Consumer Scotland
Luchd-Cleachdaidh Alba

**Response to the Net Zero Review**

**By email to: netzeroreview@beis.gov.uk**

**About Us**

1. Consumer Scotland is the statutory body for consumers in Scotland. Established on 1st April 2022 under the Consumer Scotland Act 2020, we are independent of government and accountable to the Scottish Parliament.

2. Consumer Scotland uses data, research and analysis to inform our work on the key issues facing consumers in Scotland. As the statutory body for consumers we work with business, the public sector and consumer champions to put consumer rights, needs and interests at the heart of markets, services and policy.

**Summary**

3. Consumers, businesses and governments all face a series of interlinked challenges as we move towards a more sustainable future. Whilst these challenges present us with complex problems, Consumer Scotland's analysis of the available evidence shows that there are significant opportunities to accelerate progress towards net zero while delivering sustainable growth, improved employment opportunities and enhanced housing conditions. To fully realise these opportunities, further consideration should be given to the need for:

    - Continued investment from the public and private sectors to facilitate development of technology, investment in skills and decarbonisation of key sectors such as transport, buildings, agriculture and energy
    - Advice organisations to have sufficient resources to meet increasing demand for tailored advice
    - Proportionate support, including financial support, to be available for those who require it. Financial support must be targeted to ensure it reaches consumers in vulnerable circumstances; it must be proportionate to the scale of the change required and in place for as long as is necessary. A lack of support at any point can reduce consumer interest in adopting more sustainable technologies, leading to the loss of necessary financial resources, and resulting in programmes delivering less efficiency improvements, and fewer economy-wide benefits, than those anticipated during the policy's design.[1]
    - Simple public messaging, making use of language which can be understood by consumers, together with consistent messaging across sectors. Consumers are receiving multiple

[1] University of Strathclyde: Centre for Energy Policy, Meeting the UK's energy efficiency goals: Securing greater wider economy benefits through longer term programmes

messages from various sectors, using differing language and approaches. A better coordinated approach, based on an overarching narrative designed to support behavioural changes, would successfully support consumers to understand the action needed by them to meet the challenges

- A Whole Building approach whereby consumers can gain access to information about all the changes they may need to make in one place and can schedule works in a way that minimises disruption and reduces the costs and inconvenience associated with multiple single interventions
- Whether service delivery may allow some aspects of transition to be "hard-wired" into provision, eliminating the need for consumers to opt in and improving take-up of measures
- Minimising the risk of harm to consumers from fraud, scams, pressurised selling tactics or poor quality work. Further resources will be required to reduce the risk of harms occurring, especially for customers who may be at greater risk of harm or who may experience a greater level of harm
- Reform of the energy market to support a just transition to net zero by delivering greater resilience and affordable energy for all consumers. A whole system strategy is required to incentivise and support the deployment of a diverse mix of low carbon energy generation and storage technologies in Scotland, in collaboration with consumers and communities

**Background**

4. The UK Government's Net Zero Review comes as consumers are facing significant financial pressures. Together with the urgency of society's transition to net zero, and increased digitalisation of services, these forces are changing the way consumers access, purchase and consume products and services. These changes bring major challenges, but also present huge opportunities to grow the economy fairly while improving outcomes for all consumers.

5. Consumer spending accounts for over two thirds of the Scottish economy,[2] and can be a force for economic transformation. The role of consumers is pivotal to growth. Healthy markets require consumer demand, the availability of suitable goods or services, and consumer trust. Economic growth and a just transition to net zero can and should go hand in hand. Realising this will require consumers to be put at the heart of our policies, so that consumers can access information and feel empowered to make more sustainable purchasing decisions.

6. Reaching our net zero goals will also have significant benefits in other linked policy areas, such as moving towards achieving the Sustainable Development Goals[3] and ensuring that our communities are resilient enough to cope with the challenges of our changing climate. Transitioning to net zero in a way which is affordable and fair to all consumers can deliver growth in a way that works for businesses, communities, and consumers. Sustainable growth

[2] GDP Expenditure Approach at Current Prices (Onshore) – GDP Quarterly National Accounts: 2021 Quarter 4
[3] THE 17 GOALS | Sustainable Development (un.org)

can assist in reducing inequalities, ensuring that the burdens of climate change do not fall disproportionately on already vulnerable groups.

