would argue that as it is already often the natural inclination of consumers to tend towards the use of 'quicker fixes', there is no need to further incentivise these choices by introducing mechanisms to the EEC market that negatively impact on the relative attractiveness of longer term measures.

### **2. Transitional Arrangements for EEC3.**

We strongly welcome the Government's recognition of the need to ensure a smooth transition between the current and next phase of EEC.

Ofgem have highlighted the fact that by the end of June 2006 suppliers had met over two-thirds of their targets for EEC2, meaning that only a third remained to be delivered up to 2008. This has had a real impact on the level of activity funded for delivery by organisations such as the Wise Group, and may result in organisations such as ourselves having to reduce capacity.

Our understanding within the sector is that a number of installers are being 'paid off' and that there is a danger that this will result in a loss of capacity within the sector. We would therefore strongly welcome the opportunity for EEC3 work to start early, enabling us to continue to deliver the level and quality of activity that EEC2 has allowed us to build up and to maintain the capacity that will be required for the delivery of EEC3.

### **2006 publication of scores for EEC3**

We would advocate the early publication of the EEC3 scores as this will have a significant impact on the early and effective start of EEC 3, ensuring work would be available once EEC 2 targets are met and providing suppliers with a clear picture of what measures would be most effective.

We acknowledge that the robustness of the data behind the scoring system is very important, but feel that the benefits of starting the EEC3 programme as quickly and effectively as possible outweigh the possible negatives, particularly as there will never be an effective 'cut off date' for the discovery of new knowledge about the effectiveness of energy efficiency activities.

### **3. Low income customers & equity issues & approaches under EEC3**

We agree that energy efficiency activities can have a significant impact on fuel poverty, and in many ways are the most effective of the three pillars identified in the consultation document. Energy efficiency is certainly the only one of these that will tackle both carbon emissions and fuel poverty simultaneously.

Evidence shows that energy recent price rises have undone much of the positive achievements that have been made in reducing fuel poverty. Reduced fuel prices had moved many out of poverty, but these people remained in a 'danger zone' where they were vulnerable to re-entering fuel poverty because of price increases.

Energy Action Scotland has estimated that at least 140,000 households have moved back into fuel poverty since 2002 because of the recent increases in energy prices and that every 5% increase in fuel prices pulls 30,000 households back into fuel poverty. The most effective way to reduce fuel poverty that will not be as vulnerable to the fluctuations in cost is therefore through energy efficiency.

We agree with the consultation document when it states that there is:

*"a complex balance to be struck between maintaining the cost-effectiveness of the main aim of EEC, that is reducing carbon emissions, and the potential implications of using the EEC mechanism to deliver additional benefits such as social equity or reducing the number of households that cannot afford to adequately heat their homes",*

The Wise Group fully support measures to reduce fuel poverty, and deliver a number of programmes targeted at achieving exactly that. However we believe that there is a danger that a number of the options suggested in the paper will result in a reduction in the impact of EEC on carbon emissions and ultimately on climate change. We believe that it is critically important to maintain a clear perspective on the central mission of EEC and not to allow this to be diluted by attempting to meet several targets simultaneously. We would therefore support Option 2 as outlined in the consultation document.

For further information on any of the issues raised in this paper please contact:

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<sup>i</sup> Mayor of London – Powering London into the 21<sup>st</sup> Century.