Financial Scrutiny Unit Briefing

Fuel Poverty in Scotland

9 March 2015

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There were an estimated 940,000 households living in fuel poverty in Scotland in 2013, equivalent to 39% of all households. The Scottish Government is aiming to eradicate fuel poverty in Scotland, “as far as is reasonably practicable”, by November 2016. This briefing looks at the statistics on fuel poverty, the policy measures in place to tackle fuel poverty and the levels of spending directed at tackling fuel poverty. The briefing includes two case studies which illustrate how Scottish Government policies complement the UK-wide energy company obligation programme (ECO) at a local level.

This briefing updates and replaces the 2012 SPICe briefing of the same name.

Photos: Dundee City Council
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EXECUTIVE SUMMARY

- A household is considered to be in fuel poverty if it is required to spend more than 10% of its disposable income (including housing benefit or income support for mortgage interest) on all household fuel use.
- The Scottish Government has pledged to ensure that by November 2016, so far as is reasonably practicable, people are not living in fuel poverty in Scotland.
- There were an estimated 940,000 households in fuel poverty in Scotland in 2013, equivalent to 39% of all households.
- The number of households in fuel poverty rose by around 100,000 between 2012 and 2013, primarily as a result of increased fuel prices.
- Fuel poverty rates vary across Scotland. Eilean Siar, Highland and Orkney Islands have fuel poverty rates of 50% or over, whilst most Central Belt areas show rates of below 40%.
- The main Scottish Government schemes aimed at tackling fuel poverty are the Home Energy Efficiency Programmes for Scotland (HEEPS).
- The UK Government introduced the Green Deal and Energy Company Obligation (ECO) to provide finance mechanisms for energy efficiency measures to households across the UK.
- Over recent months Energy Action Scotland (EAS) has called for increased spending from the Scottish Government to tackle fuel poverty, due in part to a reduction in expected ECO spend. EAS believe that current budget plans will not lead to the eradication of fuel poverty in Scotland by 2016.
FUEL POVERTY DEFINITION AND STATISTICS

FUEL POVERTY DEFINITION

Fuel poverty is defined in the Fuel Poverty Statement, published in 2002 under section 88 of the Housing (Scotland) Act 2001, by the then Scottish Executive:

"A household is in fuel poverty if it would be required to spend more than 10% of its income (including Housing Benefit or Income Support for Mortgage Interest) on all household fuel use." (Scottish Executive, 2002)

The Scottish Government defines an ‘adequate standard of warmth’ to be 21°C in the living room and 18°C in other rooms for a period of 9 hours in every 24 (or 16 in 24 over the weekend), with two hours being in the morning and seven hours in the evening. For elderly and infirm households, a higher standard temperature of 23°C in the living room and 18°C in other rooms is required to be achieved for 16 hours in every 24. Extreme fuel poverty is defined as the need to spend more than 20% of disposable income in order to meet these standards.

The definition of household income, used by the Scottish House Condition Survey (SHCS), includes the incomes of the Highest Income Householder (HIH) plus that of his or her spouse/partner. Income from employment/self-employment, private pensions, investments and social security benefits are all taken into account. For the measurement of fuel poverty, disposable income before housing costs is used, i.e. income after income tax, national insurance and council tax, but before mortgage or rent payments.

The Scottish House Condition Survey (SHCS)

Fuel poverty data for Scotland is derived from the SHCS. This is a continuous survey, commissioned by the Scottish Government, which involves a Scotland-wide sample of around 3,000 households per year. As well as questions on heating and fuel bills the SHCS covers a variety of other topics such as repairs, neighbourhood environment, household income, tenure and composition. Data from interviews and questionnaires is processed and weighted to create Scotland-wide, and some local authority area, estimates for various indicators, including fuel poverty.

