

National Assembly for Wales
Environment and Sustainability Committee
EEFP 19
Inquiry into Energy Efficiency and Fuel Poverty
Response from: Calor Gas

CALOR GAS LTD RESPONSE TO THE NATIONAL ASSEMBLY FOR WALES' ENVIRONMENT AND SUSTAINABILITY COMMITTEE CONSULTATION:
INQUIRY INTO ENERGY EFFICIENCY AND FUEL POVERTY IN WALES

TERMS OF REFERENCE:

- To examine progress towards meeting the Welsh Government's statutory targets for eradicating fuel poverty in Wales by 2018.
- To review the implementation to date by the major energy suppliers of the Energy Company Obligation (ECO) and other measures to alleviate fuel poverty in Wales.
- To consider the impact of the Welsh Government's existing energy efficiency programmes (Nest and Arbed) and UK Government initiatives such as the Green Deal.

EXECUTIVE SUMMARY:

- Calor agrees that the most effective way to tackle fuel poverty is to invest in improving the energy efficiency of the homes of low-income households. Calor welcomes the fuel poverty eradication target of 2018 and commends the National Government funding for fuel poverty and energy efficiency schemes.
- Calor has serious concerns regarding access to, and the delivery of, existing fuel poverty and energy efficiency schemes into rural off-gas grid areas of Wales. The incidence of fuel poverty in rural Wales is almost double the level of urban fuel poverty and the rural fuel poor experience a greater fuel poverty gap than their urban counterparts.
- It is encouraging that both Nest and Arbed identify rural areas, off gas properties and hard-to-treat homes as priorities for action. However to date activity has largely been focused in urban areas.
- Rural does not always equal off-gas, neither does off-gas equal rural; a significant number of off-gas and hard-to-treat properties exist within urban areas.
- It is encouraging that Wales has been able to secure higher levels of ECO funding than England, as a result of aligning ECO funding Nest and Arbed. However ECO is largely failing rural areas - Calor has serious concerns regarding access to, and the delivery of ECO in rural off-gas grid areas, and in particular the delivery of the Affordable Warmth and Carbon Saving Communities elements of ECO.
- The Green Deal Home Improvement Fund (GDHIF) has specifically excluded heating oil and LPG boilers from the scheme thereby further disadvantaging rural householders.

CALOR RECOMMENDATIONS:

- Calor argues that special assistance should be given to householders living in rural off-gas grid areas.
- Calor asks that the Welsh Assembly Government investigates how many energy efficiency improvements under Nest and Arbed have taken place in properties both rural and located off the mains gas network.
- The Welsh Assembly Government should utilise existing funding under Nest and Arbed to encourage ECO suppliers to deliver measures into rural communities under both the AW and CScO elements of the scheme.
- Calor would urge the Welsh Assembly Government to consider a similar scheme to the Scottish Green Homes Cashback scheme which provides funding to deliver replacement LPG and heating oil boilers.
- Calor wants to work proactively with the Welsh Assembly Government to integrate the learning's from Calor's own rural off-gas grid fuel poverty initiative within the existing Welsh national energy efficiency programmes.

SUBMISSION:

1. Rural Fuel Poverty in Wales:

- 1.1 Calor agrees with the Welsh Assembly Government's view expressed in their fuel poverty strategy that the most effective way to tackle fuel poverty is to invest in improving the energy efficiency of the homes of low-income households. The statutory target for the eradication of fuel poverty in Wales by 2018 is laudable, and Calor commends the Welsh Assembly Government for, unlike England, having not only retained but increased National Government funding for fuel poverty and energy efficiency schemes since the publication of the fuel poverty strategy.
- 1.2 However, Calor has serious concerns regarding access to, and the delivery of, existing fuel poverty and energy efficiency schemes into rural off-gas grid areas of Wales¹, and in particular the delivery of the Affordable Warmth and Carbon Saving Communities elements of the Energy Company Obligation.
- 1.3 The 2008 Living in Wales Survey found that the proportion of households in rural Wales in fuel poverty was 42% - almost double that of fuel poverty in urban areas of Wales at 22%. Fuel poverty statistics for England, published by DECC in August 2013, showed that under the Low Income High Cost indicator, rural fuel poor households experience a far higher fuel poverty gap than their urban counterparts; £588 for rural households against an average gap of £404 for all households and £361 for urban households. It follows that a similar fuel poverty gap discrepancy between urban and rural is likely to exist in Wales.
- 1.4 Income levels, the energy efficiency of properties, and energy prices, are key factors affecting fuel poverty levels. Research has indicated that 25% of households located in rural areas live below 60% of the UK median income. Rural Welsh residents are also more likely to live in older, larger dwellings, which are often both harder to heat and harder to insulate. They are also reliant on energy sources which are typically more expensive than natural gas, such as heating oil, LPG (Liquefied Petroleum Gas), electricity and solid fuel.
- 1.5 However, in spite of the higher incidence of rural fuel poverty and the deeper rural fuel poverty gap, previous energy efficiency schemes such as CERT and CESP have demonstrated that national programmes can often be focused largely on urban areas where assistance can be delivered at a lower cost and in greater volumes - to the detriment of delivery in rural areas. As rural off-gas grid Wales contains some of the worst performing housing stock and almost double the level of fuel poverty as urban Wales, Calor argues that special assistance should be given to householders living in rural off-gas grid areas. However the Welsh Assembly Government's previous programme for tackling fuel poverty – the Home Energy Efficiency Scheme – offered only standard insulation measures (cavity wall and loft), although it did give very limited provision for harder to treat and off-gas grid properties.

