

## Members' Library Service Request Form

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**REPORT TO:** Members' Library Service

**MEETING DATE:**

**BY:** Head of Housing

**SUBJECT:** Energy Performance Certificate (EPC) reform consultation

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## **1 PURPOSE**

- 1.1 To note the submission of East Lothian Council's response to the Scottish Government's consultation on Energy Performance Certificate (EPC) reform.

## **2 RECOMMENDATIONS**

- 2.1 Members are asked to note the contents of the response to the Energy Performance Certificate (EPC) reform consultation.

## **3 BACKGROUND**

- 3.1 The Scottish Government published its Energy Performance Certificate (EPC) reform on the 16<sup>th</sup> of July 2023. Reducing emissions from buildings will play an important part in minimising their contribution to climate change. This will have an impact on both homes and workplaces within East Lothian to help them transform so the meet requirements and are more comfortable, efficient, and green.
- 3.2 An EPC provides information on a building's energy efficiency and allows for a comparison to be made between buildings under standard operating conditions. In addition they provide information about potential steps an owner could take to improve a building's energy efficiency. An EPC must be provided when a building is either sold or let to a new tenant and has formed part of the Home Report since 2008.
- 3.3 East Lothian currently has over 50,000 homes, while East Lothian Council itself owns over 9,000 Council houses. Any reforms to EPCs will have a significant impact on how the region's housing stock is managed. Particularly in the social rented sector where EESSH requirements and potential future EESSH2 measures mean properties are required to meet stringent energy efficiency standards.

- 3.4 The purpose of the consultation was to allow the Scottish Government to gather opinions from stakeholders on their final proposals for EPC reform prior to the introduction of new legislation. Following on from the consultation, the Scottish Government intends to introduce revised Energy Performance of Buildings (Scotland) Regulations to the Scottish Parliament in Winter 2023-24.
- 3.5 The proposals for EPC reform seek to:
- Introduce a set of domestic EPC metrics to provide a holistic reflection of a dwelling's performance.
  - Introduce a set of non-domestic EPC metrics to provide appropriate information about non-domestic buildings.
  - Make additional changes to the EPC system to ensure that EPCs provide clear and useful basic information about a building's energy efficiency for current and prospective building owners and tenants, and other stakeholders.
- 3.6 The consultation looked at reforms to both domestic and non-domestic EPCs. Although the content, methodology, and policy environment for the two types of EPC are different the consultation focussed on both types of EPCs as both have an important part to play in meeting net zero.
- 3.7 The Scottish Government believe that the metrics and ratings that current EPCs use are not effective enough to drive improvements that are required to the fabric of homes and the move towards zero direct emissions heating systems in homes and buildings. Proposals contained within the consultation aim to reform domestic and non-domestic EPC metrics, the purpose and validity period of EPCs, the EPC format, and quality assurance procedures. It is hoped that these proposals will enable EPCs to provide more complete information for interested parties, assisting them to make informed purchase, rental or retrofit decisions. Ensuring EPCs have the correct information will be important to inform decisions supporting the improvement of homes and buildings in the move towards net zero.
- 3.8 In their proposal the Scottish Government intend to revise the information that is displayed on domestic EPCs by expanding the current metrics, renaming them, and providing other relevant information. The intention is to provide a more complete picture to both current and potential homeowners. The plan is to reform the metrics to show the following:
- Fabric Rating – setting out the current modelled fabric performance of the building in terms of heat loss in standard conditions, in kWh/m<sup>2</sup> /year, calculated through the [SAP assessment](#);
  - Cost Rating – setting out the current modelled annual costs of running the building based on the SAP assessment, and how these costs could

change because of measures recommended. This is the same as the Energy Efficiency Rating (EER) currently displayed on EPCs;

- Heating System Type – clearly identifying the heating system installed in the dwelling and whether it meets the proposed Zero Direct Emissions Heating standard.

