



House of Commons
Public Accounts Committee

Programmes to reduce household energy consumption

Fifth Report of Session 2008–09

*Report, together with formal minutes, oral and
written evidence*

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The Public Accounts Committee

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

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Summary

Household energy consumption is responsible for 27% of all UK carbon emissions. Reducing household energy consumption is central to efforts to mitigate climate change and can help decrease poverty by reducing household energy bills. The Government encourages the installation of energy efficiency measures through obligations on energy suppliers. The Government also seeks to influence householder behaviour through the provision of information on energy saving measures and the labelling of the energy efficiency of appliances. Building Regulations specify energy efficiency standards for new dwellings. European Union regulations set minimum energy efficiency standards for some appliances, such as fridges and freezers.

Together these programmes cost the UK around £2.6 billion a year: a mixture of government expenditure and compliance costs borne by businesses and households. The value of the potential energy savings is significant; the typical household could save around £300 a year from introducing energy efficiency measures.

To meet economy-wide energy consumption targets, household energy consumption must fall by 11% by 2010 and a further 2% by 2016, compared with 2001–05 levels. To meet the government's longer-term carbon targets, household energy consumption will need to reduce by 36% by 2020, compared to 2001–05. The government's programmes may have contributed to the reduction in household energy consumption in the last three years, 2004 to 2007, which followed a long-term trend of rising household energy consumption. Overall, however, household energy consumption was still 8% higher in 2007 than in 1990.

Without sufficient improvements in energy efficiency, energy consumption may rise again due to trends such as the growth in the number of households, the demand to use more electronic appliances and a desire to live in warmer homes. To offset these upward pressures and achieve further reductions, the key challenges for Government are how to strengthen and improve enforcement of minimum energy efficiency standards for new homes, and how to coordinate and focus government programmes to increase the energy efficiency of existing homes and achieve behaviour change by householders.

On the basis of a Report by the Comptroller and Auditor General,¹ we took evidence on progress in reducing household energy consumption from the Department of Energy and Climate Change (the Department), which was recently formed with the aim of bringing together energy and climate change policy, and from the Department for Communities and Local Government, which has responsibility for delivering some of the supporting programmes.

1 C&AG's Report, *Programmes to reduce household energy consumption*, HC (2007–08) 1164

Conclusions and recommendations

1. **Household energy consumption has started to fall, which is encouraging, but the United Kingdom still lags behind some other European Union countries such as the Netherlands and Sweden.** We welcome the Department's recognition that much more needs to be done to achieve substantial reductions in future, particularly to encourage people to change their behaviour.
2. **The creation of the new Department of Energy and Climate Change provides an opportunity to improve the coordination and effectiveness of programmes to reduce household energy consumption.** The Department for Communities and Local Government and the Department for Environment, Food and Rural Affairs are nevertheless still responsible for some aspects of programme delivery. The Department of Energy and Climate Change should:
 - set out, in its response to the forthcoming carbon budget, the risks to programme delivery across all programmes, as well as the associated risk to achievement of overall targets to reduce household energy consumption, and
 - monitor, as part of its annual monitoring of performance against objectives, the risks to achieving target reductions in household energy consumption across all Departments' programmes, identifying any additional actions necessary.
3. **Departments are not gathering enough data from real homes to evaluate the impact of programmes on consumer behaviour and household energy efficiency.** The Department of Energy and Climate Change and the Department for Communities and Local Government should set out and implement strategies for evaluating and learning from the environmental and financial impact of their programmes, distinguishing the programme impacts from those of other factors, such as energy prices and household growth. The strategies should address how energy-use data will be obtained to:
 - understand, monitor and respond to changing patterns of energy use in households, including appliance use and wastage;
 - understand the impact in real homes of installing energy efficiency measures, and
 - understand and improve the actual energy performance of new homes built to standards set out in the current and future Building Regulations.
4. **Householders are confronted with a confusingly wide range of advice on energy efficiency from the Government, energy suppliers and others.** The Department of Energy and Climate Change and the Department for Communities and Local Government should routinely evaluate their programmes to identify the extent to which the information provided is trusted, understood and appropriately tailored, and results in changes in householder behaviour. In particular, the Department of Energy and Climate Change should evaluate the effectiveness of specific measures considered at the Committee such as:

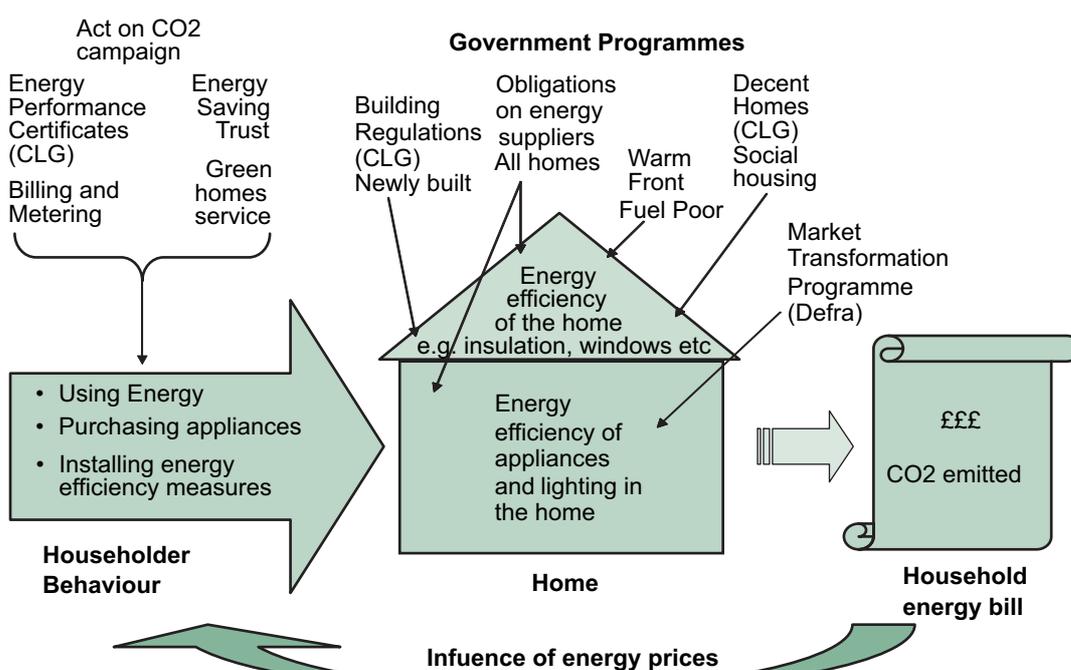
- home energy audits and action plans;
 - simpler ways to communicate the energy performance of appliances, such as a traffic light system of product labelling, similar to that used to provide nutritional advice, or a website to compare the performance of specific products, and
 - a quality standard for installers of energy efficiency measures such as loft insulation, equivalent to the Corgi standard for gas repairs, to improve consumer confidence in the advice they receive.
5. **The Department of Energy and Climate Change wants ‘smart’ meters to be installed in all households by the end of 2020, and so needs to oversee the effective roll-out by suppliers of a major infrastructure programme with significant cost to consumers.** The Department should not underestimate the challenges of a large scale project whose value depends on behaviour change. The Department should quantify and set out clearly the expected benefits of smart meters. It should also put in place a comprehensive project management programme for delivering these benefits, identifying and managing the likely risks to their delivery. The Department should consider how the costs of smart meters can be made more transparent, for example, through better billing.
6. **People renting from private landlords have limited opportunity to improve the energy efficiency of their homes, and current incentives for landlords to act have been ineffective.** The Department for Communities and Local Government is considering an independent review’s recommendations that there should be a ‘light touch’ licensing regime for landlords. The Department should examine how energy efficiency requirements could be included as part of such a licensing regime, or should consider alternative measures to require private landlords to invest in energy efficiency.
7. **The Building Control profession has not prioritised the enforcement of the energy efficiency parts of the Building Regulations.** The Department for Communities and Local Government has provided training for Building Control Officers and introduced new enforcement powers, and is considering new proposals for the inspection process. The Department should check that all Building Control Officers are fully trained and are using their powers effectively to enforce the energy savings requirements in the Building Regulations.
8. **Little is known about the extent of compliance with the energy saving parts of current Building Regulations, so the adequacy and effectiveness of the Regulations on energy performance in practice is uncertain.** The Department for Communities and Local Government should set out a clear plan for testing energy performance routinely on a sample basis to check on compliance, the effectiveness of the Buildings Control regime and, ultimately, the effectiveness of Building Regulations in delivering reduced energy consumption. The Department should demonstrate that the scale and timing of these tests is sufficient to inform each subsequent revision of the Building Regulations.

9. **Over 80% of the expected energy savings by 2020 come from Building Regulations and obligations on suppliers, whose achievement is outside the Departments' direct control.** To identify and manage the risks in achieving their overall goals, both Departments should liaise closely with industry to identify the likelihood and impact of specific supply chain risks to programme delivery, regularly review progress against those risks and identify how they can influence the supply chain where necessary.

1 Progress in reducing household energy consumption

1. Household energy consumption is responsible for 27% of all UK carbon emissions. Reducing household energy consumption is central to efforts to mitigate climate change and can help decrease fuel poverty² by reducing household energy bills.³ Lower energy consumption also helps the government to achieve its aim of greater energy security.⁴ Household energy consumption is influenced by the behaviour of the householder and the energy efficiency of their home, heating, lighting and appliances. There are a range of government programmes which impact on the householder, their home and ultimately their energy bill (**Figure 1**).⁵ These programmes cost the UK around £2.6 billion a year—a mixture of direct government expenditure and compliance costs borne by businesses and households.⁶

Figure 1—A wide range of government programmes impact on the householder, their home and ultimately their energy bill



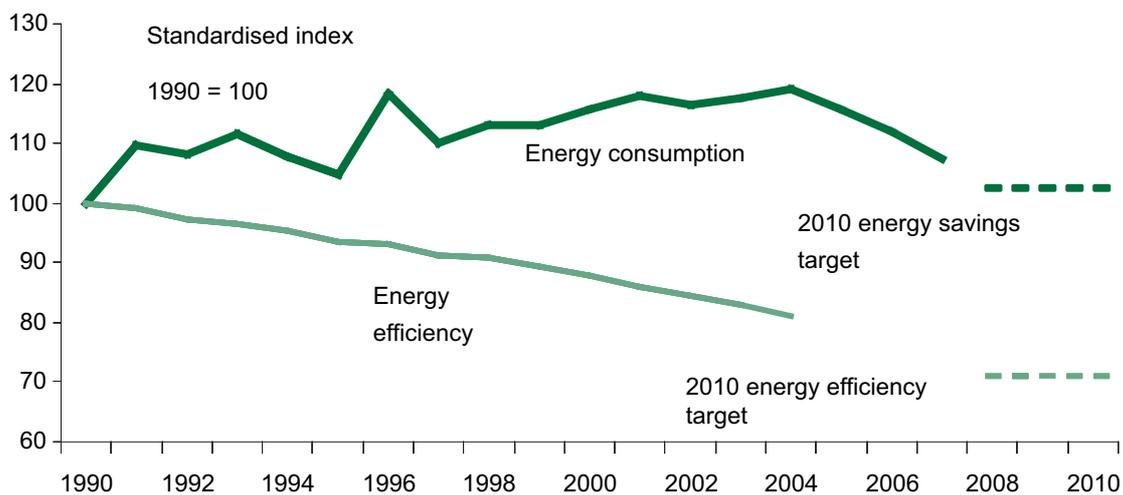
Programmes not led by the Department for Energy and Climate Change are indicated: Department for Communities and Local Government (CLG), Department for Environment, Food and Rural Affairs (Defra).