2. Nest:

- 2.1 It is therefore extremely encouraging that the successor to HEES – the Welsh Assembly Government's Nest scheme, which came into force in April 2011 – identifies rural households as a particular target group and includes suitable measures, such as solid wall insulation. Nest has used mapping tools and worked with Wales & West Utilities to identify properties to target, including communities located beyond the mains gas network.
- 2.2 However, it appears as though Nest is subject to similar failings as its predecessors. There is evidence to suggest that in spite of its rural acknowledgement, activity remains primarily within urban areas, with rural householders not benefitting from the scheme to the same degree as their urban counterparts. The Nest annual report which details the breakdown by urban and rural classification of customers receiving a home energy improvement

¹ It is important to note that rural does not always equal off-gas, and off-gas does not always equal rural. Around 206,000 homes (16%) in Wales are located off the mains gas network. However, around half of the off-gas households in GB (49%) are located in urban areas; these are primarily where health and safety regulations prohibit mains gas installations (i.e. high rise flats). Similarly whilst 35% of the Welsh population live in what is classified as a 'rural' area, many of these homes have access to the mains gas grid. Calor, therefore, believes that a particular fuel poverty focus should be given to those who are both located in a rural area and without access to the mains gas grid.

package, shows that in the first year of the scheme (April 2011-March 2012) the vast majority of customers (79%) receiving installations via Nest were located in urban areas. Only 21% of installations under Nest were completed within rural areas. The second year of Nest (April 2012 – March 2013) demonstrated some improvement; whilst the majority of householders (62%) were located in urban areas, those located in rural areas accounted for (38%) – an increase of 17% on the previous year.

- 2.3 With fuel poverty twice as prevalent in rural areas as urban, Calor argues that this imbalance needs to be urgently addressed and as such welcomes the recent announcement by Alun Davies, Minister for Natural Resources and Food, that the Nest scheme manager has been asked to investigate the potential for developing Nest pilot projects to tackle off-gas and hard-to-treat homes. However, as previously highlighted, rural does not always equal off-gas, neither does off-gas equal rural; a significant number of off-gas and hard-to-treat properties exist within urban areas. As such, Calor would ask that rural off-gas properties are not overlooked within this process, and that the Welsh Assembly Government investigates how many of the rural installations have taken place in properties both rural and located off the mains gas network.

3. Energy Company Obligation:

- 3.1 The Ofgem roundtable on fuel poor off-gas grid customers in October 2012 identified a need for funding schemes to be better aligned to meet overall objectives. The Welsh Government subsequently committed to adapting its funding programmes to dovetail with UK wide programmes such as ECO and Green Deal. This commitment was welcomed as it was anticipated that Wales would be able to secure higher levels of ECO funding than England, as obligated suppliers could align their work with existing schemes and funding streams from Nest and Arbed. Indeed as a result of the £16 million invested in Nest 2013, over £3.5 million of additional ECO funding was secured.
- 3.2 However there is evidence that ECO is also failing rural areas. Based on the statistics from the first 17 months of the ECO, Calor has serious concerns regarding access to, and the delivery of ECO in rural off-gas grid areas, and in particular the delivery of the Affordable Warmth and Carbon Saving Communities elements of ECO. ECO-obligated suppliers have full discretion regarding the extent of support and the measures delivered, and evidence suggests that suppliers are providing a limited number of energy efficiency measures to eligible rural households, if at all.
- 3.3 The need to intervene to provide distributional equity to rural households was partially recognised by DECC when they included heating oil and LPG boiler replacements in the eligible technologies under the Affordable Warmth element of ECO, and mandated that 15% of the Carbon Saving Communities obligation should be targeted to install insulation measures on behalf of low-income or vulnerable households in rural communities with a population of less than 10,000. This delivery is estimated to cost £25 million per year across GB. However, from the outset Calor, and other organisations, raised concerns about the validity of the 10,000 inhabitant threshold. This number of inhabitants suggests a large 'rural' settlement, and potentially may include urban fringe. The support, therefore, is unlikely to be delivered to communities located in rural off-gas grid areas, particularly in rural Wales, where even large village populations are more likely to number in the hundreds of inhabitants, rather than the thousands.
- 3.4 Furthermore, the current rural safeguard under the Carbon Saving Communities Obligation (CSCo) is failing to deliver assistance into rural off-gas grid areas. DECC statistics² released on 20th May 2014 indicate that out of the 776,369 total measures installed under ECO, including 122,163 under the CSCo, only 789 of these measures were installed within the rural sub-obligation. These 789 measures account for 0.1% of total ECO measures installed to end March (776,369) and only 0.6% of total CSCo measures installed (122,163). Note that 15% of CSCo is supposed to be 'ring-fenced' for rural communities.