## **RESPONSE TO THE CONSULTATION**

- 3.9 The next first part of the consultation looked at Domestic Energy Performance Certificate Metric Reform Proposals. Within this section there were a total of five questions.
- 3.10 The response agreed with the proposal in the first question around the proposed set of metrics in the reformed EPC. It was felt that it would be beneficial to display information within the EPC on whether the current heating system meets proposed zero direct emissions standards alongside information on the suitability of other systems should there be a desire to change from one with direct emissions. The Council also suggested that an energy use rating will provide a standardised measurement which will be of particular use when comparing the energy efficiency of different house types. The Council caveated the response by noting fact that all households are different, and standard measurements used will not reflect the energy that most households use. The issue that installing an air source heat pump, or new electric heating which may be a costly upgrade could have a negative impact on the headline metric on an EPC. The Council raised concern that if the metrics made obtaining a higher EPC difficult or unobtainable, particularly for older properties, this may dissuade owners from investing in their home resulting in poorer house conditions. The Council believe that costings for energy improvements need to be more accurate than current costings on the EPC.
- 3.11 The next question asked about additional metrics that should be included within the EPC. The Council's response contained a number of suggestions including a metric in relation to the condition of buildings would be beneficial. It was also stated that the CO2 impact of buildings generally penalises older buildings so it may be worthwhile to use whole life analysis of buildings. Separating the energy usage of heating and hot water, to show their proportion of total energy use within the building was another suggestion provided.
- 3.12 In question three the Council disagree with including hot water as part of the fabric measure, believing it would unnecessarily complicate the measure.
- 3.13 Question four asked the Council to provide a view on the way that the Fabric Rating is mapped against a scale, for example, how 'A' or 'G' rated performance is determined. For consistency with the rest of the ratings the Council believe that it would be best if the Fabric Rating is mapped against an A-G scale.

- 3.14 The response agrees with the proposal to give more prominence to the energy efficiency features of the home (such as the depth of loft insulation). A fabric first approach is one that the Council support.
- 3.15 The next section of the consultation looked at Non-Domestic Energy Performance Certificate Metric Reform Proposals. In the response to Question six it was agreed that the set of metrics being proposed to be displayed on non-domestic would be useful.
- 3.16 Question seven asked about additional measures that should be included, the Council stated that information on how much it costs to keep a building cool would be useful in the changing climate especially if we are to see warmer summers.
- 3.17 The next section of the consultation focussed on the purpose and validity of EPCs. The Council agree that the primary role of the EPC should be to provide basic energy efficiency information for the purpose of comparison and act as a prompt to consider retrofit options. Concern was raised that that adding a number of new measures will overcomplicate the certificate and make it more difficult for lay users to comprehend. In terms of retrofit options the Council support this provided it is done in a way that provides accurate information.
- 3.18 The Council agree with the proposal in Question 10 of the consultation that the validity period of EPCs should be reduced from ten to five years, this will mean EPCs do not become too dated.
- 3.19 Question 11 asked respondents to provide any views on the usefulness of the proposals for other relevant policy areas, such as fuel poverty or the delivery of government scheme. In response the Council feel that if gas remains the cheapest option for the majority in order to heat their home, then there are some risks that moving to technologies such as heat pumps if they are not installed in homes with the correct conditions will result in people having less warm homes and that if the price of electricity continues to rise there is a risk of fuel poverty.
- 3.20 The next section of the consultation was focussed on Digital and Accessible EPC Format and Content. The response agreed with the proposal in Question 12 that EPCs should move from PDF to webpage format.
- 3.21 In its response the Council also agreed with the proposal in Question 13 to improve signposting to further support and advice schemes on the EPC.
- 3.22 The response agreed with Question 14's proposal that EPCs should be publicly accessible on the EPC register (while clearly marked as historic), feeling that it would enable users to track building performance.
- 3.23 The Council also agree with proposals in Question 15 to make the EPC register accessible by API.

