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The Energy Efficiency Bill *1997/98*

Bill 12

Mr John Burnett's Energy Efficiency Bill aims to raise awareness of the benefits of energy conservation. The specific measures would require mortgage lenders to include an energy rating as part of their valuation or survey work, and to make the results available to the borrower. Furthermore, the lender would have to recommend a range of practicable measures, the implementation of which would improve the property's energy efficiency. The Bill's second reading is scheduled for Friday 6 February.

The domestic sector accounts for some 30% of UK energy use. Reducing this can make an important contribution to targets for the reduction in emissions of carbon dioxide, a greenhouse gas. Combating fuel poverty, improving the economy's efficiency, and preserving fuel resources are other factors which argue for energy efficiency measures. These have to be balanced against any costs to mortgage lenders and home purchasers.

Grahame Danby

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I Environment and energy

A. Environment

December's climate change conference in Kyoto, Japan, saw 160 nations agree new targets for emissions of carbon dioxide. Carbon dioxide contributes to the greenhouse effect and a scientific consensus has emerged associating increased atmospheric concentrations with global warming.¹ The primary anthropomorphic source of carbon dioxide, or CO₂, is the combustion of fossil fuels (coal, oil, gas). In order to reduce emissions of CO₂ a range of policy measures may be put into place, though these reduce to either using alternative energy sources (nuclear, renewables) or using less energy. The latter is known as energy conservation, and one way of achieving this is through better energy efficiency. In simple terms the latter means getting more (or the same) for less. To quote the former Government's white paper, *This Common Inheritance: The Second Year Report*,² "using energy efficiently is the quickest and most cost-effective way of reducing CO₂ emissions."

In 1995, UK emissions of carbon dioxide amounted to some 153 million tonnes of carbon (this is the carbon content in 561 million tonnes of carbon dioxide). This amounts to 2.6 tonnes per inhabitant.³ A domestic target of reducing emissions to 20% below 1990 levels by 2010 has been set, going further than the EU target (8% by a similar time) agreed at Kyoto.

Carbon dioxide is not the only problem resulting from fossil fuel combustion. Coal-fired power stations emit, in various quantities, sulphur dioxide and oxides of nitrogen (the latter are produced in any combustion process). These gases cause acid rain. Incomplete combustion leads to emissions of soot particles, about which there are health concerns.⁴ An important source of these particulates is vehicle emissions, which also include other air pollutants such as hydrocarbons.⁵ These examples serve to illustrate that energy use carries with it an environmental cost in terms of global warming, acid rain and health. Even "clean" energy technologies like wind farms have environmental impacts quite apart from their visual intrusion on the landscape: the manufacture of wind turbine towers and blades, and the concrete foundations, all contribute to the world's pollution load.

¹ *Climate Change after Kyoto* House of Commons Library Research Paper 97/141, 24 December 1997

² Cm 2068

³ A typographical error in the first printing of Library Research Paper 97/141 implied 2.6 million tonnes per inhabitant

⁴ *Fine Particle and Health* POST Technical Report 82, June 1996

⁵ *1997 Pollution Handbook* NSCA

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Finally, from the standpoint of sustainable development, reducing energy use is important since it diminishes the rate at which resources (fossil fuels, uranium etc) are depleted. This benefits the future generations which lack purchasing power in a market-oriented system. The latter point explains why governments have played a role in promoting energy efficiency or, as it is sometimes known, the rational use of energy.

B. Energy

The Government's annual *Energy Report* (DTI, September 1997) summarises energy demand in the UK. In 1996, the total amount of energy used in the UK amounted to 161 million tonnes of oil equivalent (Mtoe). That is about 2.7 tonnes of oil equivalent per inhabitant. Thirty per cent of this delivered energy was used by the domestic sector, second only to transport at 33 per cent. In addition to the 161 Mtoe of energy supplied to final users, some 71 Mtoe were lost in conversion (into electricity) and transmission losses (as well as own use by the energy suppliers). Most of the lost energy ends as waste heat, though combined heat and power schemes can put this to good use by channelling it to buildings for space or water heating. By the year 2000 the Government hopes that 5000 megawatts of electricity will be generated by combined heat and power plant, a target they inherited from their predecessors.⁶

The Government expects that its integrated transport policy, the subject of an upcoming white paper, will make an important contribution to improved energy efficiency (with a concomitant reduction in CO₂ emissions). This paper will focus on what can be done to improve energy efficiency in the home. The importance of this has already been mentioned above, though the recent publication of Energy Paper 66, *Energy Consumption in the United Kingdom* (DTI, December 1997), adds further weight to the arguments. For example, domestic energy consumption has increased by 30% between 1970 and 1996, largely a consequence of the growth in the number of households. Natural gas supplies two thirds of this household energy, for space and water heating.