²https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/312499/Monthly_Statistical_Release_-_Green_Deal_and_ECO_in_GB_20th_May_Final.pdf

- 3.5 Finally, whilst all fuel types are eligible under Affordable Warmth (AW) criteria, ECO obligated suppliers are not funding heating oil or LPG boiler repairs or replacement due to the higher costs and additional complexities of them delivering these boilers.
- 3.6 As ECO is funded via a levy on consumer bills, the cost burden of ECO is being disproportionately carried by poor and vulnerable Welsh off-gas grid consumers who are failing to benefit from the scheme. The Welsh Assembly Government must do everything within its devolved powers to encourage ECO suppliers to deliver measures into rural communities under both the AW and CCo elements of the scheme. Utilising existing funding under Nest and Arbed would be a practical way to facilitate this.

4. Green Deal Home Improvement Fund:

- 4.1 There is evidence that the Green Deal is also failing to benefit rural consumers. The Green Deal Home Improvement Fund (GDHIF) launched in May 2014 provides householders with additional financial support to carry out energy efficiency improvements within their home. Boiler replacement is included within this funding, however only natural gas boilers qualify, with heating oil and LPG boilers specifically excluded from the scheme. It is interesting to note that the Scottish Government has included LPG and heating oil boilers in their version of GDHIF – the Green Homes Cashback. Calor would urge the Welsh Government to consider a similar scheme.

5. Arbed:

- 5.1 Arbed has been more successful in targeting rural areas of Wales. In phase one 6,700 measures were installed in over 6,000 homes, including 2,896 internal or external wall insulation measures for walls which were unsuitable for cavity wall insulation, 1,066 solar thermal systems, 121 heat pumps (mostly air source), 765 fuel switches to mains gas and 1,797 solar PV arrays. Phase two is targeting 5,000 properties meeting a variety of criteria, including levels of deprivation and welfare benefit take up; number of off-gas grid properties and solid wall properties; whether the area is a strategic regeneration area, renewal area or Communities First area; and the number of private rental properties.
- 5.2 There is a clear drive to include rural areas which do not have access to the mains gas network in the scheme which is to be welcomed. However, as previously stated, it should be noted that not all off-gas grid properties are necessarily rural, and as the area based nature of the programme favours areas with higher densities of properties, this may in turn disadvantage rural off-gas grid properties where population concentration tends to be more sparse. In addition, fuel switching to mains gas would not be appropriate in areas with no access to the mains gas network, unless accompanied by a gas mains extension project, which for much of rural Wales is neither practicable nor affordable due to the distance from the mains gas network.

6. About Calor Gas:

- 6.1 Calor Gas Ltd is an experienced, specialist provider of energy to off-gas grid rural communities. Calor began operating in 1935 with the aim of bringing clean, efficient and modern energy solutions to homes and businesses across Great Britain. Today Calor continues to play a vital role in meeting rural Wales' energy requirements, supplying bulk and bottled LPG (Liquefied Petroleum Gas) to Welsh homes and businesses located off the mains gas grid 365 days a year. As Britain's leading supplier of domestic LPG, Calor has developed an excellent understanding of the unique energy challenges that rural householders face. Calor supports Westminster and the Welsh Assembly Government efforts to tackle rural fuel poverty. As an energy provider Calor takes its responsibilities very seriously and wants rural property owners to have a strong voice in the fuel poverty and energy efficiency debate - and the same opportunity to reduce their fuel costs, and carbon emissions, as exists in urban on-grid areas. Since 2010, Calor has been working with National Energy Action Cymru to raise awareness of, and find practical solutions to, rural fuel poverty through the Future of Rural Energy (FREE) initiative. The project was the first national dedicated fuel poverty scheme designed to solely support fuel poor households in rural, off-gas grid communities in Wales. The initiative has raised awareness of rural fuel poverty issues within the National Assembly for Wales, and with charities and NGO's including Consumer Focus Wales. It has mapped

the level of fuel poverty in off-gas grid areas of Wales, providing an indication of the extent and location of fuel poverty within off-gas grid Wales. It has also delivered practical activity in the Llŷn Peninsula and West Ceredigion – two areas with the highest levels of off-gas grid fuel poverty in Wales - where NEA Cymru trained rural advice workers in fuel poverty and energy efficiency awareness. These advice workers are now acting as local energy champions within off-gas grid communities, raising awareness of rural fuel poverty and helping to facilitate practical energy efficiency solutions. Evidence gathered from the Calor project was used to inform a policy report outlining the experiences and lessons learned by stakeholders, advisors and communities who took part and benefited from the project. The report was launched at an event attended by Alun Davies, Minister for Natural Resources and Food, at the Assembly in June 2013. Calor is continuing to work with NEA Cymru, and in 2014 the FREE initiative is helping Town and Community Councils, through One Voice Wales, to tackle fuel poverty in off-gas grid communities. Calor is committed to ensuring a fair deal for rural householders by keeping energy costs as low as possible whilst also working with organisations such as NEA Cymru, with the overall aim of eradicating rural fuel poverty.