Source: National Audit Office

- 2 A household is said to be in fuel poverty if it needs to spend more than 10% of its income on fuel to maintain a satisfactory heating regime (usually 21 degrees for the main living area, and 18 degrees for other occupied rooms).
- 3 Q 30; C&AG's Report, para 1.1
- 4 C&AG's Report, para 1.1
- 5 Householder energy using behaviour refers to how warm householders want their home to be, how many hours they want to watch TV, how many lights they have on and so on. Energy efficiency determines the amount of energy needed as a result of this behaviour. For example, a more energy efficient house consumes less energy to heat it.
- 6 Qq 7–11; C&AG's Report, para 1.1

2. Household energy consumption fell between 2004 and 2007, although it remained 8% higher in 2007 than in 1990 (Figure 2). This reduction may not continue as household energy consumption continues to be driven up by the need for more housing, together with many people's rising expectations as to how warm their homes should be, and their desire to use more electrical goods and appliances.⁷ The Department of Energy and Climate Change (the Department) considered that the recent fall in energy consumption was in part due to high energy prices and the weather, but also reflected energy efficiency improvements.⁸ Although oil prices will continue to influence the amount of energy that people use, the Department's aim is to improve energy efficiency to reduce the harm to the environment and costs for the householder.⁹ The Department accepted that it needs to do more to encourage people to reduce their energy use. The hardest task will be to change behaviour through helping people understand what they need to do and helping them to do it.¹⁰

Figure 2: Until 2004 energy consumption continued to rise, as improvements in efficiency did not outweigh underlying demand pressures



Note: Energy efficiency is estimated, and a downward trend indicates improvement.

Source: National Audit Office, based on data from BERR and Defra

3. Trends in household energy consumption in the UK compare unfavourably with some other European nations. For example, the Netherlands reduced average energy consumption per dwelling by 16% between 1990 and 2004, during which period average UK consumption rose by 2%.¹¹ The Netherlands began driving energy efficiency improvements in the early 1990s, a decade before the UK programme began in earnest.¹²

4. The UK has recently set a target to reduce greenhouse gas emissions by 80% by 2050 against 1990 levels. The independent Climate Change Committee, which has been established in the Climate Change Act 2008, has given advice to the government on the

7 Qq 4-7

8 Qq 3, 48

9 Qq 4-6, 15-20, 48

10 Qq 3, 8-10; C&AG's Report para 2.6

11 Qq 2-3; C&AG's Report, para 2.6

12 Qq 2-3; C&AG's Report, para 2.6

first three 5-yearly carbon budgets that should be set to meet this target and the respective contributions that should be made by different sectors of the economy.¹³

5. The Department expects to consult on a new package of measures for reducing carbon emissions from existing homes. This package will form part of its strategy in response to the carbon budgets. It will include proposals, announced in September 2008, to increase the funding of energy efficiency by energy suppliers, partly by increasing by 20% suppliers' targets for delivering energy savings through installing energy efficiency measures.¹⁴

6. The Department recognises the risk that the complex range of programmes to address energy efficiency and climate change are not joined up and give confused messages to the public.¹⁵ Bringing together the programmes in the new Department of Energy and Climate Change would enable the new Department to oversee them as a whole and make sure they are working properly.¹⁶ The system of carbon budgets would also encourage the government to take a cross-society view and consider progress across emissions sources. The Department was confident that existing policies would enable it to meet its expectations for household energy consumption, but recognised the risk that cost savings to householders may result in them spending more on other goods or services that increase energy consumption and carbon emissions.¹⁷

7. Current programmes do not target directly those people who use most energy, although this might achieve more cost-effective energy savings.¹⁸ The Department aims to balance its objective of reducing carbon emissions from household energy consumption with its objective of reducing fuel poverty. For example, under the current supplier obligation, suppliers are required to install 40% of measures in the homes of people in priority groups such as low-income and elderly households, and Warm Front grants are available to improve household energy efficiency for people in fuel poverty.¹⁹ While we recognise that the £300 savings on a household's energy bill, which could be achieved from introducing energy efficiency measures, would be particularly welcome to poorer households, the Department needs to also target high energy users to maximise reductions in energy use.²⁰

13 Qq 26, 64, 108

14 Qq 26–27, 84, 108

15 Qq 50, 107

16 Q 50

17 Q 64

18 Qq 30–33, 51–52

19 Qq 28–33

20 Qq 28, 51–52

2 Encouraging householders to consume less energy

8. Encouraging householders to consume less energy is a major challenge but is necessary if energy consumption, carbon emissions and householders' energy bills are to be significantly reduced.²¹ Although householders' awareness of energy consumption and climate change has risen in recent years, it is a difficult task to turn this awareness into action.²² In a survey, 61% of Britons stated they 'do enough already' to save energy, yet 71% of them leave appliances on standby, 63% forget to turn lights off and 28% leave the heating on when their house is unoccupied.²³ Hotels in the UK routinely leave televisions on standby.²⁴ People in the UK also tend to prefer frost-free models of fridges and freezers, which are less energy efficient than other models.²⁵

9. Householders may give energy efficiency a higher priority if they receive better information on how their behaviour contributes to their energy bills. Real-time displays enable people to read from the meter how much electricity they are currently using and to see how it increases as appliances are used.²⁶ Better information on energy bills may help householders understand their energy consumption and how it has changed. Smart meters allow remote meter reading, which is wholly accurate, and can be used alongside real-time displays. The government has recently decided that smart meters should be installed in all households by 2020, allowing two years to resolve design issues and ten years for the subsequent roll-out.²⁷ The Department estimates that introducing smart meters will cost between £7.5 and £16.1 billion, with additional ongoing costs of between £0.2–£0.3 billion per year.²⁸ The Department confirmed that the cost would be met by suppliers who would be likely to recover the cost by raising energy prices.²⁹

10. The main programmes providing advice on energy consumption and energy efficiency are the Energy Saving Trust, the 'Act on CO₂' campaign and Energy Performance Certificates. Other potential sources of advice include energy supply companies, plumbers, builders, insulation suppliers and DIY stores. We concluded that householders would be more likely to act upon tailored advice that was provided in person by a single, trusted, source. This advice would ideally be provided through a home energy audit, identifying where energy savings could be made and providing specific advice on installing energy

21 Qq 3, 8–10, 27

22 Qq 9–10, 27; C&AG's Report paras 6.5–6.6

23 Qq 8, 10

24 Q 27

25 Qq 89–92

26 Q 10

27 Qq 93–98

28 C&AG's Report, para 6.31

29 C&AG's Report, para 6.31

saving measures. By contrast, current approaches rely on online information and checklists which are too generalised.³⁰

11. Departments have recently taken some steps to coordinate and simplify the advice provided, such as bringing all information campaigns under the ‘Act on CO2’ banner, a single helpline for energy efficiency advice and an online checklist providing advice from the Energy Saving Trust.³¹ The Department recognised, however, that some people preferred other, more personal, forms of advice. The Department will consult shortly on proposals for energy suppliers to be able to provide home energy audits to householders as part of their work on energy efficiency. It will also consult on a Community Energy Saving Programme, where energy suppliers and energy generators would deliver, with local partners such as local authorities and community organisations, energy efficiency measures in areas of high deprivation, giving advice on a street by street basis.³²

12. If energy suppliers are to meet their energy savings targets, there needs to be a substantial increase in the rate of installation of energy efficiency measures, such as loft insulation. The Department stated that the rate of installations was increasing, with about 500,000 cavity wall and loft installations in the first half of 2008.³³ The Department has been working with industry to determine whether the supply chain would be able to deliver the government’s programmes. Waiting times for the installation of insulation vary across the country but currently average less than five weeks, so the Department considered there was no indication of a bottleneck.³⁴

13. The Department will soon be consulting on a package of measures to reduce the energy consumption of existing properties, including proposals on how to make it easier for people to act, how to address financial barriers to installing energy efficiency measures and how to heat homes more efficiently.³⁵ The Department recognised that there are particular challenges to improving the energy efficiency of “hard to treat” homes, which, for example, have solid walls or little loft space to insulate.³⁶

14. We asked what assurance householders would have that they were being given good advice on necessary energy efficiency measures and that installers were reliable. The Department for Communities and Local Government noted that domestic energy assessors, who provide Energy Performance Certificates when a home is rented or sold, are properly trained and accredited. Cavity wall installers are registered with the Cavity Insulation Guarantee Agency. There is no standard, however, for loft insulation installers, who are mostly trained by their employers. The Department of Energy and Climate Change is working with the National Insulation Association and the Energy Saving Trust

30 Qq 21–22, 24, 28

31 Qq 22–24, 50

32 Qq 24, 85–86

33 Qq 12–13, 82

34 Q 77

35 Q 27

36 Q 62

to look at how a standard might be established, but could not provide a date by which one would be introduced.³⁷

15. The Department of Energy and Climate Change and the Department for Environment, Food and Rural Affairs aim to improve the energy efficiency of appliances sold in the UK. They have been working with the EU on the Energy Using Products Directive, which will extend minimum standards to include electronic goods. The Government also works with manufacturers and retailers to secure voluntary improvements, such as phasing out energy inefficient light bulbs.³⁸

16. Other policy areas, such as nutritional education, use simple traffic light indicators to provide comparative information to help consumers make choices.³⁹ The EU labelling scheme requires some products, including fridges, freezers, washing machines and tumble dryers, to show A to G energy efficiency ratings, supported by colour grades. The Department believed these ratings were understood by consumers. The EU will soon extend the labelling scheme to four further product groups: domestic lighting, televisions, boilers and water heaters. The Energy Saving Trust also runs the voluntary Energy Saving Recommended scheme to highlight the most energy efficient products. We suggested comparison websites would help consumers find out which products were more efficient.⁴⁰

17. The Department of Energy and Climate Change is undertaking research to understand energy use in homes, including who is buying what appliances, the number and type of appliances in use and how much they are used.⁴¹ These data will be needed to assess the effectiveness of information campaigns. The Department currently has relatively little hard data on how many people have changed their behaviour, by how much, for how long or the most effective ways to encourage change.⁴²

18. Social housing and council housing landlords are required under the Decent Homes programme to meet certain standards of housing, including energy efficiency criteria. Local authorities and social landlords are expected to spend funding of £2.6 billion on this up till 2011, including £435 million from the energy suppliers, as part of their obligations to install energy efficiency measures. The Department for Communities and Local Government reported that social housing had received proportionately more energy efficiency investment than other homes, and the programme was on track to meet its objective.⁴³

19. People living in privately rented properties have limited opportunity to improve the energy efficiency of their homes, which tend to contain fewer energy saving features than owner occupied or social housing.⁴⁴ Landlords have little incentive to invest in energy

37 Qq 77–81; Ev 16

38 Qq 65–68

39 Qq 105–106

40 Qq 69–72

41 Q 41

42 C&AG's Report, para 6.25

43 Qq 109–110

44 Q 73; C&AG's Report, para 6.21 and Appendix Two

efficiency measures because tenants normally pay the energy bills. The Landlords Energy Saving Allowance provides tax relief to landlords who invest in energy efficiency measures, but there has been little take up since it was introduced in 2004.⁴⁵ The Department for Communities and Local Government agreed that this Allowance had not been successful.⁴⁶ An independent review of the experience of landlords and tenants, sponsored by the Department, recommended a 'light touch' licensing regime for landlords and regulation of letting agents to improve the quality of the private rented sector.⁴⁷

