National Assembly for Wales
Environment and Sustainability Committee
EEFP 20
Inquiry into Energy Efficiency and Fuel Poverty
Response from: Energy Saving Trust

energy saving trust | ymddiriedolaeth arbed ynni

1. Introduction

1.1 In 2000, the UK government set a target to end fuel poverty by 2016. In 2010 Wales launched its fuel poverty strategy[1]. Since that time, rising fuel prices have largely undone the progress made through energy-efficiency improvement programmes. There is still a pressing need to tackle cold, unhealthy homes.

1.2 The Energy Saving Trust is committed to reducing the UK carbon emissions, but it is clear that fuel poverty and the sustainable use of energy can only be addressed together – fabric measures coupled with sustainable support for behaviour change.

1.3 Tackling fuel poverty can only be achieved in partnership. The Energy Saving Trust is delighted to be working on the Nest[2] and arbed2 programmes in Wales. Delivery is achieved by getting to the households needing support. This is achieved through collaborative working with an extensive network of partners and stakeholders, engaging with customers at risk of fuel or severe fuel poverty and providing impartial and individual support. Additional essential support is by onward referral for detailed financial help and installation of energy efficiency measures, where relevant.

1.4 We want to see Local authorities taking the most proactive role possible to tackle fuel poverty, and government guiding them to do this through a reinvigorated Home Energy Conservation Act. HECA was repealed in Wales because a number of sources (including the National Assembly Audit Committee) commented it was not working. It was superseded by the National Energy Efficiency and Savings Plan and the standards for social housing were set through the Welsh Housing Quality Standard[3]. But the collection of core data to make informed decisions is an essential part of delivering the right solutions to the right properties.

1.5 Specifically, we want local authorities to:

1.6 Develop financing strategies for large-scale energy efficiency retrofit;

1.7 Ensure they have the right data about their housing stock and communities to target action;

1.8 Work proactively with social and private landlords in their area, particularly those who have F and G rated homes. Local authorities should be fulfilling their duties under environmental health legislation to monitor homes for serious cold hazards (leading to damp and mould);

1.9 Ensure all householders, particularly fuel-poor householders, are able to access free and impartial support and advise about what they can do in their situation to better manage their energy use, reducing their bills while maintaining their comfort.

1.10 Fuel poverty mapping for Wales, linked to solutions implemented. The last Wales wide mapping was produced in September 2008[4].

[1] http://wales.gov.uk/topics/environmentcountryside/energy/fuelpoverty/strategy/?lang=en
[2] http://www.nestwales.org.uk/Resources
[3] http://www.assemblywales.org/cr-ld7213-e.pdf
[4] http://wales.gov.uk/statistics-and-research/local-fuel-poverty-maps-wales/?lang=en

1.11 Energy suppliers, government and Green Deal providers collaborating around appropriate use of data to reach customers who can benefit from Green Deal and ECO, for example, by making best use of Energy Performance Certificates and other existing data;

1.12 Energy suppliers, government and consumer groups ensuring all customers are given effective advice and support alongside the smart meter roll out, with further support for vulnerable customers;

1.13 Funders in the UK and across Europe implementing research and development into how smart technologies can support energy bill management and financial inclusion for poorer households.

1.14 DECC's Fuel Poverty Advisory Group and many other organisations have argued lessons can be learnt from policy progress in Wales and Scotland where the Green Deal and ECO will work alongside ongoing programmes of direct government grants for households. Looking north of the border will allow greater information and sharing, collaborating to better design solutions appropriate for those in fuel poverty. The proposal to link home energy efficiency investment to carbon taxes could be a way for all UK governments to target revenue on this critical issue.

1.15 We note the finding of Professor John Hills' review for UK government into the measurement of fuel poverty stated "the daunting scale of the challenge" we will almost certainly still face to address fuel poverty in 2016. So already we have a sign the English target will not be met even under the new definition, even though that would have represented a considerable reduction in the numbers of those classed as in fuel poverty in Wales. More action is required.

2. Strategic context

2.1 In the year 2010, the government made a commitment to the low-income households. By 2016, it said, fuel poverty in this country would be history. At the time, 2016 seemed a long way away; the target appeared reasonable – more than reasonable for a developed nation, some would say – and eminently achievable.

