



Room for improvement

The impact of EPCs on consumer decision-making

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About us

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

Introduction

The coalition Government's flagship programme for energy efficiency is the development and introduction of the Green Deal: a new approach to financing insulation and other measures. This should overcome one of the three principal barriers to action¹, affordability, but two further, significant barriers remain in terms of consumer awareness and motivation.

Consumer Focus is undertaking a range of work to understand how Government and business can overcome these barriers, but to start we looked at the Energy Performance Certificate (EPC). The EPC is provided during the property sale or rental process to indicate to buyers or tenants how much it will cost to provide lighting, heating and hot water to a home. We think it is important to the Green Deal process in three ways:

1. House purchase is a significant trigger point for home improvements, which could include energy efficiency measures such as insulation or improved glazing
2. The EPC will carry information on the presence of any Green Deal charge on a property's energy bill. It is vital that this charge is disclosed to prospective buyers and tenants, but that the value of the related measures is also reflected and recognised in the property transaction
3. The Government should track and report on the success of the Green Deal in improving the country's housing stock and contributing to carbon emissions targets, this requires the collection of accurate data

However, there is a question mark as to whether the EPC is up to the task ahead and so we asked consumers who have recently bought or rented a property what they thought of the current approach.

Consumer Focus is using these findings to undertake further research on the content and format of the EPC, which together with this research will inform Government's review of the Energy Performance and Building regime.

Method

This report summarises the findings from a survey commissioned by Consumer Focus from TNS Research International. The total sample size was 2,049 adults. Fieldwork was undertaken 12 January to 16 January 2011, and the survey was carried out face to face.

¹ Barriers identified in EST (2010) *At home with energy: A selection of insights into domestic energy use across the UK*

Executive summary

Consumer Focus asked consumers how information on energy efficiency informs their actions in the property market – before and after buying or renting a home. We wanted to know whether consumers receive the information and what impact it has.

- Location, location, location remains the main decision factor after cost and size of homes, but 14 per cent of prospective buyers and tenants do consider energy issues to be important
- Too many consumers are not receiving information, and this is of particular concern in the rental sectors
- Although most consumers say the EPC is clearly laid out, the EPC has little impact at present:
 - It influenced decisions by 18 per cent of recipients
 - Information is very rarely used as part of negotiating the sales or rental price
 - Only 17 per cent of recipients acted on recommendations
- Consumers think that the potential energy bill for the property would be useful information when buying or renting a property, along with advice on how to save money on energy bills

This information helps us understand where improvements are needed in the development of the Green Deal, to which the EPC will have strong links.

Policy recommendations

1. Consumers are not receiving EPCs at the right time:
 - a. Information on energy performance must be provided to consumers not only before signing a contract but at the point of marketing a property, to help consumers take energy efficiency into account alongside other key factors such as cost, size and location
 - b. Trading Standards need the powers to proactively enforce compliance. This needs regulations to place responsibilities on estate agents and letting agents to provide the EPC with other marketing materials. Clearer responsibilities enable more effective and efficient regulation
 - c. In future, prospective tenants and owners must be made aware of any Green Deal charge attached to the property – although we want this to be communicated alongside the value of the installed measures
2. EPCs have little influence on consumers' decisions to buy or rent a property. The Government will need to introduce additional incentives if energy efficiency is to be valued in the property market, and we think it does need to be valued more to encourage uptake of measures
3. EPCs are very rarely used to negotiate the sale or rental price of a property. This will in part be due to conditions in the housing market but, again, consumers need stronger signals of the value of energy efficiency

4. The survey gave mixed messages on the clarity of the EPC. We know that consumers generally understand A-G ratings, but Consumer Focus will now undertake further research to understand how the value of energy efficiency can be communicated more clearly
5. Most consumers who did not take up recommendations were not able to define why from our list of suggestions. While Green Deal finance should address the barrier of affordability, further measures are needed to overcome the barriers of awareness and motivation, or just honest disengagement in the issue
6. Energy bill-payers said that it would be most useful to have information on the potential energy bill for a property alongside information on actions to cut the costs of energy bills. This will be explored by Consumer Focus in the next stage of our research

Survey results

Choice

Q When you were making the decision to move into your current property, as well as size and price, which, if any of the following features were MOST important to you?

Base: All who moved within the last five years (weighted base: 498)

After finding the right size home at the right price, 14 per cent of consumers consider energy to be the most important issue in selecting a home – whether that's due to cost or comfort.