45 Qq 73–75; C&AG's Report, para 6.21

46 Q 74

47 Q 74

3 Improving the energy efficiency of new homes

20. The Government aims to build 3 million new homes within the next 15 years.⁴⁸ The Department for Communities and Local Government explained that the energy efficiency standards for new homes have increased substantially. The 2006 Building Regulation requirements for energy efficiency were about 45% higher than they were in 1995.⁴⁹ The Department envisages that future Regulations, planned for 2010, 2013 and 2016, will implement progressively stricter standards on the energy performance of new homes. By 2020, revisions to the Building Regulations from 2002 onwards are expected to achieve half the energy savings of the UK household sector.⁵⁰

21. The success of the Building Regulations depends on the construction industry complying with them by building homes to the required standards, understanding the impact of construction techniques on energy efficiency, and supplying and installing materials to the standards required.⁵¹ The Department for Communities and Local Government had a programme of activity to inform and train industry trainers and Building Control Officers of the changes in the 2006 Building Regulations. The Department expected to develop a similar plan for dissemination of the 2010 changes to the Regulations.⁵²

22. The construction industry has voiced concerns over its ability to meet progressively stricter standards over the timetable proposed.⁵³ The Department considered there was some anecdotal evidence of poor practice in complying with the Building Regulations.⁵⁴ The Department is involving representatives from industry in the development and tightening of Building Regulations; for example, by participating in a taskforce to oversee the delivery of the standards envisaged for the 2016 Regulations.⁵⁵

23. A recent report on the 2002 Regulations found that Local Authority Building Control Officers are not prioritising energy efficiency when they check that construction work complies with Building Regulations.⁵⁶ Unless inspectors visit building sites while builders are installing energy efficiency measures they find it difficult to confirm that builders have complied with the relevant regulations.⁵⁷ The Department for Communities and Local Government has published proposals that would require builders to submit fuller plans to

48 Q 26

49 Q 26

50 Q 35, C&AG's Report, para 3.2, Figure 11

51 Qq 35–42

52 Qq 35–36

53 C&AG's Report, para 3.4

54 Q 54; C&AG's Report, para 3.4

55 Q 42

56 Qq 35–39, 53–58; C&AG's Report, para 3.5; *Future Energy Solutions, Compliance with Part L1 of the 2002 Building Regulations (An investigation into the reasons for poor compliance)*, 2006

57 Q 57

the inspectors and for on-site inspections to take place at several times during the course of the building.⁵⁸ The Department trained Building Control Officers in Part L of the Regulations following the 2006 changes but recognised that more needed to be done to effect a cultural change so that energy efficiency is taken seriously.⁵⁹ The Department has also recently consulted on steps to increase Building Control Officers' enforcement powers, such as allowing them to issue 'stop notices' to cease building work until significant risks are dealt with, and to levy a monetary penalty without the need to go to court.⁶⁰

24. In addition to inspection it is important to monitor the energy efficiency of houses once they have been built. For example, thermal imaging cameras can be used to see how much heat is leaking due to, for example, badly installed insulation or poor construction technique. The Department for Communities and Local Government recognised the importance of checking houses on a sample basis. The Department was not able to confirm compliance with the 2006 regulations. The Department as yet is only sampling 100 homes to check energy performance and compliance with the 2006 Regulations.⁶¹ The Department expects to confirm the level of compliance with the 2006 Building Regulations as part of its estimate of the impact of the 2010 changes to the Regulations.⁶²

58 Q 55

59 Qq 36–38, 58

60 Qq 37–38

61 Qq 39–41, 58

62 Q 42; Ev 15

Formal Minutes

Monday 2 February 2009

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Keith Hill

Mr Austin Mitchell
Dr John Pugh

Draft Report (*Programmes to reduce household energy consumption*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 24 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 4 February at 3.30 pm

Witnesses

Monday 3 November 2008

Page

Ms Moira Wallace, Acting Permanent Secretary, **Mr Edmund Hosker**, Acting Director General, **Ms Anne Sharp**, Director, National Climate Change and Energy, Department of Energy and Climate Change and **Mr John Fiennes**, Director, Sustainable Buildings and Climate Change, Department for Communities and Local Government

Ev 1

List of written evidence

Department of Energy and Climate Change

Ev 14

List of Reports from the Committee of Public Accounts 2008–09

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Fourth Report	Widening participation in higher education	HC 226
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Oral evidence

Taken before the Committee of Public Accounts on Monday 3 November 2008

Members present:

Mr Edward Leigh, in the Chair

Mr David Curry
Keith Hill
Mr Austin Mitchell

Dr John Pugh
Mr Alan Williams

Mr Tim Burr CB, Comptroller and Auditor General, **Ms Gabrielle Cohen**, Assistant Auditor General and **Ms Jill Goldsmith**, Director, National Audit Office, were in attendance.

Mr Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, gave evidence.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL (HC787)

PROGRAMMES TO REDUCE HOUSEHOLD ENERGY CONSUMPTION

Witnesses: **Ms Moira Wallace**, Acting Permanent Secretary, **Mr Edmund Hosker**, Acting Director General, **Ms Anne Sharp**, Director, National Climate Change and Energy, Department of Energy and Climate Change and **Mr John Fiennes**, Director, Sustainable Buildings and Climate Change, Department for Communities and Local Government, gave evidence.

Q1 Chairman: Good afternoon. Welcome to the Committee of Public Accounts. We are joined today, I am pleased to say, by the Chairman of the Public Accounts Committee of New South Wales; members of the Committee will have the chance to meet him after this hearing. Today we are considering the Comptroller and Auditor General's Report on *Programmes to reduce household energy consumption*. We welcome from the newly formed Department of Energy and Climate Change the Accounting Officer, Moira Wallace. Would you like to introduce your colleagues please and explain to us what they all do?

Ms Wallace: Thank you very much. Going from this end, Edmund Hosker is Director of the Energy Markets Unit and was in BERR before the change; then Anne Sharp who is Director of National Climate Change and Energy and was in Defra before the change; John Fiennes who is from the Department for Communities and Local Government and is Director of Sustainable Buildings and Climate Change.

Q2 Chairman: Perhaps I could have a look at what other European countries are succeeding in doing in this field. If you look at page 17, figure six you will see on the top line that the Netherlands reduced average energy consumption per household by 16% from 1990 to 2004. If you look down there are some other good performers there—Ireland, Sweden, France, Germany—but if you look at the UK, the UK average consumption rose by 2%. What lessons can we learn from other European countries who apparently have achieved more than we have done in the relevant period?

Ms Wallace: As the Report itself makes clear, one of the reasons some other countries have done better is that they started sooner so we are in the position of

having to do some catching up. I think we are doing everything we can to learn from other people. I think the Report also makes clear that we are now doing quite well in terms of making progress; it shows that energy efficiency is going in the right direction and energy consumption is going in the right direction and that a substantial amount is being achieved cost effectively. While we are not complacent we are interested in what the Report is telling us about the effectiveness of some of the measures that have been tried. There is a lot more to do but we have clearly made some impact.

Q3 Chairman: What I actually asked you was what lessons can we learn from them?

Ms Wallace: There are a number of things we are trying to learn from them but the point I am reiterating is the one in the Report about when they started. I think the challenges in this country are about changing behaviour, providing support for people, helping them to understand what they need to do it and helping them to do it.

Q4 Chairman: Looking at paragraph 2.2 on page 14, we read there that household energy consumption is still 8% higher in 2007 than it was in 1990. Why is that do you think?

Ms Wallace: It had been rising for some time and what we have been doing is working on the energy efficiency side to offset that because obviously people's aspirations rise all the time and we are trying to make sure they are able to meet them more effectively. The graph on the opposite page shows that energy efficiency has been improving pretty steadily but now, from the line in the middle, seems to be starting to offset people's demand.

 Department of Energy and Climate Change and Department for Communities and Local Government

Q5 Chairman: For the second time I will ask you a question and hope to get an answer. Why do you think household energy consumption is 8% higher in 2007 than it was in 1990? What is your personal opinion?

Ms Wallace: I think I have given it but perhaps I can expand on it.

Q6 Chairman: You have told us that we started later; that is one reason. Is that the only reason?

Ms Wallace: There are a lot of factors that drive demand up and the Report alludes to many of them. If people can heat their houses more warmly then very often they do. People have rising consumption of all sorts of goods that are available to them and that they are able to afford. I think that is a common feature across many countries and what we have to do is find ways of enabling that demand to be met in a more efficient way that does not cost the environment so much and does not cost the consumer very much.

Q7 Chairman: Give us a few ideas.

Ms Wallace: There are a lot of things in the Report; there are a lot of programmes the Government is already supporting to enable people to heat their homes more cheaply and with less damage to the environment. There are also a whole range of programmes going on to help people use energy more efficiently, buy appliances that are more efficient and of course also to have access to electricity sources that are less damaging in terms of emissions.

Q8 Chairman: Looking at paragraph 6.6 on page 34 what do you say to the 61% of Britons who stated that “they do enough already” to save energy?

Ms Wallace: I do not think they do.

Q9 Chairman: That is true; we know that.

Ms Wallace: What we have to do is help them to understand that and help them to do something about that. There are a number of things that are already showing an impact in terms of doing that. The ACT ON CO₂ campaign which is going on currently I think is an example of trying to clarify for the public why this matters and what they can do. We are getting very good success rates of people being aware of it and acting on it and I think we need to do more of the same.

Q10 Chairman: Paragraph 6.6 is quite interesting: “Recent surveys reveal that, for example, 71% of people leave appliances on standby, 63% forget to turn lights off in rooms and 28% of people leave the heating on when their house is unoccupied. Yet 61% of Britons have stated they ‘do enough already’ to save energy.” You have a difficult task, have you not?

Ms Wallace: It is a task for everybody really and one of the things that is important is for people to understand the impact of the lights they leave on and the appliances they leave on standby. In the New Year we will be introducing new billing that makes people more aware of how their consumption

compares with what it has been in the past. There are all sorts of devices that people can use. I have just acquired one myself where you can actually see how much electricity you are using and you can see how low you can get it by just going round the house turning the lights off, how it goes up when you turn the hairdryer on. I think we need to do loads of things like this to make people aware of the impact and of course they will see it through their bills.

Q11 Chairman: People of course have more and more gadgets in their homes, how are you going to meet the rise in consumption from all these new gadgets? This is mentioned in paragraph 5.10.

Ms Wallace: The Report describes all sorts of action that is in place in this country and across Europe to raise product standards so that actually they use less energy and use it only in a manner that they need to. There is a well-established programme of work there. We need to eliminate the worst appliances that use unnecessary energy and we need to encourage people to use the most efficient ones.

Q12 Chairman: On page 27, paragraph 4.11, can I just ask about loft insulation? You want to achieve 1.2 million loft installations and you say that is needed each year but in fact only a quarter of these were carried out in 2005. You might be doing better, there might be better figures since then, but you are falling a long way short according to this Report.

Ms Wallace: You have anticipated what I was about to say which is that we are doing better.

Q13 Chairman: How much better are you doing?

Ms Wallace: A lot better. In the first half of this year cavity and loft insulations combined were about half a million, so we have a much higher run rate now which you would expect given the resource that is going in. We are speeding up precisely to meet these targets.

Q14 Chairman: How will your new department make a difference?

Ms Wallace: I think the big strength of the new department is that it brings together the policies that need to work together to give the public the support and information they need, so energy policy and climate change were in separate departments before and everything had to be discussed between the two departments and two secretaries of state. I think that may have represented a more burdensome way of making policy and it may not have helped the customer out there—the business customer or the domestic customer—understand what they need to do and how they are going to be helped to do it. I think it provides the opportunity for more coherent policy making, very clear messages and clearer support to the public.

Q15 Mr Curry: Is the decline in oil prices a good thing or a bad thing?