The Conservative Government's last annual environmental report, *This Common Inheritance*, was published in February 1997. It lists a range of environmental initiatives, including those related to energy efficiency improvements. Those related to the domestic sector included promotional campaigns, such as the funding of Local Energy Advice Centres, as well as grants for insulation. The introduction of energy labels for certain electrical appliances such as refrigerators helps consumers make informed decisions. Of particular relevance in the context of Mr Burnett's current *Energy Efficiency Bill* is the encouragement the former Government gave to mortgage lenders to include energy efficiency information in their valuation surveys. A pilot project involved the Halifax Building Society.⁷

⁶ A UK Strategy for Combined Heat and Power (Department of the Environment, 19 June 1996)

⁷ *This Common Inheritance: UK Annual Report* Cm 3556, February 1997 p.140

Much of the promotional work, and a number of grant schemes, are co-ordinated through the Energy Saving Trust. This is an independent company, set up in November 1992 to run energy efficiency programmes. Its most ambitious programme was the “Homes 2000” initiative, which would have provided insulation, pipe lagging and other measures for 12 million non-poor households (a similar social housing programme was also put forward). These plans foundered since they relied upon the willingness of the energy regulators, particularly the Director General of Gas Supply, to allow a substantial E-factor in the price controls applied to utilities. The argument against so allowing a gas price rise to subsidise energy efficiency measures is that it is tantamount to a tax. The DGGs, Ms Clare Spottiswoode, did not consider tax raising to be an appropriate function for an independent and unelected regulator.⁸ Whether the Government’s review of utility regulation changes the picture in any substantive way remains to be seen. Some more modest Energy Saving Trust schemes have gone ahead, thanks partly to direct government funding (£25 million in 1996-97) adding to that provided through electricity and gas price controls.

While continuing with the Conservative’s Home Energy Efficiency Scheme (see below), the Government has at the same time instituted further measures impacting on energy efficiency. Though they can be justified on pressing social grounds, the reduction of VAT on fuel from 8% to 5% and the forthcoming abolition of the gas levy⁹ should exert an upward pressure on fuel use. Furthermore, the introduction of competition in the electricity and gas markets is leading to falling energy prices. According to DTI evidence received by the Trade and Industry Committee,¹⁰ every 10% drop in energy prices stimulates demand by 2%. Running counter to this will be the cut from 17.5% to 5% of the VAT on the installation work involving energy saving materials used under current grant schemes; this will be enacted in the next budget. As a consequence, the Home Energy Efficiency Scheme, and others, should benefit by an extra £7.5 million.¹¹ The Government is hoping to negotiate a modification of the sixth VAT Directive which currently prevents their reducing the rate of VAT on the actual energy saving materials.¹²

The Government’s new Welfare to Work scheme includes an Environmental Task Force, one aim of which will be to make energy efficiency improvements to the homes of elderly people.¹³ Some of the funding for this work will come from the proceeds of windfall tax on privatised utilities.¹⁴ Speaking at last year’s annual conference of NEA, the national energy action charity, the Minister of State for the Environment (Mr Michael Meacher) looked forward to innovative projects and voluntary bodies under the Welfare to Work Scheme.¹⁵ He also believed that regulation of the energy utilities, the subject of a current government review, could encourage

⁸ “Who controls energy efficiency policy? A case study of the energy saving trust” *Energy Policy* vol 25, no 11, 1997

⁹ one of the Government revenues from the gas produced on the UK Continental Shelf

¹⁰ *Energy Regulation* HC 50-I 1996/97 para 124

¹¹ “VAT cut on energy saving brings better insulation to 40,000 homes a year” HM Customs & Excise press notice, 25 November 1997

¹² “Climate Change – Tackling the Problem” *Energy & Environmental Management*, January/February 1998

¹³ “Number of Cold Weather Stations Increased” *Dept of Social Security press release 97/224*, 30 October 1997

¹⁴ HC Deb 25 July 1997 cc806-7W

¹⁵ “Fuel poverty part of a bigger picture” *Electricity UK* October 1997

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the deployment of private finance. This idea may be traced back to Labour's 1994 policy document, *In trust for tomorrow*:

Labour has proposed a self-financing national programme of energy efficiency work, with the linked objectives of combating fuel poverty, reducing carbon dioxide emissions (thereby lessening environmental damage) and generating substantial long-term employment.