- 3.24 Question 16 asked respondents to provide further comments on proposals to move to a digital and accessible EPC, the Council used this to state our support for the EPC being a living document.
- 3.25 For the next part of the Consultation respondents were asked about EPC Auditing and Assurance. The Council stated agreement with the proposal in Question 17 to review and update the auditing and assurance requirements for EPCs in Scotland.
- 3.26 The final section of the Consultation asked for view on the timelines for reform implementation. In its response the Council agreed with the proposed timelines, however, concern was raised around the overlapping areas of policy from both Westminster and the EU and how these could potentially impact upon the EPC.

#### **4 POLICY IMPLICATIONS**

- 4.1 Any change to the way that EPCs are calculated will mean policies designed to improve energy efficiency of housing within the Council's own stock will need to be reviewed to ensure that they are still fit for purpose.
- 4.2 In addition, wider policies to support improvements to the condition and energy efficiency of households across all tenures will also need to be revisited to ensure they are still relevant.

#### **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – There are potential resource implications in terms of how the Council modernise its housing stock as well as for the delivery of new build homes, with increased costs to meet the new measures.
- 6.2 Personnel – if changes are implemented by the Scottish Government there will be some impact upon personnel time used to update council policies to ensure they are still best practice.
- 6.3 Other – None.

## 7 BACKGROUND PAPERS

### 7.1 [Energy Performance Certificate reform consultation](#)

Appendix 1 - Energy Performance Certificate (EPC) Reform 2023 response

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<b>DATE</b>	26/03/2024





# 1. Consultation Questions: Summary

## Domestic Energy Performance Certificate Metric Reform Proposals

1. Do you agree with the set of metrics that we propose to display on the reformed EPC?

Yes

Please provide further details here

We broadly support the new metrics; they will provide information in relation to the amount of energy used in homes alongside supporting information on how to reduce energy usage and costs.

We support the Fabric Rating particularly in regard to encouraging homeowners to take a fabric first approach to efficiency improvements.

In terms of heating system type it would be useful to display whether this meets the proposed zero direct emissions standards. It would also be helpful to provide awareness of the type of heating system that would be most suitable should the owner decide to upgrade the system in the near future.

An energy use rating would provide a standardised measurement which will be useful for comparing house types. Though the measure is not always likely to reflect real world scenarios as different households will use different amounts of energy. If we are to move to a web-based EPC, then functionality to tailor the EPC towards different household types should be considered or for a range of scenarios to be given.

There is some concern that the metrics if unobtainable or unaffordable for older properties will dissuade people from investing in these properties resulting in poorer housing conditions. Some additional support for people in older properties will be needed particularly as some of these are unsuitable for many of the fabric and other improvements.

Costings for energy improvements need to be more accurate and better reflect real life and current costs, particularly in regard to recent Cost of Living increases.

The condition of the fabric (roofs and walls) should also be taken into consideration as if these are in a poor state it may reduce the energy efficiency of a property. The condition of the external fabric of the building will affect energy efficiency much like the internal fabric of the building. Some regard should be given to the age of measures that have been installed.

The main thing to consider with the metric used is what it intends EPCs to drive change in. With the metric being cost based in a bid to drive down usage costs and avoid fuel poverty this may discourage people from undertaking measures that would bring us closer to net zero.

For example installing an air source heat pump, or new electric heating which may be a costly upgrade and may even have a negative impact on the headline metric of an EPC, this is frustrating for users and will make them question the validity of the EPC potentially discouraging them from taking and further improvement works.

2. Are there additional metrics that you think should be included on the EPC, or metrics that you do not think should be included?

Should be included, please give reasons for your views

Including metrics around the condition of the buildings would be beneficial, as previously stated.