Ms Wallace: It has a mixture of effects on different people.

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Q16 Mr Curry: So who is it good for and who is it bad for?

Ms Wallace: It is good for those who use a lot of oil right now but obviously prices are a factor in consumption.

Q17 Mr Curry: So if oil were to go back and remain at 150 dollars a barrel would that do more for your targets than almost anything else you might do?

Ms Wallace: To be honest I have not calculated that and I have not been advised on that because we do not want it to be at that price and it had quite difficult effects when it was.

Q18 Mr Curry: Does the Government have a price it wants it to be at?

Ms Wallace: One of the things the Government has said is that volatility is very damaging. The Government wants there to be a price for carbon—if I can get a bit technical—and to set a price for the emissions that come from all sorts of fuel, and it then wants to establish the most cost effective ways of living within that across the economy as a whole.

Q19 Mr Curry: If oil is 60 dollars a barrel and I have oil fired central heating, I am going to be slightly less concerned than I am if it is 150, am I not? If it is costing me £600 to fill my tank as opposed to £1100 to fill my tank, that is going to have an influence on my behaviour.

Ms Wallace: Of course it is, yes.

Q20 Mr Curry: That is likely to be more pressing as an influence than anything else I can imagine.

Ms Wallace: Prices clearly have played a role in people's behaviour.

Q21 Mr Curry: I live in one of these older houses which you keep mentioning, built in about 1860. As a good citizen I am very anxious to save the planet and save my bank balance simultaneously, so this is one of these happy occasions when hopefully I can do both. What I would like is to be able to make one phone call and for somebody to come to my house and do an audit, go about the house from floor to ceiling and say, "This is what you can do to save your energy and this is who can do it". I do not want to be told to go on the internet; I do not want to mess around with 47 different people; I want one source which can deliver the total package to help me. I do not mind paying for such a report or for a consultant. There is not a place I can do that at the moment. You have mentioned all these initiatives but I get the impression that the whole thing is just overwhelmed with a mechanistic obsession with targets. People have been forgotten entirely in this. I could not care a damn what your target is. What I would like to do is to save some money, get a return on capital and I would like someone to help me do it in the simplest way and that does not exist.

Ms Wallace: I do not know whether we can go all the way towards your dream, but we can go quite a long way towards your dream in that the Energy Saving Trust will give you that advice.

Q22 Mr Curry: It does not give me the advice in that way. I have their leaflet here. In fact I was at a presentation in Portcullis House last week and I took a great sheath of papers away and went through them all. There is a very good leaflet on extracting heat from the air; there is a very good one on extracting heat from the ground; there is quite a good one on cavity installation and what shape the bricks are so that I know whether I have it or not; there is a nice one on roof insulation. There is nowhere which says, "This bloke—or this lady—can do the lot for you".

Ms Wallace: What they will do, and they will do it online—

Q23 Mr Curry: I do not want to do it online. They cannot tell whether I have cavity insulation online.

Ms Wallace: No but you can tell them that.

Q24 Mr Curry: I do not know.

Ms Wallace: There is quite a detailed questionnaire where they will ask basically diagnostic questions about your house and they will then offer you advice on what might the right actions be for you, what might they save you and where you can get them. In terms of an advice service it is pretty comprehensive. What we are also doing—because you are right, people prefer to receive the advice in different ways—is that next year there is going to be a community based version of this launched with extra money that has been agreed with the suppliers which will actually be quite local. It will be approaching things village by village, street by street and actually going and talking to people about what is the best solution not just for their house but their house in the context of their street. So it goes quite a long way to what you are describing.

Q25 Mr Curry: I await with interest to see whether that works. Moving now to multiplication of households. I used to be housing minister and we used to know that multiplication of households was eternal and we always underestimated it. We have had the process of multiplication and we have much more multiplication because of various sociological factors and that is coupled with immigration. The Government is talking about three million new homes within the next 15 years (or less than 15 years), so what are we going to do to make sure that all that does not simply make it necessary to run faster, even to stand still.

Ms Wallace: If I might I would bring in my colleague John Fiennes here because what you are talking about is the standard for new homes.

Q26 Mr Curry: We build, quite frankly, the cheapest new homes in the world, do we not? Our new homes are pretty poor standard compared to the continent: smaller gardens, smaller plots, pretty poor stuff compared with, for example, Germany or Scandinavia.

Mr Fiennes: I think it is fair to say that the energy efficient standards for our new homes have increased quite substantially recently. The 2006 Regulatory Standards were around 45% up on what they were in

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1995 and we have committed to increasing further in 2010 and 2013 in order to get towards zero carbon to decouple in effect carbon growth from 2016 onwards. Obviously from CLG's perspective there is a need for more housing in order to deal with household formations and we have to try to find a way of dealing with the additional carbon that will generate that is why we have ended up announcing what we have. I agree that it will mean we have to run harder in order to deal with the energy pattern that that results, but what we are seeking to do in the package of measures that we have now and in the package of measures to be announced next year in response to the carbon budget, is to describe how that will happen in a robust way.

Q27 Mr Curry: That is still the easy part of it. Building a new house you can put in under-floor heating so you can use air heat pumps, you can build in measures per block or groups of houses. The problem is still with the older stock. What are we going to do to tackle that? What has bothered me about this, not the Report as such, it was all the statistics; it seems to me this whole thing is mechanistically driven. Where is there anything about culture in this? If you go into a hotel I bet you your bottom dollar you would still find that all the buttons on the television are on; the television is left on standby. That is in every hotel you ever go in, yet how many years have we been talking about the price to the planet of leaving the buttons on televisions? Every hotel group in the country still leaves them on. So we have not got anywhere near getting people to change their culture, have we?

Ms Wallace: I think we have a huge amount to do to get people to change their culture. Some of the things we have described are about helping them to do that and encouraging them to do that. I think we would all be surprised if we went into a school today and actually worked out how aware children and young people are of the climate change issues that we were not told about when we were at school. I think there is more awareness in some generations than in others. The other thing we have to do is help people to make the adjustments to how they heat their homes, so that they use less energy if people are foolish and leave them on standby.

Mr Fiennes: The Government has said that we will consult shortly on a package of measures to deal with exactly what you are talking about, how do you deal with the existing properties, how do you deal with the provision heat, how do you make it easy for people, how do you deal with the upfront costs. So that will come.

Q28 Mr Curry: I am not making a frivolous point. Many people want to do something but they do not want to spend their life going from bit to bit, locked in some bureaucratic maze whilst they do it. They want to have a plan which they can implement. Can I just look briefly at fuel poverty? In a sense people in fuel property are, by definition, using a lot less fuel than anybody else. From the point of view of cost

effectiveness of your programme does it make sense to target people living in fuel poverty? Should you not be targeting people who live in fuel affluence?

Ms Wallace: You need to target them both in different ways.

Q29 Mr Curry: Are you trying to run a social programme alongside an economic programme?

Ms Wallace: One of the things the secretary of state has made very clear is that there needs to be a fairness thread running through everything the department does.

Q30 Mr Curry: This is a serious question, if you have a limited budget, where do you get the biggest bang for your buck? If you were asked to devise your programme purely in terms of returns on capital, where would you put your money?

Ms Wallace: I think you put your finger on it when you said that actually we have two objectives because we do have two objectives. We have the objective to reduce emissions and we have the objective to reduce fuel poverty and we need to act on both. What we try to do is set the policy so that it strikes a balance between them. So for example the supplier obligation in which the suppliers fund a huge amount of the work that we have been talking about is 40% targeted on priority groups which are vulnerable—there is a detailed definition—so that it is trying to catch up with those groups because the answer would be different depending on whether you are talking about who uses the most fuel or how you want to deal with fuel poverty. If I might add, I think it is not right to say that the fuel poor by definition spend the least on fuel because often they have very inefficient systems and they do spend a great deal more than they ought to on fuel because they have an inefficient system.

Q31 Mr Curry: Do you not think it is rather bonkers to give me an extra £100 of winter fuel allowance when I earn an MP's salary of about £60,000 a year and entirely non-means tested? Is that a sensible use of resources?

Ms Wallace: You have a classic debate about universal and targeted benefits there.

Q32 Mr Curry: It will cover the increase cost of whiskey.

Ms Wallace: Are you using whiskey as a fuel?

Q33 Mr Curry: No, but some of them I might. Once again, the serious point is that it does seem a huge amount of money which is totally non-targeted. I have never come across so many targets in so few pages in which quite clearly there is a huge amount that remains to be done that has not yet been done.

Ms Wallace: There is still a lot to be done. We are trying to meet several objectives. The objectives sometimes require trade-offs to be made and sometimes they all point in the same direction. One of the reasons the different areas of policy that falls to the new department have been brought together is so that we can send a more coherent message. I think you are absolutely right that the public needs

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to understand what they need to do and they need to be encouraged and reminded to do it. That has implications for all of us. A lot of people are becoming more aware of this. Tons of people have gone onto the web and calculated their carbon footprint and if you do it you will be surprised at the results and you will get a list of what you should do about it.

Q34 Chairman: I think we would like to have a bit more information, perhaps in a note from you, in answer to the very important first question that Mr Curry asked which I am not sure you have answered. There have been wild fluctuations in the price of energy and I suspect the price of energy has a huge impact on your work that may negate or affect it in different ways which you find difficult to deal with. What we would like from you is a note of what work you have done and how this affects people's attitudes. It is a very important point.¹

Ms Wallace: I would be happy to do that.

Q35 Keith Hill: I would like to ask you some questions about building regulations. Mr Fiennes, this is a very important tool in your armoury. About half of the energy savings over the period will come from revisions to the building regulations, but paragraphs 3.4 and 3.5 tell us that you really do not know anything about the level of compliance with the regulations so how you can have confidence that the building regulations are going to deliver what you hope to deliver when you do not actually know what they are delivering?

Mr Fiennes: The point I would make is actually related to paragraph 3.6 which says that we recognise that there does need to be more work about how much compliance actually is delivered. There is work on-going to look at real houses to see what level of compliance we are achieving and what the nature of the problems is. I think this Report is a timely reminder of that for which there is really no substitute. Compliance in building regulations is not a new issue actually; we have had references to this from 2003 onwards at the very least, but it is important at the moment because of the nature of the changes to the building regulations in the year 2006 when it changed to a whole house functional approach but also in view of the trajectory to which I have alluded, the changes in 2010, 2013 and then ultimately 2016. Now is the right time to be doing this work. We have had some initial results back from the pilot which have been published. This is a very small sample of homes but we are now expanding that to a larger number and we will publish the results of this next year. That will inform the work of the 2010 revision of the building regulations and we are committed to on-going sampling of dwellings to make sure that we have a correct stethoscope, if you like, onto what is happening in the real world. It is a difficult area. It is not an area where building control officers traditionally have come from; they have come from

fire and structure where the risks to occupants are immediate and obvious and so there is a cultural battle to be won on the building control side as well.

Q36 Keith Hill: Let us just look at that cultural battle. You are right, this all depends on your building control officers and heretofore they have not prioritised energy saving. How are you going to change that?

Mr Fiennes: Following the 2006 changes we had a programme of activity to address exactly that which was an extensive programme of dissemination and training industry trainers; we trained almost 200 people to go out to industry and talk about what these standards were and how to meet them. We ran roadshows and workshops for building control officers. We developed an e-learning pack that works through the new Part L (which is the relevant part of the building regulations) and so on and so forth. So there was a significant effort that went in at that stage. I would say that made some progress based on the anecdotal feedback that we have had. We will need to do an equivalent plan looking at the evidence about compliance whilst we prepare for the 2010 changes. You can expect to see an assessment of compliance at the moment based on the evidence from the real world coupled with a plan for dissemination for the changes that we roll out in 2010.

