

**Date:** 6th March 2002  
**Time:** 14.00 - 17.30  
**Venue:** Committee Room 1, National Assembly for Wales, Cardiff Bay  
**Title:** Assembly domestic energy and energy efficiency policies and programmes

### **Purpose**

1. To provide the committee with an overview of Assembly and Government (in as much as they affect Wales) policies and programmes dealing with domestic energy efficiency

### **Summary/recommendations**

2. As part of and in order to inform the committee's review of energy policy this report sets out current policies and programmes undertaken by the Assembly, government and industry in relation the domestic sector. The report also identifies some of the main partners with which the Assembly works in pursuit of its energy efficiency and fuel poverty objectives

### **Background**

3. Some basic statistics that put current policies into context:

- The existing UK housing stock accounts for 30% of the energy use of which space and water heating account for 80%. The stock in Wales is proportionately older and therefore likely to be less energy efficient than that of England, 47% built before 1945 as compared with 40%.
- Fuel poverty, the inability to afford to heat ones home, affects in excess of 222,000 homes in Wales (17.5% of the total stock of 1.27m)

4. Current Policies are therefore driven by a combination of climate change and social deprivation concerns, in both the energy efficiency of housing has a major role to play.

5. Whilst in the medium term focus quite rightly rests with the existing stock the need to look beyond, as evidenced by the Royal Commission on Environmental Pollution (RCEP) Report on Energy and the recently published PIU Energy review, means that new additions to the stock have an important role to play (see Social Housing Standards and Building Regulations below).

## Consideration

### This report has been structured as follows:

- Climate change policies and drivers paras 6 to 15
- Fuel Poverty policies and drivers paras 16 to 27
- Programmes in support of domestic energy efficiency objectives paras 28 to 42
- Partners with which the Assembly works paras 43 to 54

### 6. A number of drivers in respect of domestic climate change policy/targets (EU, UK and NAW) either currently exist or are in the process of development:

#### The Home Energy Conservation Act 1995 (HECA)

7. Under the act local authorities have a duty to develop a strategy aimed at achieving a 30% improvement in energy efficiency in housing (all tenures) within a 10-year period commencing 1997. The Act also requires authorities to report regularly on progress against that strategy.

8. Performance to date amongst Welsh authorities (as in England) has been poor (the first 3 years has produced a mere 2.5% improvement). It is clear that neither energy efficiency nor fuel poverty is considered a high priority by some local authorities with little corporate interest or resources allocated.

9. Recognition of the lack of impact of HECA prompted Dr Desmond Turner MP to introduce a private members Bill 'The Home Energy Conservation Bill' currently going through its committee stage in Parliament. This bill seeks to extend the duties of local authorities in England and Wales to taking action in order to meet HECA targets and reflect government policies to eradicate fuel poverty. The bill has both Government and Assembly Government support.

10. In recognition of the need to improve the profile of energy conservation amongst Local Authorities (particularly senior management and elected members) agreement has recently been reached between Housing Directorate, the Energy Saving Trust and the WLGA to establish a post to provide strategic support to Local authorities to develop both energy efficiency and fuel poverty policies.

## Proposed EC Directive on the Energy Performance of Buildings

11. The proposed Directive currently under discussion in the European Parliament and related Energy Council focuses on the energy efficiency of buildings and related measures that will contribute to reducing Carbon emissions across the European Community.

12. In its Green Paper "Towards a European Strategy for Energy Supply", the European Commission (EC) highlighted the scope for energy savings in the buildings sector and possible measures to realise them. EC research has indicated that by improving energy efficiency, Carbon emissions from buildings could be reduced by 22%. Residential and commercial building sectors have been shown to be the largest overall end users of energy, mainly for heating, lighting, appliances and equipment.

13. Several key areas have been identified where the Commission proposes action:

- Establish a common methodology for calculating the integrated energy performance of buildings;
- Minimum standards of the energy performance of new buildings and minimum standards for renovation of existing buildings;
- The issue of energy performance certificates for public buildings;
- Regular inspection of boilers and air conditioning systems.

14. In addition to identifying priority areas, the proposal also advocates a number of strategic approaches which will help to improve energy efficiency in buildings and dwellings including opportunities for Combined Heat and Power (CHP) and renewables.