The model used to estimate fuel poverty levels in Scotland changed in time for the 2013 SCHS, ‘to better reflect the current industry standard of assessing home energy performance’ (Scottish Government, 2014a). For comparability purposes the new methodology was also applied to 2010, 2011 and 2012 data. This has led to higher estimates of household energy consumption than would have been the case using the old model. This also means a 5-8 percentage point increase in the estimated fuel poverty rate for each year in the period 2010-12 (Scottish Government, 2014a).
FUEL POVERTY LEVELS, RATES AND TRENDS

The Scottish House Condition Survey shows there were an estimated 940,000 households in fuel poverty in Scotland in 2013, equivalent to 39% of all Scottish households. This means 100,000 more households were fuel poor in 2013 compared to 2012 (Scottish Government, 2014a).

Table 1: Number and percentage of households in fuel poverty and extreme fuel poverty

<table>
<thead>
<tr>
<th>Year</th>
<th>Fuel Poverty 000s</th>
<th>Fuel Poverty %</th>
<th>Extreme Fuel Poverty 000s</th>
<th>Extreme Fuel Poverty %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>818</td>
<td>34.7%</td>
<td>225</td>
<td>9.6%</td>
</tr>
<tr>
<td>2011</td>
<td>787</td>
<td>33.2%</td>
<td>210</td>
<td>8.9%</td>
</tr>
<tr>
<td>2012</td>
<td>840</td>
<td>35.2%</td>
<td>225</td>
<td>9.4%</td>
</tr>
<tr>
<td>2013</td>
<td>940</td>
<td>39.1%</td>
<td>252</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

Source: Scottish House Condition Survey 2013 (Scottish Government, 2014a)

The SHCS figures show that of the 940,000 households in fuel poverty, an estimated 252,000 were in extreme fuel poverty in 2013. This is equivalent to 10.5% of all households in Scotland. Using the new energy consumption model, figures show that an additional 27,000 households fell into extreme fuel poverty between 2012 and 2013.

Figure 1: Fuel poverty and extreme fuel poverty rates (% of all Scottish households)

Fuel poverty has increased for most groups and dwelling-types between 2012 and 2013; however fuel poverty is more likely to affect:

- Those living in terraced houses (43% of people living in terraced houses are fuel poor)
- Those living in older properties (almost half of households in pre-1919 houses are fuel poor, whereas 23% of people living in post-1982 builds are living in fuel poverty)
- Households in dwellings with lower energy efficiency (87% of people living in dwellings with EPC F-G ratings are living in fuel poverty compared with 27% living in the most energy efficient dwellings)
Those reliant on electricity, oil or fuel types other than gas (half of all people living in houses off the gas grid are fuel poor).

- Rural households (55% of households in rural areas suffer from fuel poverty, compared to 36% of urban households)
- Elderly households (two-thirds of single pensioner households suffer from fuel poverty)
- Single parent families of those households with children (38% live in fuel poverty)
- Lower income households (for example 94% of those with a household disposable income of less than £200 per week are fuel poor).

The largest rise in fuel poverty between 2012 and 2013 was seen in the 'owned' properties sector, which saw an increase of 34,000 (+9%). There were 32,000 more fuel poor households in the 'local authority' sector in 2013 (representing a 23% increase); whilst the private rented sector saw 26,000 (or 34%) more households moving into fuel poverty over the year. Over the year 36,000 more pensioners fell into full poverty, an increase of 16%.

Fuel poverty trends between 2002 and 2012 (using old model)

Figures from previous surveys, using the old energy consumption model, illustrate the general trend in fuel poverty rates over the decade to 2012. Figure 2 shows that the proportion of households living in fuel poverty rose steadily each year from 2003 to 2009, with fuel prices rising at a faster rate than household incomes. However, this was followed by a gradual reduction between 2009 and 2011.

Figure 2: Proportion of Scottish households in fuel poverty (using old model of energy consumption)

Source: Scottish Government Scottish House Condition Survey (Scottish Government, 2014a)
Variations within the UK

Although there are differences in definitions and variables used to measure fuel poverty across the UK, the data suggest that Scotland has a lower proportion of households in fuel poverty than Northern Ireland and Wales, but a considerably higher proportion than England (see Table 2).