More important issues were: space to park, outdoor space, a pleasant local environment, and convenience for food shopping, work, shops or other leisure activity.

Feature	Proportion of respondents
Pleasant local environment (eg safe, clean etc)	28%
Garden/outdoor space	25%
Convenient location for place(s) of work	22%
Overall value-for-money	21%
Convenient location for schools	17%
Net: Any energy related	14%
Convenient for food shopping	13%
Convenient for shops/leisure/places of worship/other	13%
Private off-street parking/garage	12%
Convenient and affordable commuter links	11%
A home that is easy to keep warm	9%
Energy efficiency and low energy bills	7%
Fully-fitted contemporary kitchens and bathrooms	6%
Re--sale value	5%
A pristine, untouched new home	4%
Choice of certain finishes and fixtures	3%
No choice given/only property offered (by council/military/job)	3%
Larger/bigger property/more space	3%
Gas hob (rather than induction or other electric hob)	2%
Location/area/views	2%
To be close to family/friends	2%
Additional upfront cost (eg cost of Stamp Duty and other taxes or financial incentives on new build)	1%
More/number of bedrooms	1%
Disabled access/adaptation	1%
Crisis/Emergency/was homeless/had nowhere to live (so took what was given)	1%
Other	4%
Don't know	14%

Q Did you receive information on the energy efficiency of the property before signing a contract? (Example of Certificate shown)

Base: All who moved in the last two years (weighted base: 299)

Yes	No	Don't know
44%	48%	8%

There is a significant difference between who received an Energy Performance Certificate relating to the type of tenure.

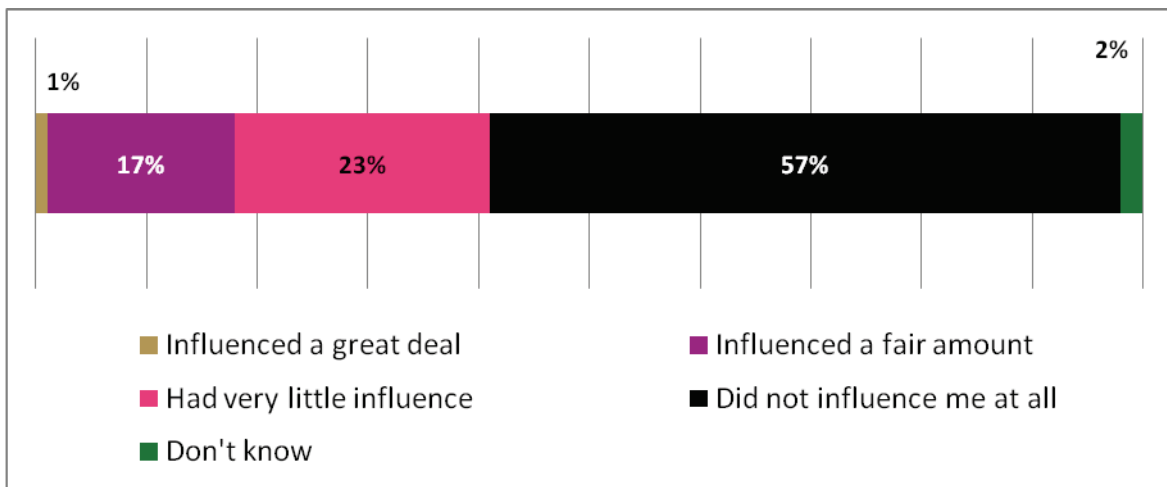
79 per cent of buyers received information, compared with 33 per cent of social housing tenants, and 31 per cent of consumers in the private rental sector

Impact

Q How much did receiving this information influence your decision to buy/ rent?

Base: All who received information on the energy efficiency of the property before signing a contract (weighted base: 132)

Information on energy efficiency influenced only 18 per cent of recipients, and did not influence 80 per cent.



Q Did you use this information when negotiating the sale or rental price?

Base: All who received information on the energy efficiency of the property before signing a contract (weighted base: 132)

Only 6 per cent of EPC recipients used the information when negotiating the sale or rental price of their current home – and all but one of this group was in the rental sector.

Q Would you say the rating and the recommendations contained in the Energy Performance Certificate were clearly set out?