## **Building Regulations**

15. Building Regulations apply to England and Wales (not therefore a devolved matter). The regulations set standards of energy efficiency performance for both the building fabric and the equipment used to provide heat/cooling. Recent revisions to apply from April 1<sup>st</sup> 2002 are designed to improve the performance of new housing (8600 completions in Wales 2001) by approximately 25% through changes to the fabric 'U' Values, boiler and heating controls efficiency. The regulations now impact on the existing housing stock with the introduction of the requirements to be met when replacing existing windows and central heating boilers.

(Assembly interests are represented by officials through membership of the main advisory committee to DTLR and specific subject working parties developing changes to the individual elements of the Regulations).

**16. The main drivers/policies in respect of fuel poverty are:**

**National Housing Strategy (Welsh Housing Quality Standard)**

17. The strategy published earlier this year introduced The Welsh Assembly Government's vision is that all households in Wales shall have the opportunity to live in good quality homes. To ensure this, the physical standard and condition of existing social housing will need to be maintained and improved to the Welsh Housing Quality Standard.

18. The Standard has been developed to provide a common target standard for the physical condition of all existing social housing in Wales to be achieved by 2012. The headline standard stated that all homes should be '*adequately heated, fuel efficient and well insulated*'. Detailed technical guidance on the standard and the implementation process will shortly issued to all social landlords. That guidance will include target energy efficiency levels set to ensure adequate heating levels can be achieved at costs affordable by low income households.

### **UK Fuel Poverty Strategy**

19. The UK Fuel Poverty Strategy launched in November 2001 is a product of the Ministerial Group on Fuel Poverty, including Ministers from the DTI; DTLR; Cabinet Office; Department of Health; Department of Social Security; HM Treasury; the devolved administrations and the Energy Regulator. The Group aimed to take a strategic overview to ensure policies and new initiatives with a bearing on fuel poverty are co-ordinated across Government and integrated with the activities of relevant external bodies including the regulator and the energy industries.

20. The Strategy requires the Government and devolved administrations to develop policies with the overarching target of removing vulnerable households from fuel poverty by 2010. The Strategy sets interim targets, the policies to achieve those targets, and measures for monitoring progress. The Assembly has been heavily involved in the development of the strategy since inception. The Welsh Chapter of the Strategy sets out current policies and programmes together but does not represent a comprehensive strategy for Wales. Development of that strategy will flow from commencement of the Warm Homes Act (see below).

21. As part of the development of the UK strategy Assembly officials participated in a working group looking at opportunities to extend the gas network, lack of gas being an obstacle to affordable fuel in 22% of Welsh properties. Work is ongoing but the report of that group and its recommendations to government may be found on the DTI website under the 'Energy' topic.

### **The Warm Homes and Energy Conservation Act 2000**

22. This act due for commencement in Wales on April 1<sup>st</sup> 2002 places a responsibility on the Assembly to put in place, within 12 months of commencement, a strategy to tackle fuel poverty in Wales. That strategy is required to define the extent of the problem and specify a comprehensive package of measures for ensuring the efficient use of energy. It must specify interim objectives and a target date for achieving the objective of ensuring that, as far as

reasonably practicable, people do not live in fuel poverty. The Act proposes a 15 year longstop date, from commencement, for the achievement of its objectives.

## **Social Housing Standards and Energy Efficiency in Wales**

23. Social housing standards in the form of Development Quality Requirements (DQR) have been evolving since the responsibility for controlling the expenditure of grant funded Registered Social Landlords (RSL's) was given to Tai Cymru in 1989.

24. The Standards that apply to new and rehabilitated housing are designed to protect public investment in Registered Social Landlords in Wales and to safeguard the interests of their tenants.

25. Development Standards have always been concerned with the providing tenants with comfortable homes at a cost, which they can afford. The standards for new dwellings have consistently been in excess of the prevailing Building Regulations (part L) through the setting of SAP ratings and minimum U values in recognition of the client groups limited means.

26. Energy efficiency standards also apply to existing and rehabilitated dwellings and minimum SAP ratings are set for schemes where major improvement works are being carried out. RSLs are required to take all cost effective opportunities to upgrade the thermal and ventilation performance of the dwelling to ensure that homes are heated to a comfortable level at an affordable cost.

27. With the introduction of higher standards through the Building Regulations the Housing Directorate is looking at developing standards further and is inviting RSLs to submit bids for funding under the Social Housing Innovation Programme (SHIP) see below.