Table 2: Fuel poverty by UK nation, 2012

<table>
<thead>
<tr>
<th></th>
<th>Scotland</th>
<th>England</th>
<th>Wales (estimated)</th>
<th>Northern Ireland (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of households</td>
<td>650,000</td>
<td>3,050,000</td>
<td>390,000</td>
<td>290,000*</td>
</tr>
<tr>
<td>% of population</td>
<td>27%</td>
<td>14%</td>
<td>29%</td>
<td>42%*</td>
</tr>
</tbody>
</table>

*2011 figures

Note: Wales has not undertaken an official survey of fuel poverty prevalence since 2008 and Northern Ireland since 2009 (Scottish Government, 2015)

(Source: DECC, 2014a)

Variations within Scotland

Fuel poverty rates vary across Scotland (Table 3 and Map 1), as shown by the Scottish House Condition Survey 2011-13 local authority analysis.

Table 3: Percentage of households in fuel poverty by local authority (2011-13)

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Fuel Poor</th>
<th>Local Authority</th>
<th>Fuel Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberdeen City</td>
<td>30%</td>
<td>Highland</td>
<td>50%</td>
</tr>
<tr>
<td>Aberdeenshire</td>
<td>43%</td>
<td>Inverclyde</td>
<td>38%</td>
</tr>
<tr>
<td>Angus</td>
<td>37%</td>
<td>Midlothian</td>
<td>31%</td>
</tr>
<tr>
<td>Argyll and Bute</td>
<td>43%</td>
<td>Moray</td>
<td>36%</td>
</tr>
<tr>
<td>Clackmannishire</td>
<td>35%</td>
<td>North Ayrshire</td>
<td>39%</td>
</tr>
<tr>
<td>Dumfries and Galloway</td>
<td>45%</td>
<td>North Lanarkshire</td>
<td>41%</td>
</tr>
<tr>
<td>Dundee City</td>
<td>42%</td>
<td>Orkney Islands</td>
<td>58%</td>
</tr>
<tr>
<td>East Ayrshire</td>
<td>35%</td>
<td>Perth and Kinross</td>
<td>35%</td>
</tr>
<tr>
<td>East Dunbartonshire</td>
<td>33%</td>
<td>Renfrewshire</td>
<td>29%</td>
</tr>
<tr>
<td>East Lothian</td>
<td>34%</td>
<td>Scottish Borders</td>
<td>43%</td>
</tr>
<tr>
<td>East Renfrewshire</td>
<td>33%</td>
<td>Shetland Islands</td>
<td>43%</td>
</tr>
<tr>
<td>City of Edinburgh</td>
<td>26%</td>
<td>South Ayrshire</td>
<td>39%</td>
</tr>
<tr>
<td>Eilean Siar</td>
<td>62%</td>
<td>South Lanarkshire</td>
<td>33%</td>
</tr>
<tr>
<td>Falkirk</td>
<td>32%</td>
<td>Stirling</td>
<td>38%</td>
</tr>
<tr>
<td>Fife</td>
<td>34%</td>
<td>West Dunbartonshire</td>
<td>30%</td>
</tr>
<tr>
<td>Glasgow City</td>
<td>36%</td>
<td>West Lothian</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: Scottish Government, 2014a

Eilean Siar and Orkney Islands have the highest rates of fuel poverty in Scotland whereas Central Belt areas show much lower rates. This variation is partly due to the limited coverage of the mains gas network which leads to some rural communities in Scotland being off-grid. Households in these areas are often more dependent on expensive alternatives to mains gas such as heating oil, a product which has seen significant price increases over the past decade (DECC, 2014b).
International comparisons

International comparisons of fuel poverty are not available as there is no commonly accepted definition of fuel poverty. As acknowledged by the European Union Fuel Poverty Network (EUFPN), the UK is one of only three European countries to define and measure fuel poverty – the others being France and the Republic of Ireland. At the European level, ‘there is no dedicated survey of fuel poverty, energy poverty, or energy affordability, and an absence of standardised household micro data on fuel expenditure’ (EUFPN, 2013).
FACTORS INFLUENCING FUEL POVERTY

The main factors influencing fuel poverty are household incomes, fuel costs and the energy efficiency of homes. If fuel prices rise above the rate of growth in household incomes then fuel poverty rates will increase, as a larger proportion of household income is required to heat homes to the same level. However, if fuel prices and household incomes remain stable over time then improved energy efficiency measures, such as those delivered by the Scottish Government, should lead to lower energy bills and a reduction in fuel poverty levels. The Scottish Government claims that energy efficiency improvements have led to an 8% drop in the amount of energy required to heat the average home since 2010 (Scottish Government, 2014a). Figure 3 shows there has been a dramatic rise in domestic energy bills over the past four years (although recent announcements from most of the ‘Big 6’ energy suppliers would suggest a reversal may take place over the coming months) at the same time there has been only a modest increase in household income.