This approach will be based on demand management and what is called "integrated resource planning". In other words, energy companies would need to consider whether demand could be reduced through energy efficiency measures as an alternative to increasing supply through the construction of new energy supplies. The regional electricity companies (RECs) and British Gas should be required to fund energy-efficiency work on a no-initial-cost basis, offered to all households whether owned or tenanted. The work would be carried out directly by energy companies, or in partnership with local authorities, or via the Energy Savings Trust.

Households will be offered water tank lagging, hot water pipe lagging, supply of low energy light bulbs, thermostats on heating systems and radiators, heating programmes, draught-proofing to doors and windows and loft insulation, cavity wall insulation, and secondary glazing.

Householders could choose to take one or more of these packages, and a small premium would be added to the unit price of their gas and electricity accordingly. A premium would only be added to the bills of those who had work carried out, and even where a premium was payable, the householder would be better off because the savings on energy bills would be significantly greater than the premium.

Insulation and efficient lights are two of the measures identified in a recent report by the Club of Rome¹⁶ entitled *Factor Four: Doubling Wealth — Halving Resource Use* (Earthscan 1997), the scope of which extends further than energy efficiency. A section outlines how energy productivity could be quadrupled "in five small steps" which include more efficient power stations as well as improved passive solar design of buildings. Better home insulation and more efficient domestic appliances are alone judged, conservatively, to be capable of 33% energy savings. Unsurprisingly, one reviewer has described *Factor Four* as nothing less than a manifesto for a sustainable future.¹⁷

¹⁶ Founded in 1968 (in Rome) and includes scientists, economists, businessmen, international high civil servants, Heads of State and former Heads of State

¹⁷ *BBC Wildlife* October 1997 p77

II Buildings

A. Building design

Thomas Tredgold (1788-1829) was an engineer who, while still an apprentice, devoted his spare time to the study of mathematics and architecture. During his subsequent career, which included carpentry, he continued to study science and engineering, one legacy of which is his book, *Principles of Warming and Ventilating Public Buildings* (London, 1824). Chapter one begins:

One of the most valuable arts which Divine goodness has placed within our reach is that of producing and distributing heat. Destitute of this power, the condition of man in the world would not be much superior to that of the lower animals. It is a power which adds to our comfort any where, but acquires an additional value in the cold and variable climate of Britain. Hence, the art of applying heat has been studied with attention, and illustrated with talent; while it has been practised by men of no ordinary skill: yet still there appears to be a field sufficiently open for new and useful researches; for it seems to be possible to combine an equal degree of safety, cleanliness, and comfort, with more healthiness and economy.

Tredgold was certainly right to identify the desirability of further research into what is now termed the passive solar design of buildings. He did quite a few experiments himself, the results of which led to his providing prescriptions for the size of heating systems, and the necessary fuel consumption, for rooms of given dimensions. This work continued to inform the design of household heating systems well into the twentieth century.¹⁸

Some aspects of passive solar design have been known far longer, the Romans having used glass windows to let in light and keep in heat. Passive solar gains from glass are complemented by free heat gains such as the body heat of the building's occupants and heat given off by stoves and, increasingly, electrical appliances. The rest of a home's heat demand has to be met by burning fossil fuels in domestic boilers, or by electricity from power stations (some of which burn fossil fuels).

Some general rules apply when optimising the use of passive solar heating, that is to say, making use of free sunlight. Buildings ought to have the following attributes:¹⁹

¹⁸ "Energy use in Buildings: Getting the Sums Right?" Prof Victor Handy, British Association 1995

¹⁹ *Renewable Energy: Power for a Sustainable Future* (Open University, 1996)

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- They should be well insulated to keep down the overall heat losses
- They have a responsive, efficient heating system
- The main living rooms, and much of the glazing, should be concentrated on the south-facing side
- They should not be overshadowed by other buildings, particularly important when one needs to capture the energy from the low winter sun
- They should be “thermally-massive” to avoid overheating in summer.

