

## **All Party Parliamentary Group for Excellence in the Built Environment Inquiry into Sustainable Construction and the Green Deal – Call for Evidence**

**RIBA Response  
January 2013**

### **Introduction**

The Royal Institute of British Architects (RIBA) champions better buildings, communities and the environment through architecture and our members. It has been promoting architecture and architects since being awarded its Royal Charter in 1837. The 40,000-strong professional institute is committed to serving the public interest through good design, and represents 85% of registered architects in the UK as well as a significant number of international members.

### **Summary**

- Setting robust environmental standards and ensuring that they are enforced is the way to achieve the energy efficiency and sustainability goals.
- Integration of construction skills, knowledge and work practices are of concern in the construction industry and need to be addressed.
- Progress on sustainable homes must keep pace with rising energy costs.
- The Green Deal is currently too weak to be of significant influence in meeting the UK's carbon emissions targets because of its complexity, unattractiveness to social housing organisations and lack of specialist attention to vulnerable buildings.
- The role of the Green Deal Provider is a 'high volume low margin' business carrying a lot of risk for SMEs. However, initiatives like the 'Green Deal Conduit' (being set up by Parity projects) may be able to address this problem.
- We believe to aid consumer confidence in the Green Deal, other fiscal incentives such as revenue-neutral adjustment of Stamp Duty on sales of homes should be considered.
- It is vital that there are adequate safeguards within the Green Deal framework to protect consumers.

## Response

### Evidence of sustainable construction best practice

There are many lessons we can glean from the 2012 Olympics – the most sustainable ever built. The RIBA showcases relevant case studies focusing on the design process, not just the finished building. These can be viewed at: <http://www.architecture.com/SustainabilityHub/Casestudies/Casestudies-launchpage.aspx>.

Sustainable construction methods can be applied at lower costs to any project. Meeting Government targets for energy efficiency and renewable energy provision while optimising economic viability can be done. Setting robust environmental standards and ensuring that they are enforced is the way to achieve the energy efficiency and sustainability goals.

### Barriers to sustainable construction

#### **Knowledge and Skills**

Integration of construction skills, knowledge and work practices are of concern in the construction industry and need to be addressed. The central focus of any training programme should be about developing attention to detail in both design and construction, to realise the wider benefits of greener construction to improve sustainability of projects.

#### **Performance data**

Regular data capture on real performance in projects and of buildings can inform what works where. For example, Carbon Buzz – an RIBA/CIBSE platform is a free tool that collects anonymous building energy consumption data to highlight the performance gap between design figures and actual readings.

### Progress on sustainable homes

Ensuring that we meet our 2050 binding target of reducing carbon emissions by 80% from a 1990 baseline figure, requires a step change in our approach to how we heat, light and fuel our homes. But progress is slow. Progress on sustainable homes must keep pace with rising energy costs. Government must place greater emphasis on building consumer awareness of the benefits that well-established technologies can play in making long term energy savings costs in their homes. But this must be incentivised so the technology is embraced.

### The Green Deal - is the policy the right one?

The Green Deal policy is a step in the right direction in so far as taking a first step towards a national retrofit programme. But it is currently too weak to be of significant influence in meeting the UK's carbon emissions targets, for the following reasons.

## **Complexity**

The simple idea of Pay as you Save (PAYS) - when future energy savings are capitalised, paying for improvement measures and repaid over time - has become complicated in the Green Deal. Its complexity, including costs of governance, accreditations, and borrowing costs increases costs overall, reducing the amount of low carbon work available. The additional governance measures are not so relevant to social housing, where there are already mechanisms to protect quality established during the *Decent Homes* programme, and proven fit for purpose. The costs of borrowing by registered providers on the open market are potentially lower than the Green Deal - where at 6% over 25 years, 50% of payments are interest. High on-costs will deter consumers but will also price out particular improvement measures like 'whole-house ventilation systems', from the scheme. This is a particular concern for the refurbishment of older, vulnerable properties which require additional, more costly measures which cannot be done under the Golden Rule. We would encourage looking for ways of supporting the Green Deal scheme financially, preferably by significantly reducing the cost of finance, to tip the balance. This way, housing associations can also take a lead role in housing retrofit, creating economies of scale and getting the buy-in of owner/occupiers to commit to the Green Deal programme.

## **Social Housing**

As currently envisaged, the Green Deal is not an attractive funding mechanism for housing organisations. The rate of return on investment is poor and most organisations can borrow at better rates. Investment could be recovered more simply via rent increase or service charges. Instead of adapting the Green Deal model for the social housing sector a bespoke model for social housing, which embraces fuel poverty as well as the low carbon agenda, would be preferable.

Achieving low carbon standards (SAP 80, C60) is beyond the means of most housing organisations unless they can maximise income from the Green Deal, ECO, Feed in Tariffs and RHI. There is potential for 50% of funding from these sources, but only if the Green Deal model can be adapted to make it attractive for social housing.

There is also little incentive for tenants to participate. Tenants may be unwilling to pay for work that they see as their landlords' responsibility. Landlord and tenant responsibilities need clarification for example, proposed energy standards for the private rented sector appear to shift responsibility towards landlords.