7. In this response, we have concentrated our comments on those aspects of the review most relevant to our remit and where we have access to evidence that allows us to contribute an informed view. Following on from this response, we note that the Chair of the review is intending to hold a range of meetings with stakeholders and we would be happy to meet if this would be of assistance.

**The Scottish Context**

8. We note that this review relates to the UK-wide Net Zero Strategy. At the devolved level, Scottish Water has committed to net zero by 2040 and the Scottish Government has committed to its own net zero targets, with the headline aim of reducing the net emission of designated greenhouse gases by 75% by 2030 compared with the relevant baselines, and to net zero by 2045.[4]

9. In relation to the decarbonisation of heat and power, fuel poverty is an issue of high importance in Scotland. Scottish Government figures show that in 2019, 12.4% of households were living in extreme fuel poverty.[5] YouGov Polling for Consumer Scotland also suggests that consumers are significantly changing their behaviour in response to the crisis – with 68% of respondents reporting that they were rationing energy use and 43% reporting that they could not afford to heat their homes to a comfortable level because of financial concerns.[6] Interim, currently unpublished findings from a Consumer Scotland analysis of Scottish samples from the Living Costs and Food Survey, also indicate that households in Scotland had the highest energy expenditure of all regions and nations in Great Britain as a proportion of overall household expenditure.[7]

10. The Scottish Government aims for one million homes and 50,000 non-domestic buildings to have installed zero emissions heating systems by 2030, and intends to legislate that all homes (except those in certain mixed use and multi-occupancy buildings) should meet an energy efficiency standard equivalent to EPC Band C by the end of 2032.[8] The University of Strathclyde's Centre for Energy Policy has estimated that if all UK homes were to meet an energy efficiency standard equivalent to EPC Band C by the end of 2035, this would require a programme of retrofitting

[4] Climate Change (Scotland) Act 2009, as modified by The Climate Change (Additional Greenhouse Gas) (Scotland) Order 2015
[5] Scottish House Condition Survey: 2019 Key Findings
[6] Figures from YouGov Plc. Total sample size was 1586 adults. Fieldwork was undertaken between 27th September - 10th October 2022. The survey was carried out online. The figures have been weighted and are representative of all Scottish adults (aged 16+).
[7] Analysis of Scottish samples from the Living Costs and Food Survey from 2017/2018 – 2019/2020
[8] Heat in Buildings Strategy: Achieving Net Zero Emissions in Scotland's Buildings

costing £68.5 billion. GDP would see a sustained increase of £1.3bn per annum with 22,500 jobs ultimately being sustained across the economy.[9]

11. The Climate Change Committee's latest Progress Report to Parliament[10] demonstrates that the UK's success in abating emissions to date has been achieved in tandem with economic growth. Indeed, in 2019 the UK Energy Research Centre found that improvements to energy efficiency had contributed 25% of all UK GDP growth since 1971.[11] Investment in more efficient and more sustainable buildings, products and services has therefore been key to achieving the economic growth witnessed over the past 50 years. It has also driven improvements to productivity, with the UK's energy intensity per unit of economic output falling by 56% between 1990 and 2020.[12]

12. As we transition to net zero, and as we invest in new technologies along the way, the manner in which services are delivered, and charged for, will need to be redesigned. This presents an opportunity and an imperative to place consumers, including those in vulnerable circumstances, at the heart of service design. Doing so will ensure that everyone can participate in this transition effectively and that all consumers are able to make the best choices for their own individual circumstances.