Q37 Keith Hill: That is all very good and we would all commend this kind of dissemination of good practice activity and all the rest of it, but the fact of the matter is that building control bodies are under increasing pressure on their resources. If you do not believe me about that, believe the Department for Communities and Local Government because it is in their review of the *Future of Building Control*. What are you going to do to ease the pressure on building control officers so that they can widen this good practice that they learned from you to energy saving?

Mr Fiennes: The building control organisations should be able to bill the developers for the cost of the regulation that they offer. So if they are believing that they do not have the resources to do an adequate job that should be corrected within the system that we have. The *Future of Building Control* document to which you have referred also includes other actions that were taken to try to make sure that we focus building control effort in areas of greatest risk and also giving them additional enforcement powers in order to make sure they are more effective when they find real problems. For example the powers include a stop notice and to levy a monetary penalty without the need to go to court was in the document to which you referred. We have extended the length of time within which a prosecution must be taken from six months to two years which again provides more flexibility to building control officers. We have proposed the development of more upfront information before construction starts and I think all these things will help. That does not get to the cultural thing about people understanding why energy efficiency is important and even if it does not mean that the building will collapse around the

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occupant, climate change is a sufficiently important and pressing need worldwide that it has to be taken seriously. I say we still have further to go with that softer side, but it is part of a general approach trying to improve the compliance.

Q38 Keith Hill: Do I understand that the powers to issue stop notices and this longer period for enforcement is already being put into practice?

Mr Fiennes: My understanding is that the longer time period for prosecution was done on 6 April this year. As regards the other proposals the consultation has now closed, we have published a summary of responses just recently and we will publish an implementation plan setting out how we are going to deal with the remaining issues shortly.

Q39 Keith Hill: I hope your department will work very closely with Communities and Local Government on this because it is an extremely critical area and it is an area which has been traditionally neglected and an area which has traditionally been starved of resource in local government. I hope that there may be also some consideration of your department providing resources in this area because it is absolutely critical for the delivery of the programme. Let me turn from the activities of the building control officers to the energy performance of new homes. You talked about monitoring this but there is an issue about what in practice is the energy performance of new homes away from test conditions. This issue is raised in paragraph 3.3 on page 23. How can you be confident that the energy savings that you are looking for from the new buildings established under the revised building regulations can be achieved?

Mr Fiennes: I should first apologise if it was not clear before, I am actually from the Department for Communities and Local Government. I think there are two points to that answer. The first part of the question is how do we know that the infrastructure of a new dwelling does what it says on the tin? If it says it has the right sort of insulation, how do we know it is there? That is where the sampling that I have referred to should help.

Q40 Keith Hill: What is the scale of that sampling?

Mr Fiennes: At this stage we are doing only 100 buildings.

Q41 Keith Hill: A hundred buildings per annum?

Mr Fiennes: We have the current project of 100 which will report next year. We will need to look at the results of that, see what that says and then we will need to decide what a reasonable level is in the future. That is about the building itself, but for that we are assuming average usage. The second question as to whether the occupants of that building are actually using it in an average way and how many DVD players and plasma screens and so forth do they have, that is about energy in the building itself and that is something where DECC has a series of research programmes to make sure that we have the right data.

Ms Wallace: We are doing a lot of research to understand changing patterns of clients' use. Obviously to understand energy efficiency and expected energy efficiency you need to know not only how efficient are the appliances that you can buy but who is buying how many of them, who has old ones in their house and how much are they being used. These two programmes of research go hand in hand to understand the overall picture.

Q42 Keith Hill: The fact remains of course that the construction industry is resistant to these changes and it is already kicking up a fuss about the regulations introduced in 2006. What level of confidence do you have that the construction industry can actually deliver on the highest standards in terms of energy savings that the Government is looking for in new house building?

Mr Fiennes: That is a good question. I was interested when I arrived in the department in May to find that the work that is being done for zero carbon homes from 2016 had been done in a cooperative way between industry and other interested parties, including government. My sense is that at least in parts of industry they have embraced this and are keen to make it work. They recognise the importance and the scale of the challenge in doing this. Day to day they are deeply involved in the preparatory work which we are doing for the 2010 roll out of the changes as well as looking at the experience of implementing the 2006 changes. For example, for the Part L changes (the part for energy efficiency) we have a group, including industry, to guide the strategy for both domestic and non-domestic. We have six other groups examining different aspects of the problem to see how that can be done and we also have a group which includes the energy efficiency for homes group looking specifically at compliance and how that is assured. They have been involved in the definition of the specification for the research programme that I have talked about to look at real homes at the moment and we will need to talk to them about how we deal with the on-going sample of buildings to examine that. That does not mean to say that there are not people out there who see this as a trial and unwelcome, but in general there is positive engagement here despite the current economic circumstances because people understand the importance of it.

Keith Hill: Thank you for that. We will watch this space.

Chairman: Once again Mr Fiennes, Mr Hill's questions on building regulations are very important and I would like a note from you please, if you could concentrate your mind. We want to know when you expect these building regulations to be observed—a timescale—because it is quite clear from paragraph 3.6 that there is confusion here and this is a very important question which I think we will want to return to in our report.²

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Mr Mitchell: I would like to start by asking you about a problem that arose with us last week in the sense that we had a letter from Malcolm Wicks on 14 July telling our Chairman that he proposed to grant an indemnity against uninsurable claims from nuclear incidents to the people taking over Sellafield and said to us that there were only six days discussion in Parliament if any member cared to raise it. He said he was placing a copy of this letter and the departmental minute in the libraries of the House, we then found that he did not. That smells of sharp practice to me.

Keith Hill: Come now.

Q43 Mr Mitchell: It is sharp practice. We do not have many rights as members to object to these kinds of things and if we only have six days and do not have the information, how can we possibly object?

Ms Wallace: It is quite wrong that it happened. I cannot comment on sharp practice. You have had a letter today from Ed Milliband because the policy responsibility now sits with us in the Department of Energy and Climate Change and we apologise on behalf of those who were around at the time. The letter explains that it was a clerical oversight but I know it is not acceptable to you and it is something which ought to happen absolutely properly and promptly and I am very sorry that it did not.

Q44 Mr Mitchell: The odds are very much loaded in your favour in the sense that we really cannot stop it as members, much as many of us might object to this major handout to big business.

Ms Wallace: I can see how strongly you feel about it and I think that is one of the reasons why it is so unacceptable that this happened because it causes you to feel it was sharp practice.

Q45 Mr Mitchell: The Minister says (now it is the Department of Energy and Climate Change) in his letter that there are two procedures for notifying an impending indemnity, notifying the House or writing to the chairs of the relevant committees (which he did, he did not notify the House). These are not alternatives, are they? Does he not have to do both?

Ms Wallace: If the letter is wrong then we are doubly in the dock but our understanding was that the letter was correct in stating the position.

Q46 Mr Mitchell: I cannot see why, if these are alternative approaches and he has followed one of them, he has apologised for not following the other. What does he mean?

Ms Wallace: The procedure which should have been followed was to write to committee chairs and deposit the letter simultaneously in the libraries of the House.

Q47 Mr Mitchell: So they are not alternatives.

Ms Wallace: Those are not alternatives. There is another procedure, that is the alternative to that, which we were not following. The procedure that was intended to be followed had two legs and the

second part of it was not followed. That is what was wrong and that is what the department is apologising for.

Q48 Mr Mitchell: Thank you for that explanation. I do feel very impotent as a Member of Parliament because there was not really any way of objecting to this. Moving on, effectively if we are trying to reduce energy consumption then the energy companies, the Arab Sheiks and the Russians are going to do your work for you, are they not? Prices will go up substantially this winter, usage will drop and that is what you want to achieve. This is the most effective way of achieving your targets.

Ms Wallace: It is not the way we are trying to achieve it. We are trying to achieve our targets by helping people to have more energy efficiency in their homes. We are doing that and the companies are helping us with that to a considerable financial and practical extent. A lot of the effort that is going into it is on the energy efficiency front. If we look at what has happened in the past—why has our energy consumption fallen?—our understanding so far is that some of that is about prices, some of that is about weather and some of it is about energy efficiency. We want to achieve a lot through energy efficiency.

Q49 Mr Mitchell: You will be able to come to us next year, I bet, and say you have been able to achieve that target fantastically; the price of gas went up by a third.

Ms Wallace: If I may slightly come back to my answer to Mr Curry, we are trying to achieve several goals here, including doing this on a fair basis. We are trying to achieve this in a balanced way.

Q50 Mr Mitchell: Let me just follow Mr Curry's point. Table three on page 13 shows there is such a plethora of schemes and so many things that you are doing. Your effort is spread over too many schemes, each of them inadequately funded. You have a Market Transformation Programme, you have Fiscal and other measures, you have Warm Front (which I must say is doing a good job); you have Energy Saving Trust and the Green Homes Service. Now we have zero carbon houses as well and climate change initiatives. Some of these have big grants, some have small grants, but there are too many; you need a much simpler programme, a simple programme of subsidising energy saving.

Ms Wallace: I think we would like to move to more simplicity and the first step we have taken towards that is to try to pull some of these under a single umbrella in terms of how they communicate with the public, hence the ACT ON CO₂ campaign, hence the single hotline number, hence the advice service that I was just describing to Mr Curry, hence, in a way, the bringing together of the subjects in this department in that actually they enable the delivery landscape to be looked at as a piece and for us to make sure it is working effectively. It looks complex to me too. As a newcomer to the department I share that view, although some of the complexity, if it is behind the scenes, may not matter. Actually when

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you read this you discover loads of things that you did not know about which actually mean that if you go out and buy a new house in 2016 it will be more energy efficient and as a consumer you do not necessarily need to know how that works, you just need to know that it does work.

The Committee suspended from 5.37pm to 5.44pm for a division

Q51 Mr Mitchell: At the moment you seem to be concentrating on the deprived areas but the deprived areas, by their nature, use less electricity because people sit home and starve because they cannot afford electricity or power. Would it not be useful to concentrate more on the wealthy and advise them about floodlit grounds and the array of huge electronic devices in the houses? I have not had a visit from the Energy Saving Trust yet—I did not know it was available—but we had Jo the Plumber who came (and I noticed that Jo the Plumber lived in a much grander house in a much better area than I do) and suggested we should immediately rip out the boiler and he would guarantee that we would save £200 or £300 a winter. If that service were extended round the bourgeoisie that would save far more power than any other means.

Ms Wallace: As I was touching on before, we are trying to both. We are trying, rightly, to reduce carbon dioxide emissions and also to meet our fuel poverty goals, so we have measures that are available to everybody but are prioritised on particular groups within that, or a certain degree of them are prioritised. Saving that £300 would be worth an awful lot to someone in fuel poverty. It might be worth £600 or £900 for someone with an enormous house but £300 is £300 for someone in fuel poverty.

Q52 Mr Mitchell: In Yorkshire it is a lot of money.

Ms Wallace: All over the country it is a lot of money.

Q53 Mr Mitchell: I am amazed that building regulations are issued and not enforced. Do you think that is on a wide scale?

Ms Wallace: We have a bit of research on that; Mr Fiennes can tell you about it.

Q54 Mr Mitchell: They come and pounce on you often enough if you put in plastic windows instead of Georgian wooden windows, but they are going to leave you alone if you do not fulfil the energy saving requirements.

Mr Fiennes: I do not think that is completely fair although we do need to work out the extent of the issue. Anecdote says that there is some poor practice out there and we have identified where that is, what sort of practice it is and what is motivating it before we can come back to you and say we have developed an evidence strategy about how we are going to deal with it.