**28. The main programmes through which the Assembly pursues it's domestic energy efficiency objectives may be summarised as:**

### **The Home Energy Efficiency Scheme (HEES)**

29. With a budget of £9m in 2002/02 rising to £12.9 in 2003/04 the scheme offers a range of insulation and heating measures to households in receipt of passported benefits. 30% of funding is currently available to the social housing sector. The scheme is comparable to similar other UK country programmes though it continues to develop in response to welsh needs and priorities. The current Plan for Wales includes a target of assisting 38,000 households by 2004.

30. Current measures provide best support to houses on the gas network.

If used correctly and with appropriate insulation measures electric storage heaters can provide an effective and efficient form of heating however, we recognise that these are not always the most popular form of heating with individual householders. In order to ensure that the most appropriate measures under the scheme are on offer throughout Wales, the directorate has commissioned research to examine all the alternative sources of heating (LPG, electricity, oil and emerging renewable sources) that could form a credible alternative to natural gas in rural Wales.

31. The study will have regard to costs, both installation, fuel and on-going maintenance costs, ease of operation and environmental considerations. The results of the research due in early March 2002 will include recommendations on the most promising heating source and insulation options which might be the subject of practical piloting.

32. HEES in conjunction with the gas transporter TRANSCO, ELWa and GWINTO the gas industry NTO has been developing a training scheme for gas fitters to address industry shortages and provide employment opportunities including the retraining ex Corus employees

### **Energy Efficiency Commitment 2002 to 2005**

33. Under the Utilities Act 2000, the Government assumed responsibility for setting the Energy Efficiency Commitment (previously known as the Energy Efficiency Standards of Performance) This is an obligation on energy suppliers to fund domestic energy efficiency measures which are intended to focus help on pensioners and low income consumers.

34. The 2002/05 scheme will:

- Ensure that Wales will be offered a full share of the benefits available in proportion to the Welsh customer base;
- require the utilities to deliver at least 50 per cent of their obligation through savings for priority groups of consumers, which should be defined as pensioners and other households in receipt of health and other income benefits and;
- Provide priority householders with on-going annual savings of around £16.50 per year; and other consumers an average of £7.50 per year (£10 per year taking all households together).

35. Energy efficiency measures offered are likely to include loft insulation, cavity wall insulation, tank insulation, energy efficiency fridges and other appliances, and central heating boilers.

36. Whilst individual company targets under the EEC will be set in terms of energy saved the government believes these can be delivered at a cost not exceeding £3.60 per customer per fuel per year. Based on this indicative cost the total level of investment Wales might expect would be of the order of £7.5m annually of which 50% would be directed at the fuel poor.

37. On the basis of the Assembly Partnership Agreement commitment to integrate HEES with other sources of funding officials have sought, in discussions with DEFRA and the industry, to ensure Wales receives its fair share in a manner which makes sense to our activities aimed at tackling fuel poverty.

### **DTI renewables Field Trial programmes**

38. Three social housing schemes in Wales have been successful in bidding for government support towards the cost of installing Photo Voltaics. Further programmes are expected for large-scale PV field trials and a Solar Roof demonstration programme.

### **Micro CHP trials**

39. In conjunction with DEFRA, the directorate expects to participate in large scale (6000 installations across England and Wales) trials of small scale (1-3kw) domestic installations. The technology could prove useful for those households that have access to mains gas but are difficult to insulate as they have solid walls.

### **DEFRA Community Energy programme**

40. The Government's Community Energy programme has £50 million available for capital expenditure over the next two years for Local Authorities, Registered Social Landlords (RSLs), Hospitals, Universities and other public service organisations. It will be managed by the Energy Saving Trust and applies to England, Wales, Scotland and Northern Ireland. The programme supports the refurbishment of existing, and the installation of new, community heating schemes. Initial pathfinder bids are due by March 8th. Further bidding rounds will be held in 2002-3 with expected deadlines of the end of June and October.

### **RSL Social Housing Innovation Programme (SHIP)**

41. This programme with a budget of £2m for 2002/04 supports the National Assembly drive to improve housing quality and promote sustainable development through the incorporation of environmental and energy efficiency improvements in SHG funded housing schemes. The programme is intended to inform the development of new standards and provide incentives to the development of best practice and implementation of Rethinking Construction. First bids are

due by 31<sup>st</sup> March 2002

## **Transco Affordable Warmth Programme**

42. Affordable Warmth is a partnership between Transco, local authorities, finance providers and energy charities. It offers LAs and other public sector housing providers the opportunity to lease central heating systems at beneficial rates. As part of the initiative Transco are also providing up to £10m to train gas fitters. Under the operating leasing arrangements Transco underwrite the residual payments thus reducing risk to the lender and premiums to the LA. Transco underwrite the leasing arrangements for the central heating installations under New HEES.