2.2 It is generally recognised that the best way to protect people against fuel poverty is with energy efficiency improvements supported with relevant impartial and sustained advice. But, in recent years, all the progress made in tackling fuel poverty through energy efficiency has been undone through rising fuel prices. Electricity bills rose by 20% (in real terms) in the six years from 2007, and gas bills rose by 41% (in real terms) over the same period[5].

2.3 The result is that levels of fuel poverty now are estimated to be about the same as they were when the UK government committed to abolish the problem. The UK Fuel poverty update 2014[6] estimates that 6.59m households were in fuel poverty, an increase of almost 2.25m since DECC figures published for 2011, a significant 29% of Welsh households.

2.4 The need to tackle cold, unhealthy homes does not go away. The Hills Review of fuel poverty (Welsh Government analysis for Wales[7]) estimated that more people die because of cold homes than die on

[5] Average annual domestic electricity and gas bills, DECC, Dec 2011 available from: http://www.decc.gov.uk/en/content/cms/statistics/energy_stats/prices/prices.aspx December 2011

[6] Association of the Conservation of Energy Fuel poverty report 2014

[7] http://wales.gov.uk/statistics-and-research/wales-fuel-poverty-projection-tool/?lang=en

the nation's roads[8]. In Public Health White Paper, published in 2010, the UK Government stated, "We could prevent the yearly excess winter deaths – 35,000 in 2008/09 – through warmer housing". A large proportion of morbidity is in those struggling with fuel bills.

2.5 Energy Saving Trust have helped thousands of people struggling to pay their energy bills each year, building a clearer picture of the actual situation from direct householder engagement. We've carried out analysis of our energy saving advice services in England and Wales, finding: more than a quarter (28%) of our customers find it difficult to heat their home; six out of 10 (62%) worry about energy bills; one fifth (20%) say energy bills are a cause of real personal stress.

2.6 We also asked UK customers how much they spend on energy bills and found: 21% spent more than a tenth of their household income on fuel; 11% spent more than a fifth of their household income on fuel.

2.7 If you are in fuel poverty you are not in control of one of life's basis needs. It means you are not able to use the energy you need, when you need it, to keep your home warm and comfortable. New technology can help to give back some of that control and the smart meter roll out will be a fundamental step in the re-engagement of households with their energy use, while providing mega data on consumption. But the flow of accurate, up-to-date information from this data is vital for the delivery of support to the households that most need it.

3. What does the data tell us?

3.1 Fuel poverty across the UK in 2011 (DECC) stood at: England 15% of all households; Scotland 25%; Wales 29%; Northern Ireland 42%. The issue is not diminishing.

3.2 Energy Saving Trust undertook analysis of the data available on the housing stock in Wales, based on the most recent data – Living in Wales 2008 - for Welsh Government in 2012[9], which concluded:

3.3 The Living in Wales 2008 survey shows that there were 330,000 households in fuel poverty in Wales. Analysis based on the Association for the Conservation of Energy (ACE) refurbishment calculator estimates that it would cost £2.45bn to remove 95% of households in Wales from fuel poverty by improving the energy performance of their homes. Appendix 1 details the measures applicable to homes in fuel poverty in 2008 in order to remove 95%.

3.4 This programme could save around £283 million per year in energy bills, which would likely be reinvested in the local Welsh economy.

3.5 5% of Welsh households could not be removed from fuel poverty solely by improving the energy performance of their homes – these households would need some extra assistance, for example increased income or help securing a good deal on their bills to remove them from fuel poverty.

3.6 The approach could reduce residential CO2 emissions by around 1.5 MtCO2e/year[10]. The Welsh Government's 3% a year greenhouse gas reduction target in the residential sector equates to around 0.22 MtCO2e/year, every year.