Q55 Mr Mitchell: How is it detected?

Mr Fiennes: At the moment, if you are under going building work, you have to either employ an approved inspector who is typically a member of the Royal Institute of Chartered Surveyors or they are an employee of the building control body part of the local authority. You will either send them a building notice that you are about to start work or, in many cases, send them full plans. One of the proposals in the future of building control is to require sufficient and full plans in more cases because we think that people are starting quite large building projects with only one line of notification. Having done that, there will be a series of times when the approved inspector or the building control officer will come to examine the work on site to see how it is going.

Q56 Mr Mitchell: That sounds fairly well inspected.

Mr Fiennes: Exactly.

Q57 Mr Mitchell: Why is there despair about whether the regulations will be fulfilled?

Mr Fiennes: The issue is that it is partly that if you are not actually there when particular things are being installed it may be hard to see whether they have been done successfully or not. The approved inspector will not be on the site the whole time.

Q58 Mr Mitchell: You will discover that when you sell it on with your Home Information Pack.

Mr Fiennes: If you can see what is actually going on. If someone says that they have put a particular sort of joint in and that gives you a high level of energy efficiency, it is quite hard to detect that unless you use one of these thermal imaging cameras to see how much heat is leaking. If someone says the design said we will have this much insulation in the walls and if someone has done a bad job of installing it and it is leaking, you can see from the plan it is supposed to be there but you actually have to monitor it before you can work out whether it is there or not. That is why this sampling work is so important. It is certainly not the case that no-one is enforcing these things. The building control officers are out there; they are inspecting these things. There is a cultural point for the officers which I alluded to earlier which is that if you are a traditional building control officer, fire risk and construction risk are the most important ones. These other things like sound insulation and energy efficiency are less important and we are working on those actively. We need to be making sure that people understand the importance of these things and making sure that the control regime is there and proportionate and appropriate in all cases because I do not think you want an army of people round..

Q59 Dr Pugh: Am I right in thinking that we actually use far more carbon from our homes than we do from our cars on a per capita basis?

Ms Wallace: I think that is right.

Q60 Dr Pugh: You think that is right. Let us assume I am correct. I am correct also—I think you would probably know this—in that there is a target of 20%

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household efficiency to be achieved by 2010 and that equates to 4.2 million tons of carbon. Am I right in thinking that the really big gain is the obligation on the energy suppliers? In other words, if that does not work out right then in a sense you are going to be wide of the mark no matter you do on building regulations and other areas.

Ms Wallace: They are the top two contributors in the chart on page 19; it is a very big contributor.

Q61 Dr Pugh: A quite promising start has been made. We can agree that, can we not?

Ms Wallace: Yes, we can.

Q62 Dr Pugh: I am just wondering whether this promising start can continue to deliver and if it does deliver actually what benefits there are in terms of getting to your goal. Assuming every loft is filled, every boiler lagged and every available cavity wall filled as well (there are figures in the Report as to how many of them are out there) do you easily meet that target? We do know that not every house has a loft and not every house has cavity walls.

Ms Wallace: I will ask Anne Sharp to talk about this.

Ms Sharp: Our current projections are that our existing policies will enable us to meet the goals that we have set out and that includes the CERT and work on the housing standards building regulations et cetera. We do actually have to keep a pretty close eye on what is being delivered to make sure we are achieving our goals. There is the continuing challenge that Mr Curry alluded to and as a resident of a similar household I am also familiar with it, that is the hard to treat homes, the existing housing stock which might actually have solid walls or might have very little loft space to insulate.

Q63 Dr Pugh: My question was quite specific. Taking those out of the equation, if the non-virtuous people who so far have not lagged their loft, have not done much about their boiler, have not filled their cavity walls, if they all did what they were supposed to do would you in effect be considerably up on you target?

Ms Sharp: Yes, we are expecting to be able to deliver our target through the policies that we have in place and I think that the Report also says that it sees that that is also likely.

Q64 Dr Pugh: You are allowing for what is called in the Report the rebound effect, when people say their homes are warm and they will keep the heating on and things like that.

Ms Sharp: That is a direct rebound effect. I think there is another indirect rebound effect which the Report also refers to, ie with the money people have saved, instead of just turning up the heating (which is the one we can take account of), do they go and spend the money on more foreign travel and thus add to carbon emissions in other ways? We are not yet clever enough to be able to properly calculate the indirect rebound effect but once we are working within a system of carbon budgets which will be coming through with the Climate Change Bill, that

will enable us to take a cross-society view and cross-emissions sources view of exactly how we are delivering.

Q65 Dr Pugh: The old filament light bulbs are being phased out, are they not?

Ms Sharp: Yes.

Q66 Dr Pugh: Assuming we do not all stockpile our filament light bulbs to outwit you, assuming everybody introduces the new energy saving light bulbs, you must have a figure for that, what the saving is going to be.

Ms Sharp: Yes we do. If people replace all their lamps with energy saving bulbs on average then you get about a £35 a year saving.

Q67 Dr Pugh: What would that work out in terms of carbon saved?

Ms Sharp: This is one of the problems with the different currencies that we end up using. I would have to ask somebody to do that figure for me.

Q68 Dr Pugh: If you could give us a note on that it would be useful.³ Going on to the point made in the NOA Report that people are very careful about buying their fridge now and make sure it is an energy saving fridge but they then go out and buy a new set of gadgets (electric carving knives, Wiis and that kind of thing) what kind of conversations do you have with manufacturers about new appliances? I am thinking in particular about computers which are mentioned in the Report. There are some firms who produce computers who claim that their computers are greener than others but the experience of the IT profession shows that they tend to go for more powerful processors that need more cooling and use more energy. What kind of conversations do you have with the manufacturers about this trend?

Ms Sharp: There are different ways in which we address the energy efficiency of appliances. One of them is voluntary approaches with manufacturers and retailers (we have done a lot of work on that with light bulbs, for example). One of them is through work within the EU on the Energy Using Products Directive and actually extending the standards out to include electronic goods, where in the past we have tended to focus rather more on, for example, light bulbs and refrigerators. That is work we need to carry out in concert with our partners in Europe.

Q69 Dr Pugh: On the business of actually influencing the consumer, we all want to be environmental virtuous but we are not always sure how. I knew for example, that a plasma television uses an awful lot more energy than an existing television but I noticed in Curry's they have rather nice looking LCDs and I simply did not know whether it was more virtuous to kick out my old television and get a nice LCD or whether to hang onto it. Is information available in a form that means something to the consumer?

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Ms Sharp: It is on a range of some products where they have the energy efficiency label that you will be familiar with, the A to G. In addition the Energy Saving Trust has produced advice on the top performers in relation to particular products.

Q70 Dr Pugh: Have you tested whether the A to G system is actually understood by the bulk of consumers, have you?

Ms Wallace: I am pretty sure we have.

Q71 Dr Pugh: Is it?

Ms Wallace: I am pretty sure we would be changing it if it was not. We are on the borders of our knowledge here because this is a shared responsibility between us and Defra still. I would like to come in on your point about televisions because in terms of mandatory labelling that is in the next four areas that we will be moving on to. We have just added four different things under the European framework to mandatory labelling. The next four that go through will be domestic lighting, televisions, boilers and water heaters. That will be mandatory labelling at an EU level so that will include televisions.

Q72 Dr Pugh: Have you ever thought of setting up a comparison website where I can find these things out?

Ms Wallace: That is not a bad idea.

Q73 Dr Pugh: Onto landlords now. There is a scheme to incite landlords—particularly private landlords, not so much registered social landlords—into looking at the energy efficiency of the places that they rent. The Landlord Energy Saving Allowance is mentioned but there has not been much pick up on that. My experience of a lot of landlords is that they are perfectly happy, particularly at the bottom of the market, to put the accommodation in, put a meter in, let the tenant take the hit. They are not losing out in any. There is a small incentive, but there is no real stick or restraint to stop them doing that is there?

Mr Fiennes: You are correct that the split incentives are a problem for us and we tried before by offering incentives through the tax regime to promote responsible landlords who put in energy saving measures. There is something called the Landlord Energy Saving Allowance introduced in 2004.

Q74 Dr Pugh: It is not a roaring success though, is it?

Mr Fiennes: No, I think that is probably fair. We have also had recently—not only with energy efficiency in mind but also the full range of standards—an independent review for CLG by Julie Rugg and others from the Centre of Housing Policy at York University to look at how the sector is operating, what can be done to improve the experience of landlords and tenants. That was published on 23 October. What that talks about is

a new drive to improve the quality of the rented sector through a light touch licensing regime for landlords as well as regulation for letting agents.

Q75 Dr Pugh: It is fair to say there is a lot of work to be done there to provide some kind of coercion in some cases in order to get some of the worst landlords to look after their tenants a bit better by offering them more energy efficiency places. Turning briefly to Warm Front, you will be familiar with Eaga who act as an agency for Warm Front. They also run or part own a company that actually installs the system as well and there is a conflict of interest there in some ways, is there not?

Ms Sharp: I believe there is an NAO Report currently being carried out on Warm Front that will cover precisely this sort of issue and get to the bottom of whether there is indeed a conflict of interest or not.

Q76 Dr Pugh: So you are not comfortable on commenting on it now?

Ms Sharp: I think I would rather wait and see what the National Audit Office's Report says on that matter because they will have looked at all the evidence and we need to take their advice very seriously.

Q77 Mr Williams: When we are talking about the need to help people over the coming winter because of the fear of fuel inflation, the shortage of installers has been one of the matters that have been raised. Is this purely in the context of the sort of emergency rush or is there an overall shortage of installers? Is there any standard of training for people to set themselves up as installers?

Ms Sharp: There has been a lot of concern about whether the supply chain is actually adequate or not. We have been working very closely in bringing together the energy suppliers who have to deliver through CERT and the insulation installers. We have also looked at waiting times and our assessment is that actually waiting times vary across the country for the installation of insulation but are averaging a bit less than five weeks at the moment. So there is no indication of a real bottleneck in the supply chain. In terms of training, most of the training for loft insulation work is done by the suppliers themselves and it does not take very long to deliver, but with the Department of Work and Pensions we have developed a new scheme for providing training to people who are currently out of work. So there is work being done to bring forward training should that prove to be a bottleneck. I have to say also, though, that one of the difficulties is that energy suppliers who are paying for this work to be done are very keen that reputable companies are used to go into people's homes; they do not want to use just anybody—I think that is appropriate—so we again are working with the National Insulation Association to try to make sure that we can establish the right sort of standards to satisfy the energy suppliers that these are appropriate companies to do the work.

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Q78 Mr Williams: Is there any standard required? You have Corgi for gas, although I recognise there is a safety factor involved there as well. However, if they wanted to, anyone could go out and set themselves up tomorrow as an installer.

Ms Sharp: Yes.

Q79 Mr Williams: There is nothing to stop them.

Ms Sharp: I think that is one of the challenges and that is why we are working with the industry association to look at how we might establish a standard which companies would need to meet in order to satisfy their requirements.

Q80 Mr Williams: How long is that going to take?

Ms Sharp: At the moment we are meeting with them both very frequently indeed and the Energy Saving Trust has been involved.

Q81 Mr Williams: You are meeting with them very frequently but how long is it going to take to set up a minimum standard? Secondly, even if you find one and set one, how do you enforce it? How do you keep out cowboys?

Ms Sharp: I would have to send you a note⁴ because we are working so fast on this at the moment and I have been away for the last week, so if I hazarded any sort of a guess it would probably be misleading. Our information at the moment is that there is not a big gap in the supply chain. We are working to reduce the waiting times but the waiting times, although they vary around the country, are running at about five weeks from contact to insulation.