Base: All who received information on the energy efficiency of the property before signing a contract (weighted base: 132)

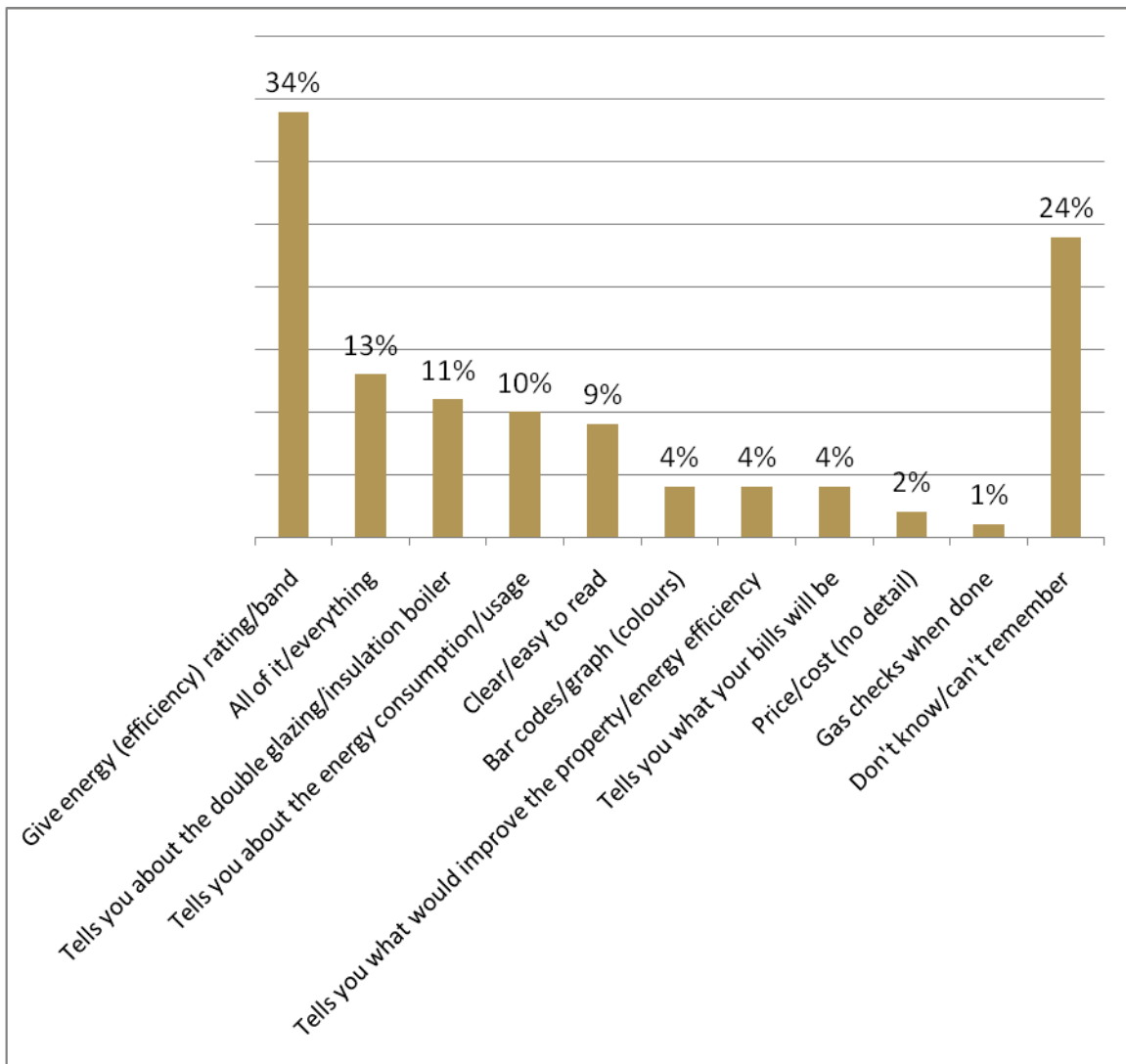
76 per cent of those who received an EPC said that the rating and recommendations are clearly laid out. This is the most surprising response from consumers as the energy efficiency industry generally considers the EPC to have a confusing layout.

8 per cent of recipients said the EPC did not clearly set out the rating and recommendations while 16 per cent of consumers said they did not know.

Q What information was clearly set out?

Base: All whose ratings/recommendations were clearly set out (weighted base: 101)

However, when asked what was clearly set out there is a less positive response from consumers. The clearest aspect of the EPC is the energy efficiency rating which 34 per cent of consumer said they thought was clearly set out.



Q Did you act on any of the recommendations after moving into the property?