Of the options above, insulation measures can usefully be applied to raise the energy efficiency of existing housing stock. Energy Paper 66²⁰ charts the substantial growth in the quantity and quality (thickness) of various insulation measures in UK housing since the 1970s. At the end of 1995, 90% of homes with lofts had loft insulation, 95% of homes with hot water tanks had them insulated, and 60% had some double glazing.²¹ However, only 25% of homes with cavity walls had them insulated. Cavity wall insulation is one of the more effective energy efficiency measures; it can reduce heat loss through walls by some 60% and payback times are of the order of four years. The following indicative figures have been given for a three-bedroom semi-detached house:²²

Measure	Cost (£)	Annual saving in fuel bills (£)
Cavity wall insulation	400	75-150
Loft insulation	75 (DIY ²³)	35-45
External-wall insulation	1,500	85-120
Draught-proofing	50 (DIY)	15-25
Floor insulation	75 (DIY)	15-30
Double-glazing	175	25-30
Heating controls	300-400	55-85

Energy efficient condensing gas boilers cost about £300 more than conventional models, but can provide fuel savings of between £100-120 per year. Replacing the three most frequently used light bulbs with lower energy compact fluorescent lights, at a cost of £25, would save £126 over the bulbs’ lifetime.²⁴ The Energy Saving Trust’s web site²⁵ includes indicative figures for the cost and savings accruing from energy saving measures, which are in broad agreement with those given in the table above. Further information on the cost of various energy efficiency measures, and the payback times, appear in Annex E of Department of the Environment Circular 2/96.

²⁰ *Energy Consumption in the United Kingdom* (DTI, December 1997)

²¹ *The Energy Report: Shaping Change* (DTI, September 1997)

²² “Home in on ways to save money” *Sunday Times* 19 October 1997

²³ Do It Yourself

²⁴ Friends of the Earth, cited in *The Sunday Times* 19 October 1997

²⁵ <http://www.est.org.uk/>

B. Home Energy Efficiency Scheme

Grants for loft insulation were introduced in 1978, continuing until 1988 for all households and until 1990 for low-income households.²⁶ The latter grants were replaced by the Home Energy Efficiency Scheme. The HEES provides grants, up to a maximum of £315 for basic energy efficiency measures and energy advice. Since its inception in 1991, the scheme has covered loft insulation, tank and pipe lagging, and draught proofing. The scope of the HEES was extended on 1 July 1997 to include cavity wall insulation, heating control system upgrades and energy efficient lamps.²⁷ Speaking in a recent debate,²⁸ the Minister for Energy Efficiency (Ms Angela Eagle) described the scheme as the “largest specific energy efficiency programme in the current portfolio designed to tackle fuel poverty.”

Details of the scheme may be found by reference to the *Home Energy Efficiency Scheme Regulations* SI 1997/790 which revoke and re-enact earlier regulations.²⁹ Grants are available to any householder aged 60 or over, or who receives:³⁰

an income-related benefit (one or more of income support, jobseekers’ allowance, housing benefit, council tax benefit, family credit, disability working allowance)

one of disability living allowance, attendance allowance, war disablement pension (which must include mobility supplement or constant attendance allowance) or industrial injuries disablement benefit (which must include constant attendance allowance)

Since 1 April 1996, people who qualify solely by virtue of their age have only been eligible for 25% of the normal maximum grant.³¹

Any householder over 60 had become eligible (for the maximum grant) in April 1994; that they now enjoy only a discount is a consequence of a reduction in funding for the scheme. In a Department of Environment press release (28 November 1995), the former Secretary of State (Mr John Gummer) was quoted thus:

²⁶ “Who controls energy efficiency policy? A case study of the energy saving trust” *Energy Policy* vol 25 no 11 1997

²⁷ HC Deb 23 June 1997 cc367-8W; Environment Circular 7/97 (DETR, 30 June 1997)

²⁸ HC Deb 14 January 1998 cc285-307

²⁹ SI 1992/483, SI 1993/2799, SI 1994/637, SI 1995/49, and SI 1996/587

³⁰ Department of the Environment press release, 25 February 1997

³¹ HL Deb 13 December 1995 cc1276-8

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I remain committed to ensuring that people who are least well off can make their homes warmer and more energy-efficient...