**What challenges and obstacles have you identified to decarbonisation?**

13. The United Kingdom has made significant progress to date in reducing its emission of designated greenhouse gasses, and it has some of the most ambitious $CO_2e$ emissions reduction targets of any industrialised nation. However, the Climate Change Committee has recently found that tangible progress in delivery is lagging behind the ambition set out in these policies.[13,14] The High Court also concluded in a recent case that the Net Zero Strategy was unlawful, in that it failed to show how the UK's legally binding carbon budgets would be met.[15]

14. Though innovation will be key to delivering net zero, it should also be noted that placing undue reliance on technologies which are not yet proven or which currently have little prospect of economic viability risks sending mixed messages to consumers and investors, delaying meaningful action to reduce the emission of designated greenhouse gasses and increasing the long term cost of the transition to net zero. A number of mature and maturing technologies considered central to the delivery of net zero also lack a viable route to market[16] or are being held back in their deployment by skills shortages or a lack of sufficiently clear policy signals. The

[9] University of Strathclyde: Centre for Energy Policy, Meeting the UK's energy efficiency goals: Securing greater wider economy benefits through longer term programmes
[10] Climate Change Committee: 2022 Progress Report to Parliament
[11] UKERC
[12] UK data for the Sustainable Development Goals
[13] Climate Change Committee: 2022 Progress Report to Parliament
[14] Climate Change Committee: Progress reducing emissions in Scotland – 2021 Report to Parliament
[15] https://www.judiciary.uk/wp-content/uploads/2022/07/FoE-v-BEIS-judgment-180722.pdf
[16] For example, large scale and long duration electricity storage

importance of timely, coherent and evidence-led policy in driving a cost effective and just transition to net zero therefore cannot be understated.

15. In addition, previous research referenced in this consultation response has identified a number of challenges faced by consumers, including a lack of detailed awareness of net zero, difficulties in navigating a fragmented advice landscape, and a lack of trust in advice sources and technology providers.

**Consumer Knowledge and Sentiment about Net Zero**

16. Polling conducted by YouGov on behalf of the Energy Consumers Commission in 2022 explored Scottish Consumers' attitudes to climate change and decarbonisation. 94% of respondents had heard of the term "net zero carbon emissions" and 63% said they knew what the term meant. 95% of respondents had heard of the term "greenhouse gas emissions" and 74% stated that they knew what it meant. ABC1 respondents (73% and 83%) were more likely than C2DE respondents (55% and 67%) to say they recognised and understood the meaning of these terms.

17. Overall, 70% of respondents that agreed that "climate change is an immediate and urgent problem" though support for this statement varied across different demographic groups. Female respondents (74%) were more likely to agree with this statement than male respondents (66%). Respondents over 65 years old were ten times as likely 16 to 24 year olds to agree with the statement "I'm still not convinced that climate change is happening".

18. Respondents with ABC1 occupations (76%) were more likely to agree that "climate change is an immediate and urgent problem" than those in C2DE occupations (66%) (including the unemployed).

19. Given these figures, there remains a need for governments to take action, to build a compelling narrative around the scale and nature of the changes needed. A recent report by the House of Lords Environment and Climate Change Committee suggests that without changes to people's behaviours now, the target of net zero by 2050 is not achievable. Drawing on the Climate Change Committee's assessment, they identified that 32% of emissions reductions up to 2035 require decisions by individuals and households to adopt low carbon technologies and choose low-carbon products and services, as well as reducing carbon-intensive consumption.[17]

20. These findings indicate that knowledge about climate change and net zero varies widely across demographic sectors. Governments across the UK will require to take action to tackle knowledge deficits, and achieving change may require targeted messaging to reach certain groups.

[17] HL Paper 64. 1st Report of Session 2022–23. In our hands: behaviour change for climate and environmental goals

**Changing Consumer Behaviour**

21. Looking at the changes required to achieve net zero emissions, just over a quarter (27%) of respondents to the Energy Consumers Commission polling conducted by YouGov[18] stated that Scotland will need to do "a great deal", while nearly a third (32%) stated "a fair amount" will be required. 8% stated that they don't know what Scotland will need to do to reach net zero.

22. When asked what people **like them** would need to do in order to help Scotland reach net zero**,** one in five respondents (20%) stated that people like them will need to do "a great deal", while more than a third (37%) thought "a fair amount" would be required.