Adding to the complexity is the tendency for fuel poor households to increase the amount of energy they use after improvements, by improving their comfort level, thereby cancelling out any savings made through the scheme. This could reduce the potential for carbon dioxide emissions savings associated with domestic energy use, in the first 3 years of the scheme's inception.

## **Scheme Delivery**

The Green Deal does not accommodate a staged-approach to reducing carbon dioxide emissions. Rather we would recommend the establishment of a medium-term low carbon retrofit plan for every owner occupied dwelling and for every dwelling type in social housing.

We have made proposals to Government on how to deliver an integrated approach and ensure sound delivery of packages of measures, that include the suggestion that a cadre of qualified Green Deal project managers or 'Retrofit Coordinators' is established.

For more information about the *Green Deal Project Managers or Retrofit Coordinators* please see P.g.43 in the RIBA's full response to the Department for Energy and Climate Change "Green Deal and Energy Company Obligation Consultation".

### **Vulnerable buildings require specialist attention**

Further research is needed around providing appropriate solutions for vulnerable buildings, including investigation into the best way to assess those buildings which current methods do not address (see the document "Green Deal and Older Buildings" attached to the RIBA full response to the Department for Energy and Climate Change "Green Deal and Energy Company Obligation Consultation").

*Findings of the STBA* - We would recommend the findings and recommendations of the STBA (Sustainable Traditional Buildings Alliance) report on The Responsible Retrofit of Traditional Buildings published on 20 September 2012. The report was carried out on behalf of DECC and has concluded that if its recommendations are taken up, then some of the main risks to traditional buildings of retrofitting practices may be averted. The significance of the development of a Guidance Tool Structure is demonstrated as a way forward and we would support its financing by DECC. The RIBA is one of the contributors to the Steering Group of the STBA through its in-house steering group.

### **Performance targets and monitoring**

We believe that there needs to be a way of measuring the Green Deal's effectiveness at delivering carbon reductions, and some published carbon performance targets for the scheme.

Each Green Deal delivered will have an associated estimated fuel savings. A method of comparing aggregated estimated savings across GDPs with actual delivery needs to be developed. This would allow either the Oversight Body or DECC to monitor and report on the progress of the scheme, which will be crucial in determining whether further regulatory or market interventions are needed.

We also support the need for further research into the performance of measures delivered under the scheme, alongside the monitoring work of the Oversight Body.

### **What can be done to ensure take up?**

#### **SME access**

The problem is that the role of the Green Deal Provider is a 'high volume low margin' business that carries a lot of risk, so SMEs are unlikely to adopt the role and will instead become subcontractors or suppliers to larger Green Deal Providers, and thus dependent on them. However, initiatives like the 'Green Deal Conduit' (being set up by Parity projects) may be able to address this problem, and some local authorities are investigating the possibility of setting up 'retrofit cooperatives' of SMEs in order to promote local 'green' employment.

## **VAT regime**

The RIBA and other organisations have called on Government to address the current VAT regime, and ensure that it incentivises uptake of the Green Deal. Our proposals on a realignment of VAT to promote sustainable construction are set out on Pg.14 in the RIBA's full response to the Department for Energy and Climate Change "Green Deal and Energy Company Obligation Consultation".

## **Other Fiscal Incentives**

It is encouraging to see the government committed to providing other incentives to take advantage of the Green Deal. The cashback scheme offered to those who take up the Green Deal scheme early is welcoming, but incentives should be offered to all, not just early-adopters to ensure long-term take up. This could mean offering other economic benefits or fiscal incentives such as a revenue-neutral adjustment of Stamp Duty on sales of homes, so that the least efficient homes attract more Stamp Duty and vice versa.

## **Golden Rule**

The problem is that the Golden Rule, combined with low fuel costs and high interest rates prohibits Green Deal funding of many of the measures that need to be applied. There is also the issue that the Golden Rule excludes the funding of associated measures such as providing ventilation when insulation and air-tightness are improved, and this leads to increased condensation risk (with all sorts of consequences; notably mould growth and condensation, which can damage the health of building occupants and the building fabric).

## **Consumer Protection**

It is vital that there are adequate safeguards within the Green Deal framework to protect consumers. But the myriad of consumer guidance makes it difficult to ensure that consumers are properly informed about and able to navigate issues around the third party consents, that will need to be obtained before measures can be installed. To address this issue, we have proposed that consumer-facing Green Deal consent guidance should be developed and provided to customers at the earliest possible juncture.

As well as more general guidance covering the range of potential scenarios, we believe there is a particular need to develop robust Green Deal planning consent guidance and Green Deal listed building consent guidance. Such guidance would also greatly aid the work of Green Deal Providers, and ensure that a good standard of advice is delivered across the scheme.

Another key factor in maintaining consumer confidence in the scheme is ensuring that they receive expert and impartial advice. The impartiality requirements on assessors in the Green Deal Code of Practice are in our opinion not sufficiently robust, and we have proposed that similar requirements should be placed on other actors in the supply chain.

We have proposed a requirement for Green Deal Providers and Installers under the Code of Practice to "ensure that in procuring the services of Assessors they do nothing which may be reasonably expected to compromise the impartiality of any Assessor or Green Deal Advice Report." But to add, we need to find a way of paying assessors separately, rather than them being employed by Green Deal Providers.

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