... I therefore propose to change the scheme so that better-off householders who qualify for help because of their age will be asked to pay a contribution towards the cost of the work carried out in their homes. This will help us to maintain the level of help given to low-income and disabled householders while saving 31 million pounds on the cost of the scheme in 1996/97. Householders over 60 who receive one of the qualifying benefits will continue to be eligible for 100 percent grants.

In 1995/96, when total expenditure on the HEES came to £99.7 million, the average grant paid was £165.³² In the following financial year, total expenditure fell to £68.2 million.³³ Almost 2.2 million grants worth around £369 million had been paid by the end of the last financial year.³⁴ The annual allocation for this year, and next, is £75 million, enough for about 400,000 typical grants.³⁵ The scheme is administered by Eaga Ltd, a private company established by the charity Neighbourhood Energy Action, now known as NEA.

Some 10% of Britain's housing stock have benefited from the Home Energy Efficiency Scheme. General information garnered as a result of this activity should in principle be available to local housing authorities. They could find this useful in drawing up their energy conservation reports, a responsibility given them under the *Home Energy Conservation Act 1995*.

C. Home Energy Conservation Act

The above Act provides that local housing authorities have a duty, as energy conservation authorities, to prepare, publish and send to the Secretary of State a report identifying measures likely to result in a significant improvement in the energy efficiency of residential accommodation in their area. Energy conservation measures include information, advice, education, promotion, making grants and loans and carrying out works. The (English³⁶) energy conservation authorities were due to submit their reports by 30 November 1996.³⁷ On receipt of the report, the Secretary of State has to notify the authority of a timetable for the submission of progress reports detailing the implementation of the original report's measures. The Act also empowers him to take such steps as he considers desirable in order to assist with and encourage other persons to assist with the measures set out.

³² HC Deb 13 January 1997 c.92W

³³ HC Deb 3 July 1997 c251W

³⁴ Environment Circular 7/97 (DETR, 30 June 1997); HC Deb 3 July 1997 c251W

³⁵ HC Deb 14 January 1998 c307

³⁶ A later date, 1 December 1997, applied to Scotland (Scottish Office Development Circular 18/1997)

³⁷ HC Deb 20 February 1997 cc667-71W

Energy conservation authorities have to produce an overall assessment of all the residential accommodation in their area, including owner-occupied and privately rented housing. The scope of the 1995 Act was extended by the *Energy Conservation Act 1996* to include houses in multiple occupation and certain house-boats. Energy conservation reports on these additional residences had to be submitted by local authorities with their 1997 housing investment programme submission.

Government circulars provide detailed guidance to local authorities on the preparation and submission of energy conservation reports. For example, Department of the Environment Circular 2/96, which applies to England, notes that consideration of three factors should lead to a reasonably accurate statement of the energy efficiency of housing stock. These factors are:

- Built form (detached, semi-detached, terraced, bungalows, flats and maisonettes)
- Tenure (owner occupiers, local authority tenants, private renting tenants, housing association tenants)
- Age (pre 1919, 1919-1944, 1945-1964, 1965-1980, 1980 onwards)

Estimates of the numbers of homes in each of the above categories can be fed into a computer spreadsheet, together with typical data (as garnered from the English House Condition Survey, for example) on the likelihood that certain energy efficiency measures will already be present. As already noted, information on the number of Home Energy Efficiency Scheme grants may also be available to lend greater precision to the energy conservation reports. In addition to this, the government circular notes that, since 1 July 1995, local authorities have received energy rating information on new dwellings (due to changes in the Building Regulations, discussed below). Furthermore, “Mortgage lenders are being encouraged to incorporate home energy rating into their valuation reports and offer ‘green’ loans or other financial services to improve energy efficiency.”³⁸

Scottish Homes have provided a brief case study of work performed by Monklands District Council, now part of North Lanarkshire Council.³⁹ As part of its Local House Condition Survey, the Council applied a simple energy assessment procedure, involving few additional costs, to a sample of 1377 houses out of total 39,500.