23. Looking further at behaviour change, in relation to transport, just 7% of respondents reported that someone in their household had already purchased or leased a hybrid or electric car or vehicle. Of those respondents who reported that no-one in their household had already purchased or leased a hybrid vehicle, 27% reported they did not need to own or lease a car, 18% hadn't thought about it, 17% had thought about it but decided not to, and 18% had thought about it but not made a decision yet. 7% were planning to do it.

24. Water use within in the home accounts for 6% of UK carbon emissions, the same as the UK aviation industry and the majority (5%) is generated from the energy used in homes to heat water.[19] Reducing hot water use in the home can both reduce carbon emissions, and lower costs for consumers, as around one fifth of heating bills are spent on heating water.[20] Yet a survey carried out by Citizens Advice Scotland[21] exploring consumer attitudes towards net zero found that 48% of respondents did not know how much of their heating bill was spent on heating water. 65% of respondents did not have any water/energy efficiency measures installed in their homes. The survey further found that the main reasons respondents were willing to make changes to their homes were to lower energy bills (38%) and reduce their climate change impact (38%).

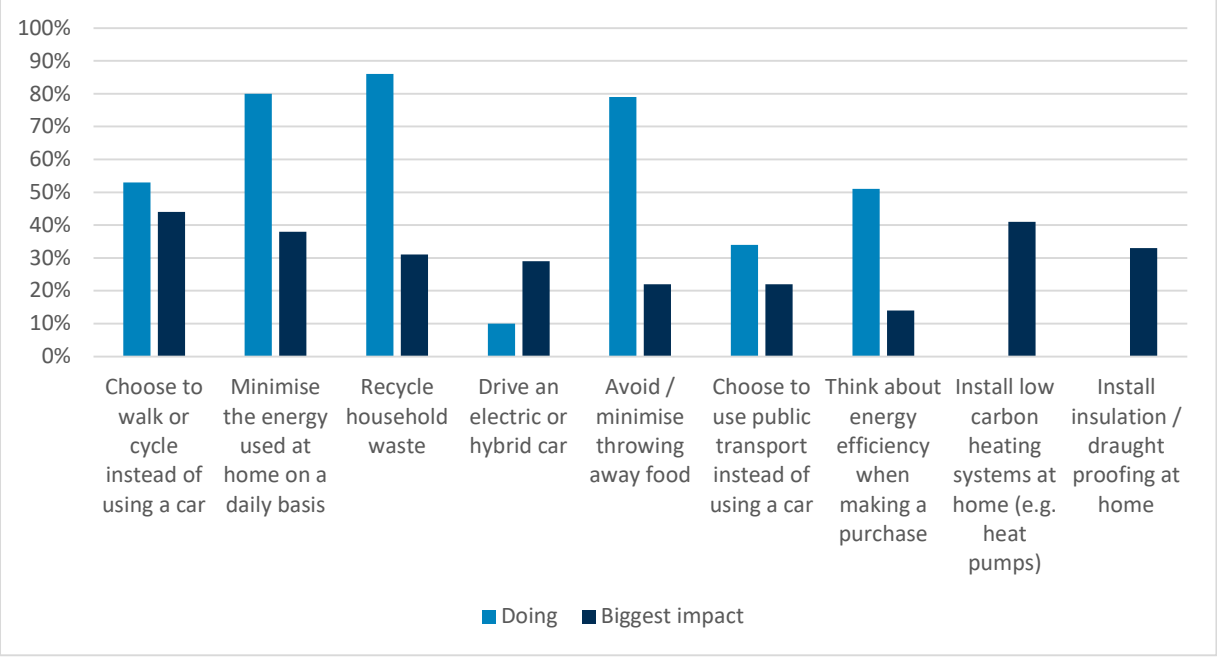
25. UK-wide polling for BEIS[22] found strong levels of belief in in the potential for individual action to reduce climate change with 85% agreeing that if everyone does their bit, we can reduce the effects of climate change. Three-quarters of respondents felt that they personally could make changes that would help reduce climate change. The lack of action by others was, however, a disincentive for some, with 28% agreeing that it was not worth doing things if others do not do the same. Almost half (47%) agreed that there is so much conflicting information about climate change, it is difficult to know what to believe.