In addition the CO2 impact of buildings generally penalises older buildings. In addition to the metrics mentioned assessments should be made over the lifetime of the building and analysis of CO2 produced to build new builds should also be considered. If we are to meet net zero, then the impact of new construction will need to be a consideration. Older stone or brick-built homes often absorb heat during hot days and feel cooler, this is an important consideration moving forward if summers are to be hotter as this save's money on cooling costs such as air conditioning and fans.

It may be worthwhile separating the make-up of heating and hot water use as a proportion of total energy use. This will allow households to have a clear indication of where they are likely to use energy.

Should not be included, please give reasons for your views

n/a

3. Considering our proposal to include a Fabric Rating on EPCs, do you think this metric should include domestic hot water heat demand?

Should include, please give reasons for your views

n/a

Should not include, please give reasons for your views

Including hot water for the fabric measure would only complicate this. It would be better to have something separate for hot water. Hot water is nothing to do with the fabric of the building and more to do with the heating and hot water system.

4. Do you have a view on the way that the Fabric Rating mapped against a scale, for example, how 'A' or 'G' rated performance is determined?

Please provide further details here

For consistency with the rest of the EPC and ease of reference a similar scale would be best. It is also important that we transition from direct emissions heating systems, like gas and oil boilers, to zero direct emissions heating systems, like heat pumps and heat networks. Together, this will reduce the amount of energy Scotland's buildings use for heating and ensure that they do not directly contribute to climate change.

There is concern that under the current system installing a heat pump could make some properties appear less energy efficient rather than more, because replacing a traditional gas boiler can under some circumstances automatically cut an EPC rating.

Given that heat pumps can actually increase energy use, on which EPC certification is derived, they could push a property that might have been rated C under an old method into D.

EPCs are currently based on an estimate of what it costs to heat a home rather than the carbon emissions generated. Heat pumps - which transfer thermal energy into a property from the ground or air - produce less CO<sub>2</sub> than burning gas but are not necessarily recorded as being cheaper to run. There are other anomalies with storage heaters and insulation.

5. Do you agree with our proposal to give more prominence to the energy efficiency features of the home (such as the depth of loft insulation)?

Please provide further details here

A fabric first approach is one that we support. In addition supporting people to put in place energy efficiency measures is something that we support, however, it must be done in a way which is fair and transparent and does not provide misleading information that may encourage people to invest in measures that are unsuitable for their house type. As long as the information is correct, and no assumptions are being made we support this.

In addition, whatever the headline metric is it needs to be clearly defined what that metric means. Currently, many consumers don't know that the EPC is based on cost and assume it is either environmental or efficiency.

### **Non-Domestic Energy Performance Certificate Metric Reform Proposals**

6. Do you agree with the set of metrics that we propose to display on non-domestic EPCs?

Yes

Please explain your view further

We agree with the set of metrics proposed for non-domestic properties and believe that the ability to compare between different use classes would be helpful.

7. Are there any additional metrics that you think should be displayed, or any in the proposed set that should not be included?

Should have additional metrics, please explain your view further

Information around how much it costs to keep a home cool would be useful in the changing climate, especially if we are to see warmer summers. This would be relevant and could be benchmarked against, for example, temperatures of 25c and 30c. Or it could be based on lower overnight temps when people are more likely to require cooling, measuring the energy required to keep a home at a lower temperature rather than a higher one. If we are going to continue to see hotter summers then people are going to invest in cooling technologies, however, buildings have an important role in this, and some are better at remaining cool than others.

Should not be included, please explain your view further

n/a

### **EPC Purpose and Validity**

8. Do you agree with us that the primary role of the EPC should be to provide basic energy efficiency information for the purpose of comparison and act as a prompt to consider retrofit options?

Yes

Please give details for your answer

It is important that the EPC is something that provides accessible information that people can digest. We do have some concern that adding a number of new measures will over-complicate the certificate and make it more difficult for lay users to comprehend.

In terms of retrofit options this is supported so long as it is done in a way which provides accurate information. If it is based on modelled data, we are concerned that this will lead to incorrect analysis and results.