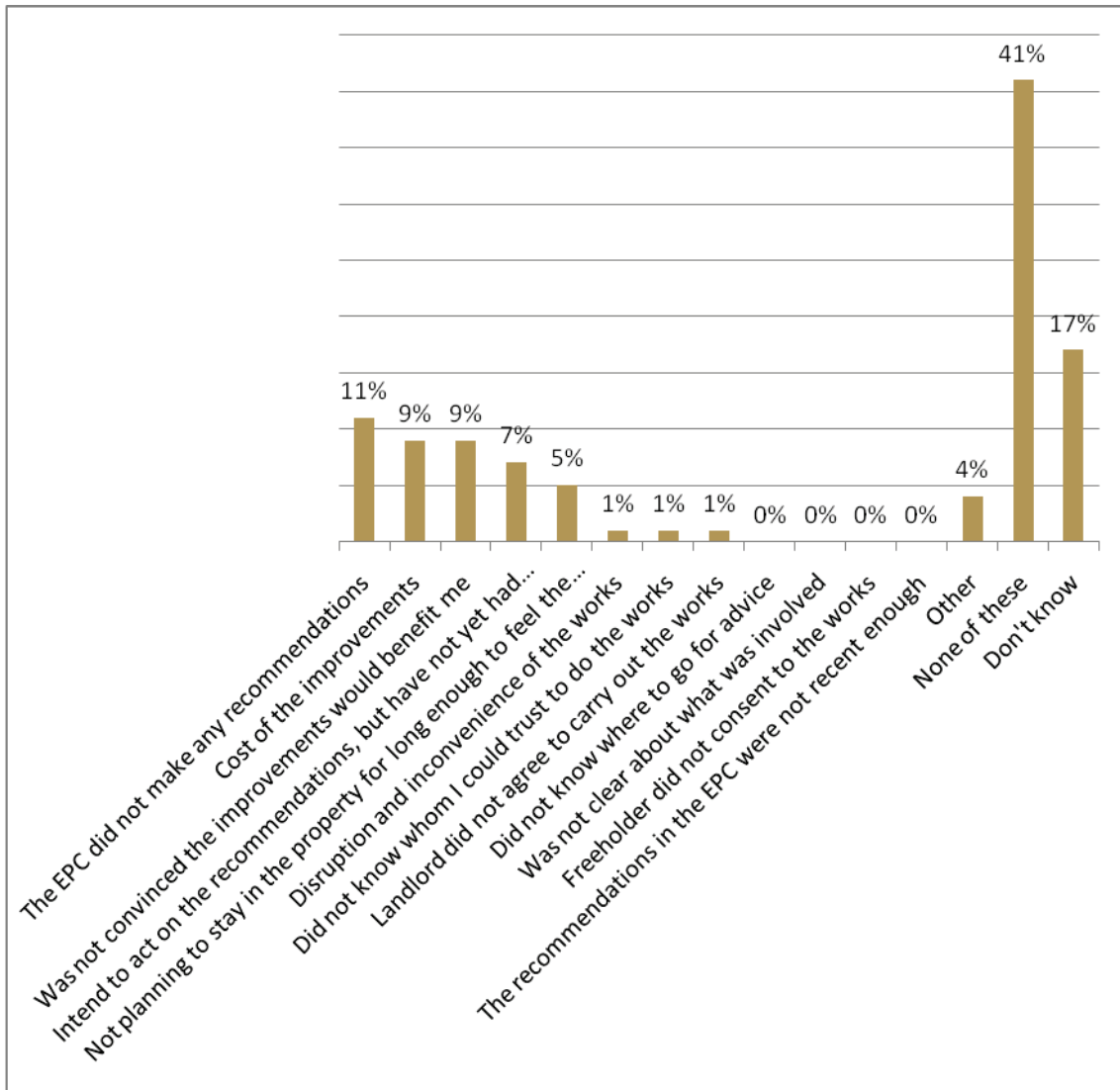
Base: All who received information on the energy efficiency of the property before signing a contract (weighted base: 132)

Yes	No	Can't remember
17%	79%	4%

A low proportion of recipients acted on the recommendations, and surprisingly there is no significant difference between owner-occupiers' and tenants' responses.

Q Which, if any, of the following reasons were most important to you in deciding not to act on the recommendations?