[18] Figure from YouGov Plc. Total sample size was 2012 adults. Fieldwork was undertaken between 25th and 31st March 2022. The survey was carried out online. The figures have been weighted and are representative of all Scottish adults (aged 16+).
[19] Scottish Water, Your water use
[20] ibid
[21] Citizens Advice Scotland, Consumer Voices: Energy efficiency, climate, change, and low carbon heating
[22] BEIS Public Attitudes Tracker (Summer 2022, UK)

26. Almost all respondents (98%) said they were taking one or more actions to reduce their climate impact. In many cases, this involved taking action on waste, including recycling household waste (86%) and minimising food waste (79%). A similar proportion (80%) said they minimised energy use at home, while around half said they thought about energy efficiency when purchasing products or appliances. In relation to transport, 53% chose to walk or cycle instead of using a car, a third (34%) said they chose public transport instead of using a car and 10% said they drove an electric or hybrid car.

27. When asked which three actions they thought would have the biggest impact on tackling climate change in the UK, 44% said choosing to walk or cycle rather than using a car, followed by installing low carbon heating systems (41%), minimising energy use in the home (38%), installing home insulation (33%), recycling (31%), and driving an electric or hybrid car (29%).

28. A comparison of the responses regarding the actions being taken against responses to the question about which actions would have the biggest impact suggests that people are not taking the actions that they believe would have the biggest impact. This direct comparison can be made for 7 actions and is presented in the chart below.




29. The House of Lords Environment and Climate Change Committee recently concluded that there was evidence that consumers are concerned about climate change and the environment and that there is a widespread desire for action to be taken. However, they noted that many consumers do not know what the most effective actions are to reduce our emissions and environmental impacts, or appreciate the scale of change that will be needed to reach net zero or adapt to climate change. The Committee added that while the appetite of people across the

UK for climate change action was mixed, the public want clear leadership from government and a coordinated approach to help them adapt.[23]

**Consumer Trust in Information Sources**

30. BEIS asked consumers about their level of trust in relation to various sources of climate change information. Science based sources were the most trusted (85%), with media, TV and radio documentaries (74%) and TV news (64%) rating more highly than newspapers (41%). Just under half (48%) trusted the UK government to provide accurate information about climate change. Trust in social media was notably low, with 77% saying they did not trust it as an information source about climate change. This indicates that awareness campaigns would benefit from being grounded in science, and that the voices used in any campaigns must be those regarded by the public as trustworthy sources.

**Barriers to more Sustainable Behaviour**

31. Research by the Energy Consumers Commission assessed around 40 pieces of secondary research to examine Scottish consumer engagement with decarbonisation technologies. It considered the barriers to decarbonisation and examined how decarbonisation can be encouraged, accounting for differing consumer characteristics.[24]

32. In line with the YouGov Survey for the Energy Consumers Commission above it found that:

- Concern about climate change is high, but consumers lack understanding about the energy system and the scale of the decarbonisation challenge
- Consumers often make low impact, frequent "social-norm" behaviour changes such as recycling
- There is insufficient consumer information and knowledge about what actions to take, particularly on low carbon heating and there is little evidence of consumers making more impactful changes such as adoption of EVs and heat pumps
- Decarbonisation is often seen as difficult and expensive. Where solutions to issues are not readily apparent, this may reduce consumer interest in making changes
- While upfront cost is frequently cited as a barrier, it is not a driver for all consumers: other challenges include perceived issues with compatibility, reliability, aesthetics, noise, and inconvenience
- In Scotland, early adoption of some solutions has led to negative legacy issues, reducing trust in decarbonisation technology and energy suppliers, which can negatively affect engagement
- Targeted engagement, at a local level, by trusted community organisations is an effective means of encouraging action

[23] HL Paper 64. 1st Report of Session 2022–23. In our hands: behaviour change for climate and environmental goals
[24] Research into Consumer Engagement with Decarbonisation, Cenex, 2022

**What more could government do to support businesses, consumers and other actors to decarbonise?**

33. It is clear that consumers across the UK are motivated to make changes and are keen to make more sustainable choices. However, action from governments will be needed to improve the provision of information to consumers, to manage the costs of the transition and to mitigate against risks of harm to consumers. Action will also be needed to fully capitalise on the opportunities presented by the transition.