Between 2010 and 2013 fuel poverty rates rose from 34.7% to 39.1%. Over the same period:

- Domestic fuel prices rose by 27% (gas by 32%, electricity by 22%, liquid fuels by 31%) (DECC, 2014b)
- Median incomes rose by 10%
- The proportion of homes with energy efficiency ratings of A to D increased by 11%.

Although median incomes rose and the energy efficiency of many homes improved, these improvements were not enough to offset the impact of rapidly rising fuel prices on fuel poverty over the period.

Scottish Government statisticians carried out a micro-simulation attempting to isolate the contribution of the three factors to the changing fuel poverty rates between 2012 and 2013. This found that fuel price changes alone would have led to a 5.8 percentage point increase in fuel poverty rates had the other two factors remained constant over the year. Household income changes, on the other hand, would have reduced fuel poverty by 1.5 percentage points whilst energy efficiency improvements would have led to a decrease in the fuel poverty rate of 0.4 percentage points (again, had the other two factors had remained constant). It is worth repeating that of these three factors, energy efficiency is the only area where the Scottish
Government has direct control and, accordingly, this is where policy measures and budgets have been focused (see below).

<table>
<thead>
<tr>
<th>Fuel Poverty Rate</th>
<th>Step Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel poverty 2012</td>
<td>35.2%</td>
</tr>
<tr>
<td>- Step 1: Fuel price change</td>
<td>41.0%</td>
</tr>
<tr>
<td>- Step 2: Income change</td>
<td>39.5%</td>
</tr>
<tr>
<td>- Step 3: Attributed to stock change</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Fuel poverty 2013</td>
<td>39.1%</td>
</tr>
</tbody>
</table>

Source: Scottish Government, 2014a

The Progress Update on the Fuel Poverty Statement (Scottish Government, 2010) states that for every 5% increase in energy prices as many as 46,000 households in Scotland (2%) are pushed into fuel poverty, all else being equal.

SCOTTISH GOVERNMENT POLICY AND FUEL POVERTY SCHEMES

SCOTTISH GOVERNMENT POLICY

The Housing (Scotland) Act 2001 requires the Scottish Government to eradicate fuel poverty by November 2016 ‘so far as reasonably practicable’ (National Archives, 2001). The Act also requires Ministers to publish regular statements detailing the measures they have introduced to tackle fuel poverty. In the 2010 Progress Report the Scottish Government highlighted programmes such as the Energy Assistance Package, the Boiler Scrappage Scheme and the Universal Home Insulation Scheme. Despite much activity in these areas the progress report concluded that ‘the aspiration of a 30% reduction in the total numbers of people in fuel poverty in Scotland…is extremely challenging, given the pressures on fuel prices and incomes’.

The three programmes mentioned above were eventually replaced in April 2013 by the Home Energy Efficiency Programmes for Scotland (HEEPS), following recommendations from the Scottish Fuel Poverty Forum. The 2014 Progress Report sets out how the Scottish Government has tackled fuel poverty since 2010. The Scottish Government has invested around £300 million ‘on a raft of fuel poverty and energy efficiency programmes’ since 2009-10, which it believes, has ‘resulted in the energy requirement of properties falling almost 8% from 2010’ (Scottish Government, 2014d).