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[8] Fuel Poverty: The problem and its measurement; Interim Report of the fuel poverty review, John Hills, CASE, Oct 2011, available from: http://www.decc.gov.uk/assets/decc/11/funding-support/fuel-poverty/3226-fuel-poverty-review-interim-report.pdf

[9] Costs and benefits of tackling fuel poverty in Wales in 2008, (2012) Energy Saving Trust

[10] MtCO2e is mega tonnes of carbon dioxide equivalent

3.7 60% of households in fuel poverty in 2008 could be removed from fuel poverty for £333m by installing basic measures costing no more than £3,300 per house, with a greater reduction if done as a mass retrofit programme. Measures such as loft insulation, cavity wall insulation, draught-proofing and new boilers coupled with specific, relevant and credible advice on behaviour changes to maximise savings while maintaining adequate warmth and comfort with the consequence of improvements to health and wellbeing. This compares favourably to the current refurbishment projects which are working to a figure closer to £6,000 per house

3.8 We note from the Welsh Government water strategy, future focus will be on reducing water poverty and hence bills. Our recent At Home with Water Report highlighted that 25% of the average energy bill is attributable to hot water use in the home, a major portion of energy bills. Simple measures and advice can be incorporated in Nest and arbed programmes, with immediate benefits.

4. Energy company obligations (ECO)

4.1 We strongly believe the best way to protect householders from rising energy bills in the long term is home energy efficiency measures with relevant advice and support. In the context of last winter's political debates about energy bills, we do not agree with the Westminster Government's decision to cut the ECO programme in order to deliver short term reductions in bills.

4.2 We are concerned at the detrimental impact of the cuts, for example on the delivery of solid wall insulation, a key measure for the transition to an energy efficient building stock and a low carbon economy, particularly relevant to such a significant proportion of the Welsh Housing stock.

4.3 Commitments have now been made at the highest level and achieving a £30-£35 cut on consumer bills from ECO is seen as a political necessity, but will not make much of an impact to those in, or approaching fuel poverty. We strongly believe that the cuts proposed in the current consultation go beyond what is required to achieve that level of reduction on bills, while leaving a legacy for those in fuel poverty and living in "leaky homes".

4.4 As evidence, we point to the rapidly falling price in brokerage for all three sub-programmes. Analysis by ACE shows that DECC's Assessment of Impacts may underestimate carbon emissions reduction obligation (CERO) delivery achieved to date. If so, only a very small element of additional delivery is required under CERO to meet the 2015 delivery target. In the light we are concerned there will be a reduction in delivery, and as such, fuel poverty reduction.

4.5 We support action to improve ECO in order to: minimise additional customer contributions within home heat cost reduction obligation (HHCRO). Customers also need greater clarity and advice about these charges; ensure more support from HHCRO reaches electrically heated homes; ensure the 2015-2017 ECO programme reaches groups who have not fared well under ECO and its predecessor obligations – such as private rented tenants and people in remote rural areas; expand relevant use of ECO funds for innovative solutions such as recent work on park homes.

4.6 Energy Saving Trust works closely with all devolved governments. It is important that changes to ECO (for example in regard to additionality rules) do not restrict devolved governments from promoting the use of ECO finance alongside devolved government programmes to maximise the benefits for those in fuel poverty. Even through the consultation has not reached a conclusion, there

are already changes being implemented in the approach adopted by energy obligated companies in the way some funding is allocated and the measures targeted.

Appendix 1

Measures installed (as modelled):	Number of measures	Cost (£m at 2008 prices)	% of Welsh properties requiring measure
Loft top-up	145,000	£26m	*44%*
Loft – full insulation	44,000	£11m	13%
Cavity wall insulation	52,000	£13m	16%
Internal wall insulation	7,000	£17m	2%
External wall insulation	62,000	£572m	19%
Double glazing	16,000	£75m	5%
Draught proofing	108,000	£11m	32%
Energy efficient lighting	288,000	£6m	87%
Gas condensing boiler	134,000	£266m	40%
Oil condensing boiler	77,000	£230m	23%
Biomass boiler	16,000	£114m	5%
Air source heat pump	1,800	£14m	1%
Ground source heat pump	11,000	£143m	3%
Improvements to heat distribution	28,000	£173m	9%
Solar water heating	87,000	£416m	26%
Solar electricity generation[11]	67,000	£365m	20%
Total[12]		**£2,450m**	

Table 1: Measures applied to Welsh homes to remove 95% of these households from fuel poverty (2008 data baseline)

[11] The cost of a 4kW solar panel has reduced n cost from 2000-2014 by more than 60%, while performance has also shown an improvement. It is therefore likely there would be a reduction in the cost of installing solar PV.

[12] Recent advances in Fuel cell technology could now provide a viable solution for some properties, but will require some regulatory changes.