**Access to Advice**

34. The body of research outlined above demonstrates a need for governments to provide better information to consumers to enable them to make informed choices which will significantly impact on meeting climate change targets. A key task will be to ensure that messaging is simplified, consistent and adequately targeted. Reputable energy-saving advice for consumers from bodies like Home Energy Scotland is already available. But the scale of the current crisis requires an equivalent response, with an appropriately targeted information campaign able to provide the public with authoritative, practical guidance. Put simply, consumers require trusted sources of information that deliver clear messages about what choices they can make and what impact those choices will have on the climate challenge.

35. Given the level of disruption that the installation of these technologies can have, an approach that allows consumers, and landlords, to access information that enables them to understand all the measures they need will to undertake is necessary.

36. A "whole-building" approach will be needed, whereby consumers can gain access to information about all the changes they may need to make in one place and can schedule works in a way that minimises disruption and reduces the costs and inconvenience associated with multiple single interventions. While challenging, the current energy crisis provides a major opportunity to significantly improve the living conditions of millions of people, while helping us to meet our net zero targets. The causes of consumers' current distress, as well as the symptoms, need to be treated with long term solutions.

**Costs and Economic Opportunities**

37. In relation to housing and energy efficiency, the Scottish Government has estimated that the cost of undertaking energy efficiency upgrades and installing low carbon heating systems to decarbonise our building stock could be in the region of £33 billion over the period to 2045.[25] In light of the current pressures on household incomes, it is likely that households, and landlords, will require targeted and proportionate financial support to allow them to meet the costs of improving homes. If consumers are able to access information, and if targeted support can be

[25] The Scottish Government, Housing to 2040, 2021

provided to those who would otherwise find these choices unaffordable, then consumer demand can be a powerful incentive for change. Meeting this demand has the potential to generate new, high quality employment and business opportunities. Significant monies have already been invested in training the workforce in new technologies and in developing innovative technological solutions, but is likely that continued government and private sector investment will be needed to effect change on the scale required.

38. A recent study by the University of Strathclyde Centre for Energy Policy explored how the implementation of residential energy efficiency programmes might impact on employment and GDP across the wider economy, modelling a range of funding scenarios.[26] The study found that energy efficiency improvement programmes can trigger sustained household income and economy-wide gains. Retrofitting programmes can provide an important transitory boost to the economy, with greater benefits delivered by longer programmes. The study concluded that it is the real household income gains from reduced energy bills that trigger a sustained expansion of the economy, with the key driver being the level of real spending power freed up.

39. On the basis of this study, it appears that more substantial, longer term programmes are better able to reach households across all income quintiles, addressing fuel poverty concerns while also exploiting the economic growth potential of freeing up spending power in more able-to-pay households. The study concluded that a sustained GDP increase of £1,285 million per annum (0.07% p/a) was possible, along with 22,545 (0.077% p/a) new full-time equivalent jobs, regardless of the funding option used. However, there is a need to make careful decisions about pacing and promotion of any schemes to mitigate any adverse short term impacts on labour and GDP.

**Building Consumer Trust**

40. Previous negative experiences of the installation of greener technologies may harm consumer confidence and trust in this market, reducing opportunities to effect widespread change. The energy crisis has resulted in an upsurge of interest in energy efficiency technologies and regulators and enforcement bodies must be in a position to take swift and effective action to protect consumers from any risks of harm. We note that the CMA has recently begun a package of work[27] to examine compliance with consumer protection rules in this market and welcome this.