The August 1997 edition of *Environmental Health* provides other examples of “best practice” in the implementation of the Home Energy Conservation Acts. Working with Home housing association, Gateshead MBC secured a grant of £214,000 through HECA Action. This was used to improve the energy efficiency of 700 homes on two estates built in the 1930s. Some sixty local authorities have received £2.5 million of these awards administered by the Energy

³⁸ *Department of the Environment Circular 2/96*, 6 March 1996 (p5)

³⁹ *Energy Efficiency in the Home: The NHER Level 0 Energy Module* (Scottish Homes, 1996)

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Saving Trust. The awards have attracted some £18 million of additional private sector investment.⁴⁰

D. Building Regulations and Energy Ratings

Section 1 of the *Building Act 1984* gives the Secretary of State powers to make building regulations, which have three broad aims:⁴¹

1. Securing the health, safety, welfare and convenience of people in or about buildings and of others who may be affected by buildings or matters connected with buildings.
2. Preventing waste, undue consumption, misuse or contamination of water.
3. Furthering the conservation of fuel and power.

National building regulations for insulation were first introduced in 1965. Since then, standards have been raised over the years, most recently by the *Building Regulations (Amendment) Regulations SI 1994/1850* (a separate building control system applies to Scotland and Northern Ireland). These amended the *Building Regulations SI 1991/2768* by expanding the requirement that “reasonable provision shall be made for the conservation of fuel and power in buildings”. Paragraph L1 of Schedule 1 now specifies that this provision be achieved by:

- (a) limiting the heat loss through the fabric of the building;
- (b) controlling the operation of the space heating and hot water systems;
- (c) limiting the heat loss from hot water vessels and hot water service pipework;
- (d) limiting the heat loss from hot water pipes and hot air ducts used for space heating;
- (e) installing in buildings artificial lighting systems which are designed and constructed to use no more fuel and power than is reasonable in the circumstances and making reasonable provision for controlling such systems.

The latter requirement does not apply to dwellings and some smaller buildings. The five general requirements listed above are supported by *Approved Document L*. This provides detailed guidance on how the building regulations, which apply to new buildings and some conversions,⁴² can be met. For example, technical information about the thermal performance of

⁴⁰ <http://www.est.org.uk/news/index2.htm>

⁴¹ *The Building Regulations: Explained and Illustrated* (Blackwell Science 1995)

⁴² The energy conservation measures apply to conversions where there is a material change of use.

different building elements (windows, doors, rooflights etc) is provided, allowing one to calculate the likely rate of heat loss through the fabric of any building.

The 1994 amending regulations introduced a requirement that newly created dwellings be provided with an energy rating calculated by the Government's Standard Assessment Procedure (SAP). The procedure takes account of fuel costs, ventilation, fabric heat losses, water heating requirements, internal heat gains (e.g. human body heat, and heat from domestic appliances), and solar gains. The method of calculating this energy rating takes the form of a work sheet, accompanied by a series of tables containing typical data. The latter includes information on the efficiency of different types of heating systems, and estimates of hot water usage as a function of floor area. The SAP rating is expressed on a scale ranging from 1 to 100. A rating of 1 represents a poor standard of energy efficiency while 100 represents a very high standard (reflected in the lowest energy costs). In the context of the Building Regulations, an SAP rating of 60 or below indicates the need for a higher standard of fabric insulation.⁴³

Peter Archer, chairman of the Chartered Institute of Environmental Health's Housing Committee, has described the findings of the 1991 English House Condition Survey (published at the end of 1996) as "alarming".⁴⁴ The average SAP energy rating for all occupied properties in England was 35, while three million homes had a rating of less than 20. Mr Archer also highlighted significant geographic variations, the average SAP rating in Devon and Cornwall of 24 comparing unfavourably with inner London's 43. The Energy Efficiency Minister (Ms Angela Eagle) has echoed these concerns:⁴⁵

We know that 38 per cent. of the housing stock has less than satisfactory heating provision. Nearly 3 million dwellings are particularly inefficient, having energy ratings below 20 points. More than quarter of a million homes in the private rented sector, which are occupied by single pensioners, are appallingly expensive to heat, with an average energy rating of only 11 points.