Q82 Mr Williams: You were saying that you wanted a loft insulation level of 1.2 million a year and you are up to half a million now. How long is it going to take you to get full coverage?

Ms Wallace: The half million figure that we quoted was what had occurred before the announcement in September which put more resource into this so we would expect the run rate to increase, but it was already pretty fast. We feel we are on target to achieve that level.

Q83 Mr Williams: Your target is what? All British homes insulated by 2020.

Ms Wallace: Yes, those that are cost effective to do.

Q84 Mr Williams: That is quite a while. It does not suggest a great urgency. It seems to me, when you look at your aspirations and your target dates and relate it to what you are saying about getting things set up at the moment, there is an enormous gulf. You have the problem that if you set up too many companies sending out too many installers then they are going to be training for something which suddenly will no longer be wanted. What is happening now? What is your target for numbers of installers per year?

Ms Sharp: We are looking more at the number of measures that are delivered rather than the number of installers that are in place. We are monitoring it

quite closely at the moment. What we see, as Ms Wallace has already said, is that we have actually had a very significant increase in the number of insulations installed in the first half of the year; we expect that to continue. We expect the plus-20% in the CERT obligation that the prime minister announced to deliver an additional one million measures. We are pretty confident about delivery of the target but we are working with both industries—the suppliers and the insulation installers—to see what can be brought forward this year because we are quite keen to have the action delivered as fast as possible.

Q85 Mr Williams: How is the householder going to be able to judge that they now have a properly insulated house or that they do need to get something done? What sort of guidance can be given?

Ms Sharp: One of the things that we are doing under the 20% increase in supplier obligation is to introduce the possibility of doing home energy audits where actually the suppliers, instead of just installing insulation, do a survey of your house and tell you what it is you need to do. That is a new measure that we are planning to introduce under supplier obligation.

Ms Wallace: That would supplement what the Energy Saving Trust is already able to do.

Q86 Mr Williams: What you are saying is that they will go in to do one job and assess whether you need other jobs.

Ms Sharp: We will be consulting shortly on exactly what form this will take, but what they might well do is they would come in just to do the home energy audit and they would say, “From this home energy audit you could save money by doing A, B, C and D. What is more, this help is available to enable you to do it.”

Mr Fiennes: CLG is also responsible for the energy performance certificates which are produced when a home is sold or rented and that also gives you an assessment of the energy performance of the dwelling and makes recommendations for cost effective measures that you can take. That would also be a source of information to individuals about what they are able to do.

Q87 Mr Williams: What guarantee is there for the individual household that they are getting accurate information and not just being made to take on work that does not need doing?

Mr Fiennes: There are a series of measures to ensure that the person who is giving the advice is properly trained initially, so they are domestic energy assessors. The schemes must also have mechanisms where people can complain if they feel the need.

Q88 Mr Williams: How many assessors do you estimate you need?

Mr Fiennes: We already have the correct number. In fact at the moment because housing market volumes are low we probably have more than we need but that will change over time.

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Q89 Mr Williams: The Chairman touched on this earlier about the difference between the rest of Europe and ourselves in approaches to efficiency, but do you have any explanation of why it is that we do not buy efficient fridges and freezers and so on and the continentals purportedly do, or is just myth that they do?

Ms Wallace: I would say three things there. It depends on how you look at the figures as to where we are vis-à-vis other countries. We do have lower market penetration of A++ fridges than other countries. On the other hand, in terms of purchases of fridges rated A and above we are the second highest of the countries in Europe. It is the top banding we seem to be behind in; in the top three bandings we seem to be doing rather better.

Q90 Mr Williams: Why?

Ms Wallace: One of the things that has been suggested is that in this country, for reasons I cannot speculate about, we seem to have a very deep preference for frost free fridges which are particularly difficult to make highly energy efficient, so we need to become a nation of happy defrosters in order to buy more energy efficiency goods.

Q91 Mr Williams: I did not know that.

Ms Wallace: I did not know that either.

Q92 Mr Williams: There is a look of collective ignorance around this room which answers my question.

Ms Wallace: I think it does. The difference, as I think the Report says, in energy performance between A++ and A is 46% which is quite a big difference.

Q93 Mr Williams: No-one has asked about smart meters unless I have missed it. What are smart meters and what benefit will we get from them if we get them and when will we get them.

Mr Hosker: Smart meters have two-way communications which allow remote meter configuration reading and they should give a number of benefits. Remote meter readings should mean that you get wholly accurate bills, which is a problem at the moment.

Q94 Mr Williams: That is going to take a long, long time is it not? Every household?

Mr Hosker: I will come onto that in a moment if I may. They should make switching from one supplier to another much easier and over time they should allow people to reduce their energy demand by seeing what they are using but also through the two-way communications with the supplier. In the longer term there is the capacity for dynamic demand management and for some improvements to the way the network operates through using innovative time of day tariffs and so on.

Q95 Mr Williams: I wish I had known about smart meters 40 years ago. In 1967 I was a junior minister in the Department for Economic Affairs and Harold Wilson asked me to take on a project for him. I was to find out how we could get the gas industry and the

electricity industry to share meter readers. That sounds perfectly straightforward but after three months I had to go back to him, to his great disappointment—I am sure it delayed my promotion—and announce that I could not find a solution because of the disparate spread of customers. So the smart meter might do; I will go and say a few words to Harold tonight and tell him they are coming up with it at last.

Ms Wallace: I do not know if it is in response to your original commission.

Mr Hosker: I should say in answer to the second part of your question about when we are going to get them, in discussion on the Energy Bill last week Lord Hunt said that the Government has taken the decision to mandate smart meters for all households and set out an indicative timetable which is broadly around two years to resolve the design issues of one kind or another and then a period of 10 years for a subsequent roll out.

Q96 Mr Williams: Who will meet the cost of installing them?

Mr Hosker: The cost of installing them will be met by suppliers who will need to put them in.

Q97 Mr Williams: As a charitable offering?

Mr Hosker: I have no doubt that cost will have to be factored into their prices.

Q98 Mr Williams: So we will pay for it.

Mr Hosker: There will be the sorts of benefits that I mentioned earlier to offset those.

Q99 Chairman: I am glad you had a chance to say something at last, Mr Hosker, because I was intrigued by your CV which says that you have vast experience in government. As we have sat here for an hour and three-quarters without hearing the sound of your voice, we were curious to know what you could add to our Committee. You have obviously been trained well in how to deal with select committees: say as little as possible and go straight for the door. Your CV does say, however, that you were Director of the Energy Markets Unit for the Department for Business, Enterprise and Regulatory Reform so you could have told us more about people's sensitivity to price fluctuations could you not? You must be an expert in this.

Mr Hosker: I do not know about people's sensitivity to price fluctuations; what do you mean?

Q100 Chairman: The question that Mr Curry was asking, a lot of the work we are doing makes very little difference because there are wild fluctuations in energy prices and these are far more important than any initiative that your department is taking.

Mr Hosker: They clearly are very important in terms of what that means for the amount of energy that people buy. That is undoubtedly true. As we have said, the aim of what we want to do through energy efficiency is to get to a point where people use less energy through having more energy efficient products and energy efficient homes so that the

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fluctuations in price, whatever they may be, have less impact on them rather than using high energy prices to deliver energy efficiency.

Chairman: There are some very quick supplementaries if you do not mind from Mr Curry, Mr Mitchell and Mr Hill.

Q101 Mr Curry: Would it make sense to insist that new houses should have thatched roofs?

Ms Wallace: We are looking for an innovative symbol for the new department.

Q102 Mr Curry: It is a serious question. They are very energy efficient, they are sustainable (reeds are sustainable), you maintain employment in a skilled sector. There is a lot to be said for it.

Mr Fiennes: To answer the question, the building regulations set out a functional requirement deliberately so that people are able to innovate and try different ways of doing things. In principle if someone is able to meet the requirements using straw bale walls and a reed roof, then more power to their elbow.

Q103 Mr Curry: Are we encouraging that? For example, you have some buildings with lawn on the roof and that is very efficient. What about some of these innovative solutions?

Ms Wallace: John can give you the true answer on the building regulations.

Mr Fiennes: We do not have a policy of encouraging particular solutions.

Q104 Mr Curry: If an eco-town is ever built—which is doubtful—if they all had thatched roofs that would be less objectionable.

Mr Fiennes: We will see. We have some more details on eco-towns coming out this week, unless I am mistaken so we will be able to see what they look like.

Q105 Mr Curry: The Food Standards Agency gives traffic lights on our food. People complain it is simplistic but it is red, orange and green; why do we not have the same on appliances? I would know if it has a green light on then it is very energy efficient; if it is red then it is not. You could keep the red light burning as a permanent reproach to me while I am watching it. Would that not make sense rather than these rather complex things you have at the moment which I do not understand and would not know what to look for.

Ms Wallace: The A to G ratings have an element of colour in them.

Q106 Mr Curry: When we look at a sector like food and obesity—they are all lifestyle issues at the end of the day—the Government says there is a lot to be said for the most simple solution which is understood most easily by people. The industry can say that that is far too complicated, daily amounts are much more efficient, they distort choice, et cetera, et cetera, but nonetheless the Government insists that that is good because it is simple. Why do we not have the same thing on appliances?

Ms Wallace: We do use colour in the energy A to G assessment but we can obviously look to see if we can do more. We will take your ideas away with us.

Q107 Mr Williams: When ASDA took petrol prices down by four pence a litre a little while ago to help the customer deal with the oil prices actually falling, then Tesco followed and we all said it was about time. None of us said, “What a damn nuisance this is going to be”. I bought a diesel car last time I changed my car. It is a Golf, it is not a big expensive one but I get more miles per gallon. I find that in the UK of course diesel is much more expensive than any other form of petrol unlike the continent where they actually try to encourage it and it is cheaper. Is that not just an illustration of how policy does not make sense; it is not joined up; the messages are confused for people. My speedo tells me how many miles per gallon I am getting which is a good little check but I am constantly overtaken by white vans doing 90 miles an hour because they are burning somebody else’s money not their own money. Would it not make sense if we had a bit more joined thinking?

Ms Wallace: One of the tasks for this department is to be joined up more between the subjects we are responsible for and also to be joined up on the issue of climate change overall.

Q108 Mr Curry: I have seen a lot of departments which are not joined up within each other let alone joined up with other departments.

Ms Wallace: I know, that is a task for us as well. We have a better chance by bringing things together in the department. We will surely be getting advice from the Committee on Climate Change on the budget that we need to set and, I expect, some of the priorities within that in order to reduce emissions.

Q109 Mr Mitchell: Social housing and council housing are becoming the poor relations of this system. The only means of enhancing fuel efficiency there is the Decent Homes scheme but I have the impression, certainly in council houses—there are 2.8 million council houses still—that the scheme is falling behind, that we will not reach the target of Decent Homes by 2010.

Ms Wallace: I am not sure that is so, but I am sure Mr Fiennes will come in.

Mr Fiennes: I think we are on track actually. There is another £2.6 billion to go in between now and 2011 of which £435 million will come from the CERT scheme. In fact some social housing does considerably better than the average when you look at overall energy efficiency as a result of the work that has gone into those houses.

Q110 Mr Mitchell: Will you achieve the targets?

Mr Fiennes: We should do, yes.