Base: All who did not act on any of the recommendations after moving into the property (weighted base: 104)

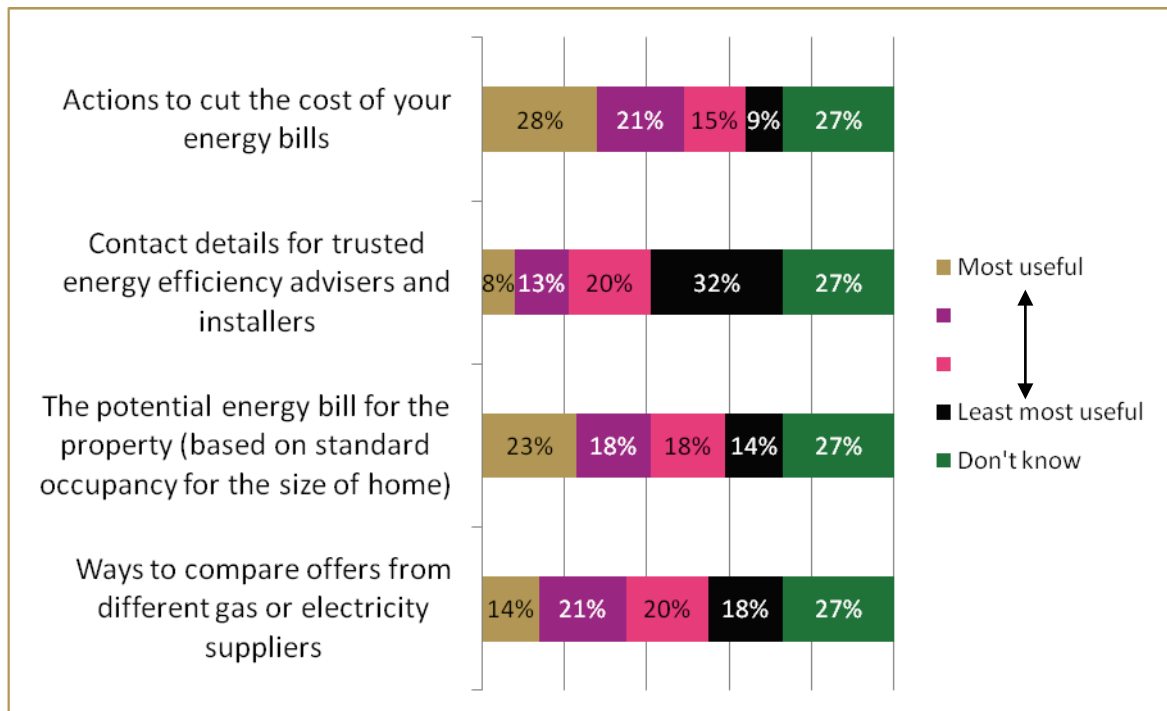


The most common reasons for inaction were the cost of improvements (9 per cent), unconvinced that improvements would benefit me (9 per cent). 7 per cent intend to act, but have not had time. 11 per cent said that the EPC made no recommendations (which again may mean the EPC is not as clear as consumers say); 41 per cent said 'none of these' and 17 per cent said 'don't know'.

Usefulness of information

Q Usefulness of finding information on various things when buying or renting a property – summary table

Base: All responsible for payment of energy bills for household (weighted base: 1,405)



Of the four options, information on actions to cut costs of energy bill (28 per cent) and the potential energy bill for the property (23 per cent) were deemed the two most useful by energy bill-payers.

Conclusion

This research highlights two common concerns regularly raised by the energy efficiency industry:

- Failure of estate agents and other property professionals to comply with regulations that require energy performance certificates to be provided to prospective buyers or tenants
- That EPCs have little impact

However, it does challenge to some extent the concern that information in the EPC is not sufficiently clear. Consumer Focus plans to explore this in more detail with consumers over the coming months.

We think the EPC does, in some form, have a role in the Green Deal². In terms of consumer engagement, our focus here, it needs to empower consumers by encouraging them to seek Green Deal accredited advice; to negotiate the cost of a property; or to walk away and seek a home that will be more comfortable and cheaper to run.

What this research does not tackle is the role of EPCs in the provision of the detailed advice necessary to support financing under the Green Deal. EPCs are not able to provide this in their current form due to the need for more detail on the property and the residents' energy use. This data will be the basis for ensuring Green Deal packages are affordable and hold no surprises for the customer, and subsequent residents. Consumer Focus is now working with a range of industry and government representatives on DECC's Green Deal Advice Qualification and Accreditation Forum to develop a solution that can deliver sound, affordable advice.

² Consumer Focus has published a discussion paper on Green Deal advice, including the potential link with the EPC here: <http://consumerfocus.org.uk/g/4nk>

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