41. Consumer protection issues in this sector have been experienced right across Scotland. Since 2015, over 30% of Trading Standards Scotland casework has involved traders in the energy efficiency retrofit market, with these issues causing consumer detriment of over £4.5M.[28]

[26] University of Strathclyde: Centre for Energy Policy, Meeting the UK's energy efficiency goals: Securing greater wider economy benefits through longer term programmes
[27] Green heating consumer protection to come under scrutiny - GOV.UK (www.gov.uk)
[28] Trading Standards Scotland. Project Maxwell: Misleading Advertising for Energy Efficient Home Improvements

42. Analysis of information from Trading Standards Scotland has flagged a number of instances of companies making misleading claims about the nature of their business and the level of savings that can be generated by installing such products. In particular, there have been multiple reports of companies advertising on social media or making nuisance calls offering 'funds' and 'schemes' to replace boilers, windows and roofs. Lead generators, whose main business is ingathering the personal data of consumers for onward sale as a sales prospect, exploit consumers' general awareness of government grants and schemes by making false and misleading claims. Consumers have been persuaded to disclose their personal data to see if they are eligible. To illustrate the scale of this issue, over the course of just one month TSS identified some 430 suspect misleading adverts. Just 8 businesses were responsible for 416 of them.[29] Information gathered as part of the project showed that just one of these ads could reach over 1 million consumers in Scotland alone, potentially generating widespread harm and risk of detriment.[30]

43. There are also instances of firms approaching consumers, falsely claiming to be authorised to provide such services under genuine government or local authority schemes.[31] Rogue traders have identified opportunities to exploit a lack of consumer knowledge, both in relation to the products themselves and schemes to encourage their purchase. While it may be possible for consumers to establish if traders are indeed authorised, there remains a risk of harm, especially to those who may be more at risk of fraud or unacceptable doorstep selling activity. Such activity has the potential to undermine consumer confidence in this market more widely as well as causing serious harm to individual consumers some of whom may be in vulnerable circumstances. This reinforces the need for consumers to be able to access trusted sources of information and for resources to be available to conduct intelligence and enforcement activities across this market.

44. In preparing this response, Consumer Scotland has also conducted analysis of consumer contacts with Advice Direct Scotland (ADS)[32] in relation to issues associated with the net zero transition. Analysis was conducted of consumer contacts with ADS in relation to the 'solar panels / wind turbines' and 'insulation' sectors which, it could be confidently argued, are sectors that are directly related to the net zero transition. 90% of contacts with ADS regarding these sectors were in the 'consumer complaint' category.

45. In relation to solar panel and wind turbine contacts, although these are still relatively few in number, contacts appear to be on an upward trajectory, with volumes in the first half of 2022 174% higher than they were in the first half of 2021. More than half of these complaint contacts related to issues around substandard services, with defective goods, delays and breach of contract accounting for the remainder. Complaints regarding substandard services and defective

[29] Ibid
[30] Trading Standards Scotland Tactical Assessment April – May 2022, June – July 2022 (unpublished)
[31] Trading Standards Scotland. Project Maxwell: Misleading Advertising for Energy Efficient Home Improvements
[32] Based on analysis on unpublished data regarding consumer contacts supplied by ADS

goods increased substantially in Quarter 2 of 2022, to the highest recorded levels in the current dataset.

46. Complaints relating to insultation are also on an upward trajectory with volumes in the first half of 2022 69% higher than the corresponding period in 2021. Approximately two thirds of complaints related to service issues, with breach of contract also featuring prominently. Complaints relating to customer service increased substantially in the most recent quarter to the highest observed levels in the current dataset. There is also a rise in relation to contacts raising concerns about criminality in these sectors. Although the number of cases involved is small, this is clearly an area that should be monitored to determine if the emerging upward trend is maintained.

47. This suggests that consumers are continuing to experience issues with making the transition to more sustainable energy and heating. The level of concern appears to be rising, a trend which may be expected to continue given the current high levels of public interest in these sectors.