9. If you disagree, or have further comments about the role of the EPC, please provide your comments.

Please give details for your answer

n/a

10. Do you agree that the validity period of EPCs should be reduced from 10 to five years?

Please give details for your answer

We believe that the reduction in the validity of EPCs from ten to five years will mean that EPCs do not become too dated during their lifespan. We believe that the validity period should be altered, making it a live document that is updated whenever new measures are installed or any building permits are issued. This should be evidenced by certification e.g. guarantees and certificates.

It does raise the issue of how we acquire information about properties that have been owned for several years and are unlikely to be sold soon. Data around these properties will be crucial to meet net zero and to see what work still needs to be done.

11. We welcome any views on the usefulness of our proposals for other relevant policy areas, such as fuel poverty or the delivery of government schemes. Please provide any comments you wish to share.

Please give details for your answer

If gas remains the cheapest option for the majority to heat a home, then there are risks that moving to technologies such as heat pumps if they are not installed in homes with the correct conditions will result in people having colder homes.

In addition, if the price of electricity continues to rise there is a risk of fuel poverty. It is important that the infrastructure to provide electricity from green sources continues to grow.

If someone is on a district heating network, they would be stuck with one supplier with no chance of reducing cost and they would be unable to shop around for a better price.

A similar process to the retrofit assessors collecting real world billing information may provide better information on fuel poverty.

The main driver being cost is pushing some away from fabric or net zero improvements that would then have the secondary benefit of being more efficient by using less fuel and reducing running costs as a result.

### **Digital and Accessible EPC Format and Content**

12. Do you agree with our proposal that EPCs should move from PDF to webpage format?

Yes

Please provide further details here

The move appears to have some benefits, the main concern is whether it will still be accessible to all. We must remember that not everyone has access to the web and those that do not should still be able to access the information. This should be clearly thought through, and a solution provided prior to the move from PDF, not as an after-thought.

Being web based would also make it easier to enable EPCs to become live documents.

13. Do you agree with our proposal to improve signposting to further support and advice schemes on the EPC?

Yes

Please provide further details here

If these support schemes are properly targeted. There is no point linking people to information that may be irrelevant to their property. In addition we don't want to over complicate the EPC. It should be kept as simple as possible to make it accessible. Adding lots of new bells and whistles may make it harder to find information that is most relevant.

Links to funding and advice available is of importance, so long as it is the correct information and is relevant to the property's owner.

14. Do you agree historical EPCs should be publicly accessible on the EPC register (while clearly marked as historic)?

Yes

Please give reasons for your view

This would enable us to track building performance. It may also be useful to include previous EPCs as part of the current EPC certificate itself, perhaps as an appendix showing dates and headline ratings from previous certificates to allow for easy comparison.

15. Do you agree that the EPC register should be accessible by API?

Yes

Please give reasons for your view

Being accessible by API will have benefits. However, again there are concerns that too much information will mean the EPC is too complex and less accessible.

16. Do you have any further comments on our proposals to move to a digital and accessible EPC?

This could include services that you think EPCs should signpost to, or comments about the use of an API to access the EPC database.

Please explain your view further

We reiterate that we would like the EPC document to be a living one rather than one that is updated at specific points.

## **EPC Auditing and Assurance**

17. Do you agree with our proposals to review and update the auditing and assurance requirements for EPCs in Scotland?

Yes

Please explain your view further

No further comment.

18. Please detail any additional assurance activity that you think would be appropriate to enhance the accuracy and reliability of EPCs.

Please give details for your answer

n/a

### **Consultation Questions: Legislating for EPC Reform and Timeline**

19. Do you have a view on our timeline for reform implementation?

Yes

Please give details for your answer

While we agree, there is concern with timelines regarding when SAP 11 and any EU directives mentioned in the consultation are finalised this will mean more changes to the EPC. It may be better to consolidate all the changes into a fully updated EPC rather than regularly amending it.