Home Energy Efficiency Programme for Scotland (HEEPS)

One of the main recommendations of the Fuel Poverty Forum’s 2012 Interim Report was that ‘Scottish Government funding should be used to help maximise the leverage of ECO funding into the country by making Scotland the easiest and most cost-effective part of Britain in which to discharge the obligation’ (Scottish Government, 2012). HEEPS are now the Scottish

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1 The Scottish Fuel Poverty Forum consists of representatives from various charities such as Age Scotland, Energy Action Scotland and Poverty Alliance. Other members include COSLA, three of the larger utilities companies and Ofgem. Its remit is to advise the Scottish Government on its energy efficiency schemes and monitor progress towards the target of eradicating fuel poverty.
Government’s main programmes for tackling fuel poverty and improving domestic energy efficiency. The Scottish Government has committed £79 million to HEEPS this year, with a total budget of £94 for energy efficiency programmes, with the original ambition that this money will ‘lever-in’ a further £120 million from the private sector through UK-wide ECO money. According to the Scottish Government ‘UK Government changes to ECO announced in December 2013 may have undermined this ambition’ (Scottish Government, 2015), see section on ECO below.

HEEPS consists of three separate programmes: Area Based Schemes (ABS), Affordable Warmth Scheme (AWS) and the Energy Assistance Scheme (EAS). The Energy Efficiency programmes budget for next year is £114m.

**HEEPS Area-based Schemes**

The majority of the Scottish Government’s fuel poverty budget is committed to the HEEPS:ABS, with £60 million each year going to Scotland’s 32 local authorities to provide a range of insulation measures for private sector properties within fuel poor areas.

Around two-thirds of HEEPS-ABS funding, or £42 million, is allocated to local authorities through a ‘needs-based’ formula as set out by the Scottish Government. Councils can also bid for additional ABS money of around £18 million. The Scottish Government explains that ‘local authorities will be expected to target areas of fuel poverty and work with Housing Associations, energy companies, installers, owner-occupiers and private rented landlords to ensure all households in that area receive an offer to have the energy efficiency of their home improved.’ (Scottish Government, 2014c).

The case studies on pages 12-13 show how HEEPS:ABS, ECO and other funding streams are currently being used to improve the insulation and energy efficiency of housing stock in two local authority areas.

**HEEPS: Affordable Warmth Scheme**

This scheme is offered to vulnerable households in receipt of certain benefits as listed by the Scottish Government. Those receiving Affordable Warmth assistance must either be homeowners or tenants of private sector landlords. Support through Affordable Warmth includes replacement gas boilers and heating controls which are installed and paid for by the energy companies. Scottish Government provides funding for the Home Energy Scotland (HES) network which makes referrals to the AWS. In 2013/14 around 2,100 installations were made, the vast majority of which were new/replacement gas boilers.

**HEEPS: Energy Assistance Scheme**

The Energy Assistance Scheme is available to households which are not eligible for Affordable Warmth assistance and do not live in a HEEPS:ABS area. The budget for 2013/14 was £16 million, with almost 5,400 households benefitting from the installation of new gas central heating systems.
**Case study - Dundee**

Over £1.7 million HEEPS-ABS money was allocated to Dundee City Council in 2014/15 through the Scottish Government’s ‘needs-based formula’.

Dundee’s Housing Department lists areas which have high numbers of properties requiring solid wall insulation. These tend to be inter-war ‘two-up-two-down’ properties or pre-1918 tenements. Areas are ranked in order of priority according to their relative positions in the Scottish Index of Multiple Deprivation (SIMD), which is used in this instance as a proxy to fuel poverty rates.

HEEPS-ABS is used to pay for improvements to private sector housing stock. In Dundee, these are likely to be ex-council houses within ‘council estates’. A typical example of HEEPS spend in Dundee is where a multi-tenure block requiring external wall cladding includes four properties: two socially rented, one private-rented and one owner-occupied. The cost of treating the socially rented properties is covered mainly by Dundee City Council’s capital budget. However, a combination of HEEPS and ECO money is used to pay for the treatment of the two private sector properties in the block.

The cost of applying external wall insulation is high - approximately £8,000 per property, a sum which many owner-occupiers are unable to pay. HEEPS enables projects to proceed by ensuring low-income owner-occupier households are not required to pay any upfront costs for improved insulation. Thus the tenement block of which their property forms part can be insulated in its entirety, benefiting all residents.