Q111 Keith Hill: I want to get to the bottom of this Sellafeld nuclear indemnity since it has been raised. Let me draw attention to the Minister’s letter of 9

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June to the Chairman of our Committee. In speaking of the time questions with regard to parliamentary approval Malcolm Wicks wrote as follows: "We have therefore concluded in consultation with the Treasury that instead of notifying the House we will instead write to the chairmen of the PAC and the departmental committee giving them a full fourteen working day notification. Our intention is to lay a minute before Parliament explaining what has happened when Parliament reconvenes in the autumn." Instead of notifying the House a minute when Parliament reconvenes in the autumn and writing to the chairmen of the PAC and BERR select committee, was that the correct procedure or not?

Ms Wallace: I am very puzzled by what you say because I do not believe waiting until the House reconvened would have been right.

Q112 Keith Hill: Do you mean that the minister was wrong and had been ill-advised in making that statement in consultation with the Treasury?

Ms Wallace: It is very hard for me; I do not have the letter in front of me.

Q113 Keith Hill: Here is a copy.

Ms Wallace: Thank you. I might need a bit of help from the Treasury on this.

Q114 Keith Hill: Perhaps we should ask the Treasury. Did the Treasury give bad advice to the minister?

Mr Gallaher: The Treasury would have given the advice that is laid out in *Managing Public Money*, the guidance to the department on how to proceed with giving minutes to Parliament or on procedures. We normally work on the basis of when Parliament is sitting and when Parliament is not sitting we do not normally lay a note to the Houses of Parliament. So it probably is that. I do not have the details of this in front of me but we will look into it and give you a note.

Ms Wallace: Can I just add to that that I am afraid the letter that was helpfully passed to me was the letter I already have a copy of which is Mr Milliband's reply as of today rather than the letter written by Mr Wicks. Certainly it is clear from my secretary of state's letter that we believe what should have happened was that the letter and the minute were placed in the library then, in the summer, and not in October.

Keith Hill: I do not really want to labour this but it does say in terms that they concluded, in consultation with the Treasury, "instead of notifying the House". That implies that they are adopting a procedure which is set down presumably in some form of rule or regulation that by giving the chairman of the PAC and the appropriate departmental select committee 14 days notice they are engaging in an entirely legitimate alternative procedure. Or is that not the case?

Mr Mitchell: He does say that in the letter of 14 July; what he said there was that they are also laying it in the library.

Chairman: I think we can end this. The minister has apologised. I think the problem is that he said he was putting it in the library and it was not put in the library until October. He has apologised and as far as I am concerned that is the end of it.

Keith Hill: With respect, I think we could do with a clarificatory note on this. I want to know in terms whether the minister was wrong. You may have adopted, as your secretary of state says in his letter, an incorrect procedure, you made a clerical error, but I want to know whether actually the minister was ill-advised in the first place in writing as he did in the letter of 9 June. Could I have a note to that effect from both?⁵

Chairman: I think that would be very useful. That concludes our hearing. It has been a very interesting hearing, although I am not sure that I would burnish my reputation as progressive if we were to suggest that all houses should be thatched in future.

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 Memorandum from the Department of Energy and Climate Change

Questions 15–34 (Mr Curry/Chairman): *How do fluctuations in the price of energy impact on DECC's work, do they negate or affect it, how does this affect people's attitudes, and what work have we done on this?*

1. Energy prices have been rising significantly since 2004. In early 2008, oil prices rose sharply to reach a peak of \$146/bbl in July. Since then, crude oil prices have fallen rapidly and averaged around \$55/bbl in November.
2. These changes in prices of crude oil, as well as increases in prices seen in wholesale electricity and gas have fed through to prices of domestic fuels (gas and electricity) as well as pump prices of petrol and diesel. The recent decreases in crude oil prices and the wholesale gas and electricity prices have not yet been reflected in domestic gas and electricity prices¹.
3. Most modelling of consumer response assumes that there are short and longer term changes in energy use in response to rise in price:

¹ The decline in oil prices will not yet relieve pressure on suppliers to decrease domestic retail gas and electricity prices for this winter: the link between oil prices and suppliers' costs is complex and involves significant time lags due to the wide spread use of future contracts.

- Over the shorter term, households can respond to high energy prices by making small changes in behaviour such as switching off lights in rooms not in use.
 - Over the longer term, investment in energy efficient infrastructure in homes such as loft insulation etc can lead to further reductions in demand for energy.
4. The evidence we have on how price changes affect energy use is as follows:
- Residential gas has been responding to price changes seen over the last few years. From 2004 to 2005 gas demand (adjusted for temperature, income and policy) remained relatively stable while real prices for gas were rising slowly. As prices continued to rise through 2005 gas demand (adjusted for temperature, income and policy impact) fell sharply (–7%) and gas demand continued to fall into 2006 while prices remained high.
 - National Grid’s estimates show that in 2007–08, observed gas demand actually fell by about 1.1% compared to the previous year.
 - The observed electricity demand response to price increase in 2007–08 has been, consistent with analysis by DECC and National Grid which reflects the reluctance by households to reduce electricity demand in the short term.

In a survey of consumers in four European countries, conducted by Logica in 2007, the cost of energy was identified as one of the primary factors which would lead to consumers increasing their energy saving behaviour. However, rising energy prices adversely impact the fuel poor. To help counter this effect, the government’s energy efficiency programmes such as Warm Front, and the Community Energy Saving Programme which was announced by the Prime Minister in September are targeted at those households most vulnerable to the impacts of high energy prices.

5. As we work towards our climate change targets, the Government’s policy is that carbon should be appropriately priced to support moves to a less carbon intensive mix of energy. The Government is supporting households through this transition by encouraging them—through the range of spending programmes discussed in the NAO report—to improve their energy efficiency so that they are able to heat and run their homes more affordably, whatever the source of the energy. This is important for all consumers, but especially for those in or at most risk of fuel poverty.

Questions 35–42 (Keith Hill/Chairman): *When does the Government expect the building regulations to be observed?*

6. The government acknowledges the importance of this issue as requirements are set to become ever more demanding in the move towards zero carbon standards for new homes.

7. To improve compliance, alongside the changes to Part L in 2006 the government instigated a substantial training programme, improved guidance, mandatory air-tightness testing and additional schemes for competent installers. This year the government have introduced extended time limits for prosecution and consulted on proposed changes to the building control system and will be following this up with a programme of reform to make it work more effectively.

8. The government believes things are improving as a result of these actions but, like the NAO, recognise the need for better evidence to supplement current anecdotal evidence of non-compliance. That is why the government is undertaking a project, together with the Energy Efficiency Partnership for Homes, to survey implementation of Part L 2006 for new homes. The findings of Phase 1 of this project are promising, with improved levels of air-tightness compared to earlier surveys. Although not statistically significant, this trend is supported by a larger dataset of results obtained from the wider air pressure testing industry. Together, in the Government’s view these suggest that the introduction of mandatory air pressure testing has been a success. Phase 2 of the project will be extended to 100 homes and is scheduled to be published in March 2009.

9. The government has also commissioned a separate study to look at compliance with Part L 2006 for non domestic buildings and work to existing buildings. This work will start shortly and is expected to conclude in June 2009.

10. In addition, there is a considerable body of evidence on the energy performance of new housing contained in the results from the Stamford Brook Project. This seven year long field trial has demonstrated potential for underperformance against design standards and underlying challenges for the industry. The findings from the project are being discussed with the industry in a series of regional workshops.

11. The government will conclude these studies and in the light of the evidence obtained will decide upon action in proposed measures for improving compliance and reform of the building control system. Given the drivers for increased performance standards in this area, the government is committed to regular monitoring.

12. Based on these implementation surveys of the 2006 changes and our proposals for improving compliance, the government will build our best possible assessment of compliance levels into the estimated impact of the amendments scheduled for 2010.

13. On a related matter raised in the evidence, the Committee asked whether Government was on track to meet its commitment to Decent Homes by 2010. CLG have confirmed that projections show 95% of homes meeting the standard by 2010, with work scheduled for the remainder.

Questions 66–68 (Dr Pugh): *If people replace all their lamps with energy saving bulbs on average then you get about a £35 a year saving. What would that work out at in terms of carbon saved?*

14. Analysis by Defra's Market Transformation Programme indicates that removal of incandescent light bulbs in favour of Compact Florescent Lamps (CFLs) and halogen lamps would yield savings of over 1 MtCO₂ per annum by 2020. Similarly, removal of incandescent and halogen lamps would yield savings in the order of 3 MtCO₂.

15. Compact Florescent Lamps (CFLs) typically offer 80% energy savings in comparison to incandescent lamps. Halogen lamps, of which there are various different types, offer between 20% and 50% of savings.

16. The UK has a voluntary initiative led by retailers and energy suppliers to phase out incandescent lamps from shop shelves over the period to 2011, and 1 January 2009 will see the removal of 100W lamps from the market in participating stores. Furthermore, the Government is closely involved in negotiations with the European Commission and Member States to set mandatory efficiency standards for lamps under the Eco-design for Energy-using Products Directive. This will effectively ban incandescent lamps from sale on the EU market as well as potentially remove the least efficient halogen lamps. The measure is expected to be agreed by the end of this year.

Questions 77–81 (Mr Williams): *How long is it going to take to set up a minimum standard for energy installers? Secondly, even if you find one and set one, how do you enforce it? How do you keep out cowboys?*

17. The cavity wall insulation industry is tightly regulated. Training is carried out by the system designers and the major insulation firms. All installers are registered with the Cavity Insulation Guarantee Agency (CIGA) who issue 25 year guarantees on cavity wall installations.

18. Loft insulation is a far less complex and lower skilled job. The NIA (National Insulation Association) is working with CIGA and the industry to develop best practice guidance for both cavity wall and loft insulation installation.

Question 114 (Keith Hill): *A note from BERR and HMT on the procedures that should have been followed in the case of the Sellafield Nuclear Indemnity, covering Malcolm Wicks' letter of 14 July*

19. The rules for notifying Parliament of liabilities are laid out in Annex 5.5 of Managing Public Money (MPM). The standard procedure where non-statutory liabilities need to be reported to Parliament is to notify the House of Commons using a standard form of Minute. The liability should not go live until 14 Parliamentary sitting days after the Minute has been laid, but if a member objects within that period, the liability should be delayed until the objection has been answered. Every effort should be made to ensure that the full waiting period falls while Parliament is in session.

20. Annex 5.5 of MPM also identifies non-standard procedures to be used to notify contingent liabilities where there are issues of confidentiality, short notice, or in the period shortly before the end of a Session or parliamentary recess. In such situations, where Departments report a contingent liability with less than 14 days before the end of the session, the liability should not normally go live until after the 14 sitting days period has passed after the start of the next session. However, if the liability is more urgent than this rule would allow, the department should write to the chairs of the PAC and the relevant departmental committee, explaining the need for urgency, and providing the Chairs with a 14 working day period in which to object. As a matter of record, when Parliament reconvenes, a Minute should be laid explaining what has happened, including any liabilities undertaken.

21. It was in this latter situation that the Sellafield indemnity arose, and it was agreed with the Treasury that in view of the urgency the department should follow the non-standard procedure in accordance with MPM. This was the advice given to Ministers and the basis on which the then Minister for Energy, Malcolm Wicks MP, wrote to the Chairmen of the PAC and BEC.

22. In accordance with MPM, there is no requirement under the non-standard procedure to provide MPs generally with the opportunity to object to a liability. Departments should, however, as noted earlier, lay the Departmental Minute in the House when Parliament reconvenes, as a matter of record. It was a policy decision to place a copy of Malcolm Wicks' letter and the Departmental Minute in the Libraries of the House to make Parliament aware that we were seeking the approval to the Sellafield indemnity of the Chairs of the relevant Parliamentary Committees. The failure to do so was a clerical error which is very much regretted.

23. This note has been agreed by BERR and HMT.

26 January 2009