It ought to be mentioned that there are some four alternative systems for assessing the energy ratings of buildings. Methods exist for converting these to an equivalent SAP rating, and some may be preferable on account of their greater simplicity and reduced cost. For example, the National Home Energy Rating Scheme operates at four levels of sophistication. The lowest, Level 0, consists of a relatively simple survey form which would take a suitably knowledgeable person five minutes to complete.⁴⁶

⁴³ Appendix G of *Approved Document L* (Dept of the Environment and Welsh Office, 1995 edition).

⁴⁴ "Cold comfort from Government's latest home energy report" *Environmental Health* May 1997

⁴⁵ HC Deb 14 January 1998 c305

⁴⁶ *Energy Efficiency in the Home: The NHER Level 0 Energy Module* (Scottish Homes 1996).

III The Energy Efficiency Bill 1997/98

Mr John Burnett came sixth in the ballot for Private Members' Bills, and has chosen to introduce a Bill "to make further provisions for energy efficiency". Writing for the 23 June issue of *The House Magazine*, Mr Burnett outlined the Bill's intent:

I shall be presenting an Energy Efficiency Bill to the House, which will draw to the attention of millions the benefits of energy conservation. During the last session, my colleague Lord Ezra took a similar Bill through the Lords, which sadly ran out of time in the Commons.

This Bill will require mortgage lenders to do two things. First, to include an "energy rating" as part of a standard survey when granting a mortgage, and secondly to provide a list of recommendations for cost-effective energy efficiency improvements in all surveys.

People should not be compelled to invest in their homes. Compulsion will not be necessary. Instead, with the costs and benefits clearly set out before them, they will have the chance to take the right informed decision. It is a nonsense that everyone knows the miles per gallon of their car, but few know the running costs of their homes.

This information will clearly show that it is possible to enjoy warmer homes, save money, and cut down pollution.

Clause 1 of the Bill would require each mortgage lender, "as part of any survey or valuation required by it" to provide the borrower with "information" on the energy efficiency of the dwelling and "practicable means of improving it". Such information would have to be in accordance with guidance issued by the Secretary of State. It would have to include an approved energy rating, though not necessarily following the Government's Standard Assessment Procedure. This is one respect in which the Bill differs from a previous one introduced by Lord Ezra (HL Bill 57 1996/97), and could reflect an attempt at overcoming the misgivings of the Council of Mortgage Lenders. Though it should be noted that, after amendments in Committee, Lord Ezra's Bill only required lenders to offer an energy rating survey.

Mortgage lenders are likely to be concerned about the costs of adding additional work to their surveys, though the present Bill (like Lord Ezra's) allows them to recover reasonable costs from the borrower [**clause 1(1)(b)**]. The cost of a full SAP survey, if commissioned separately by an individual householder, lies somewhere between £50 and £150. However, Lord Ezra has pointed out that this could be as low as £10-15 if the building societies were to incorporate the energy rating into their normal valuation surveys.

In addition to an energy rating, **clause 2(2)** specifies further information to be provided, including a list of potential energy efficiency improvements for the dwelling in question, and an indicative range of costs and payback times for dwellings of similar type. Most of this information already exists (for example in government circulars⁴⁷). This does not mean that what Lord Ezra described last year⁴⁸ as the “largely inexplicable reservations on the part of the mortgage lenders” would necessarily evaporate. One can imagine, for example, that a high SAP (or SAP-equivalent) rating might attract borrowers rather less than a low rating might deter them. More to the point, the competitiveness of the mortgage industry may be sufficient to deter even a small additional cost arising from energy efficiency assessments. The latter argument was aired last year by Baroness Miller of Hendon during the second reading debate⁴⁹ of Lord Ezra’s Bill. Mr Burnett’s Bill includes a requirement that the information provided by the mortgage lender should be gathered in “a cost-effective way” [**clause 2 (2)(b)**].

The measures in the Energy Efficiency Bill would not apply to dwellings less than three years old at the time of the survey or valuation. In such a case, an SAP rating will already have been performed (though not necessarily in Scotland⁵⁰). In other words the Bill provides a way of broadening the coverage of energy efficiency information to include existing housing stock. The Bill’s requirement would also not apply “if the borrower has equivalent information that has been prepared within the previous twelve months” [**clause 1(2)**].

⁴⁷ *Department of the Environment Circular 2/96*, 6 March 1996

⁴⁸ HL Deb 14 January 1997 c145

⁴⁹ HL Deb 5 December 1996 cc836-47

⁵⁰ HC Deb 5 June 1997 c232W