Over the past year, 260 properties have received solid-wall insulation treatment in Dundee, at a total cost of £2.6 million. Around £720,000 of this came from the council’s capital budget, £1,500,000 from HEEPS and £260,000 from ECO.

![External solid-wall insulation being applied to a house in the Graham Street area of Dundee, with the picture on the right showing the finished job. Dundee City Council co-ordinated the improvement of 240 mixed-tenure houses in the Graham Street area over the past year, mainly four in a block inter-War houses, at a cost of £35,000 per block (photos provided by Dundee City Council).](image)

As well as paying for the capital costs of private-sector improvements, some HEEPS-ABS money, up to 15%, can be used for administrative or ‘enabling costs’ (Scottish Government, 2014d). In Dundee approximately £70,000 is used to pay for the project’s management staffing costs and resident liaison officers.
Case Study – Western Isles

Recent SHCS figures show that fuel poverty rates in the Western Isles are the highest of any local authority area in Scotland (at 62%), with pensioners especially finding it difficult to adequately heat their homes (79% of pensioners were living in fuel poverty in 2013). Unlike Dundee, the ‘typical’ fuel-poor house in the Western Isles is a privately-owned, detached house without access to the gas grid. Many houses requiring external insulation treatments were built between 1910 and 1940 in the traditional ‘white house’, crofting style.

Source: TIG

The local authority contracts a local ‘not for profit’ organisation, Tighean Innse Gall (TIG), to deliver their fuel poverty programme. In 2013/14 TIG helped treat 100 houses with external wall insulation, 175 houses with under-floor insulation, 95 lofts insulated, 30 with cavity wall insulation and 85 ‘room in the roof’ internal insulation jobs. The largest proportion of spend was on external wall insulation which is significantly more expensive per household on the Western Isles than in most urban areas. The average cost-per-house of external wall insulation in the Western Isles is £17,500 (compared to £8,000 in Dundee), with larger wall areas to cover and added logistics costs (and with less opportunity for ‘economies of scale’ savings).

HEEPS money has to be coupled with ECO money; however with recent changes to the ECO programme (see below ‘ECO shock’), accessing required levels of ECO is becoming increasingly difficult. For an average external wall insulation job, TIG require the maximum HEEPS spend per house of £7,500, a customer contribution of £1,750, a recycled administrative/enabling fee from TIG of £3,000 and average ECO spend of around £5,000. Therefore the ratio of ECO money to HEEPS is very different from the £3 ECO to £1 HEEPS ratio anticipated by the Scottish Government.
SCOTTISH GOVERNMENT FUEL POVERTY BUDGET

The majority of the Scottish Government’s spending on fuel poverty comes within the ‘Supporting Economic Growth/Housing Supply’ budget line in the Infrastructure, Investment and Cities portfolio. The planned and previous budgets for this category of spending are shown in Figure 4 and Table 3.

Figure 4: Fuel poverty spend, outturn, budget and planned budget (£m)

During its scrutiny of the 2015/16 Draft Budget, the Economy, Energy and Tourism Committee heard evidence from Energy Action Scotland and WWF suggesting that the Scottish Government’s intended budget of £79 million was inadequate if fuel poverty were to be eradicated (Scottish Parliament, 2014). In response the Deputy First Minister and Finance Secretary announced in February 2015 additional funding for energy efficiency measures: ‘Having listened to points raised by Parliamentary committees, I can announce that we will increase investment in domestic energy efficiency by £20 million to provide a total budget of £114 million in 2015-16’ (Scottish Parliament, 2015).

UK-WIDE MEASURES

In addition to the Scottish Government’s support for fuel poverty mitigation, the UK Government has a number of schemes in place that benefit households across Scotland. Indeed, Scottish Government policies are designed in order to complement and maximise spend from these UK-wide programmes.

Energy Company Obligation (ECO)

The Energy Act 2011 provided for the UK Government to introduce the Green Deal and Energy Company Obligation (ECO) in Autumn 2012.