**Some of the partners with which the Assembly works in pursuit of both energy efficiency and fuel poverty objectives include:**

### **The Energy Saving Trust**

43. The Energy Saving Trust has a UK remit to promote the reduction of greenhouse gases from the domestic and small business sector. The National Assembly for Wales has supported EST–Wales since November 1999 with accommodation and ancillary support. The Energy Saving Trust in Wales works in partnership with many key decision makers across Wales on a diverse range of issues including, energy suppliers, education, transport, health and the domestic sector.

44. In partnership with EST the Assembly has developed specific programmes in Wales including Transport – the provision of 2 LPG stations in Gwynedd, support for the 4 Energy Efficiency Advice Centres in Wales, funding support for 160 schools in Wales under the Schoolenergy programme and partnerships under Keep Well This Winter.

45. Officers and members of the local authorities are supported by the EST in respect of the Home Energy Conservation Act with the provision of help and advice in ways to achieve their objectives under the Act. As mentioned above under HECA EST in partnership with the Assembly is establishing a post with the WLGA that will help integrate energy efficiency into the policy making structure of local government in Wales.

46. EST support programmes in Wales have assisted the development of the South Wales Energy Partnership aimed at providing preferential fuel prices and energy efficiency improvements to social housing tenants. Recently feasibility funding has been provided to the Groundwork Trust Bridgend to investigate setting up a solar hot water heating installation programme aimed at the social housing sector.

### **National Energy Action (NEA) Wales**

47. The NEA is the national charity that develops policies and practical programmes to remedy poor standards of heating and insulation that are the primary cause of fuel poverty. Since its establishment in 1981, NEA has played a key role in the development of energy efficiency programmes which have provided assistance in more than 3½ million dwellings across the UK, helping to reduce fuel bills and/or increase comfort for those who have the greatest difficulty in heating their homes to the standard required for health and comfort.

48. In 2000 with support from the Assembly NEA established NEA Wales in recognition of devolution and the needs to reflect Welsh problems and priorities. Assembly approved funding for NEA Wales for 2000/02 totalled £135,000.

49. The objectives of the organisation are to increase investment in energy efficiency; encourage and promote policies which address the energy needs of low-income consumers; identify good practice in energy efficiency; produce education resources and develop curricula in energy efficiency; and improve standards and encourage achievement of competence in energy efficiency skills.

50. The Directorate is discussing with NEA a potential role in raising the profile of fuel poverty amongst local authorities in conjunction with the WLGA/EST post referred to above likely to focus on the development of Affordable Warmth strategies together with training /education to complement the Assembly's Warm Homes Act strategy.

51. The NEA hosts in conjunction with the directorate quarterly Fuel Poverty Forums in Wales that provide an opportunity for discussion, dissemination of information and best practice to a variety of interested representatives from the housing, healthcare, social services, energy and voluntary sectors.

## **Energywatch**

52. Energywatch is the independent consumer champion and advocate for gas and electricity consumers. It was established by the Government to investigate and resolve complaints against gas and electricity companies. They offer a one stop service to help consumers make contact either by phone, letter, in person, e-mail or the web.

53. Its aim is to foster confident and assertive consumers who know their rights, and to help them put pressure on companies to get better deals and improved services. It aims to work with companies to improve industry performance for the customer; to campaign on safety issues and the safe delivery and use of gas and electricity and to campaign for the eradication of fuel poverty and the delivery of real benefits for low income customers.

54. Last year Energywatch Wales visited every unitary council area to raise awareness of the

Priority Service Register held by gas and electricity suppliers, which provides additional free services to customers who are of pensionable age, disabled, chronically sick, blind or visually impaired, deaf or hearing impaired. They also used the opportunity to provide impartial advice and information on all gas and electricity matters and have teamed up with Age Concern, Care and Repair, RNID, RNIB, EAGA, Disability Rights Commission and the Energy Advice Centres to hold advice surgeries in each of the 22 authorities.

## **Financial Implications**

55. None, this paper is a statement of current policies and programmes the financial implications of which have already been separately identified and approved.

## **Compliance**

56. There are no compliance issues, this paper is a statement of current policies and programmes for which any compliance issues have already been separately identified and approved.

## **Action for Subject Committee**

57. The Committee is asked to note the Assembly Government's current domestic energy efficiency policies and programmes and those of Government which impact on Wales.

## **Construction and Domestic Energy Branch Housing Directorate**