Under the Green Deal, individuals and businesses implement energy efficiency improvements to their properties at no upfront capital cost. The capital costs are recouped over time through regular instalments on electricity bills. The Green Deal ‘Golden Rule’ specifies that repayment charges must be less than the expected savings from the energy efficiency measure, so that customers’ total bills should not increase (unless they make other lifestyle changes which affect their energy consumption). The UK Government estimates that the combined effect of its
policies will be to add £280 to the average annual household energy bill by 2020. However, it also claims that the same policies will deliver average annual savings of £373, giving a net reduction in average annual energy bills of £94 (DECC, 2012).

Energy companies are also required to provide additional support to the value of nearly £1bn per year across the UK to support households in fuel poverty and those with hard-to-insulate homes through the Energy Company Obligation (ECO). The ECO supports implementation of measures for vulnerable households who are unable to meet installation costs, or for households where the anticipated Green Deal savings may not fully offset the installation costs.

There are three elements of ECO: ‘Home Heating Cost Reduction Obligation (which offers energy efficiency support to customers identified through the benefits system), ‘Carbon Emission Reduction Obligation’ (insulation measures available to anyone) and ‘Carbon Saving Community Obligations’ (insulation measures available to anyone living in the most deprived 25% of areas and with a sub-target for those living in the most deprived 25% rural areas). For more information on specific ECO measures see the House of Commons Library Standard Note published in July 2014.

**ECO in Scotland**

Since ECO was introduced in January 2013 and up to September 2014 over 964,000 measures were delivered in Great Britain across 785,000 homes. In Scotland 112,521 have been delivered, representing 11.7% of the UK total. Of the measures delivered in Scotland, 50,580 (45%) were provided under the Carbon Saving Target, 39,975 (35%) under the Affordable Warmth (HHCRO) obligation, and 22,966 (20%) under the Carbon Saving Communities Obligation (DECC, 2014c).

It was originally assumed that Scotland would benefit from a pro-rata share (based on population) of ECO spending, implying annual spending of £120m on ECO measures. The Scottish Government believe that in 2013/14 approximately £170 million was invested in Scotland through ECO, based on the 11.7% figure highlighted above (Scottish Government, 2015).

**The 2013 Autumn Statement ‘ECO shock’ – what is it and how does it impact Scotland**

The UK Government announced proposals for a number of changes to ECO in December 2013, which were passed by Parliament on 5th December 2014. Following these changes the Carbon Saving Target reduced by 33% and the UK Government’s ‘levelisation mechanism’ (which provides a carbon uplift for measures installed before March 2014) has reduced this even further. According to the Scottish Government, these changes do have the potential to reduce expenditure in Scotland for energy efficiency and fuel poverty measures unless Scotland continues to secure a higher proportion of the overall Great British ECO pot. The Scottish Government has highlighted its concerns to the UK Government that the changes to ECO will undermine investment in energy efficiency, jobs in the insulation industry and progress in tackling fuel poverty and climate change (Scottish Government, 2015).

Future levels of ECO spend will depend on where energy companies choose to deliver. According to the Scottish Government: ‘if Scotland were to secure a household share, then the annual spend would be around £80m, but if Scottish Government policies can leverage in higher levels of spend as they have in the past, then the annual spend could be around £100m’ (Scottish Government, 2015).
Smith Commission - possible devolution of ECO

The Smith Commission report on further devolution of powers to the Scottish Parliament recommended the devolution of powers to determine ‘how supplier obligations in relation to energy efficiency and fuel poverty, such as ECO and Warm Home Discount, are designed and implemented in Scotland’ (Smith Commission, 2014). The actual methods of collecting ECO funding from suppliers will remain reserved. Clauses 38 and 39 of the subsequent Command Paper and Draft Clauses confirmed that some powers over ECO implementation in Scotland will be devolved (House of Commons, 2015).

WINTER FUEL ALLOWANCES

The UK Government also provides winter fuel payments of £100-£300 to pensioners, depending on their circumstances. In addition, the Warm Home Discount scheme, offered by the major energy companies, offers rebates of £140 on electricity bills to eligible groups of individuals, primarily pensioners on benefits. Again, the implementation of the Warm Home Discount in Scotland is likely to be devolved as a recommendation of the Smith Commission.
 SOURCES


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