Economy, Energy and Tourism Committee

1st Report, 2012 (Session 4)

Fuel Poverty - summary of evidence taken and initial conclusions and recommendations

Published by the Scottish Parliament on 22 February 2012
CONTENTS

Remit and membership

REPORT

INTRODUCTION 1
Scottish Government’s fuel poverty target 1
Current Scottish and UK schemes for fuel poverty and domestic energy efficiency 2

KEY ISSUES – EVIDENCE RECEIVED 3
Challenges to tackling fuel poverty and to a greater uptake of energy efficiency measures 3

CONCLUSIONS AND RECOMMENDATIONS 8
Economy, Energy and Tourism Committee

Remit and membership

Remit:

The remit of the Committee is to consider and report on the Scottish economy, enterprise, energy, tourism and renewables and all other matters within the responsibility of the Cabinet Secretary for Finance, Employment and Sustainable Growth apart from those covered by the remit of the Local Government and Regeneration Committee and matters relating to the Cities Strategy falling within the responsibility of the Cabinet Secretary for Health, Wellbeing and Cities Strategy.

Membership:

Chic Brodie
Murdo Fraser (Convener)
Rhoda Grant
Patrick Harvie
Angus MacDonald
Mike MacKenzie
Stuart McMillan
John Park
John Wilson (Deputy Convener)

Committee Clerking Team:

Clerk to the Committee
Stephen Imrie

Senior Assistant Clerk
Joanna Hardy

Assistant Clerk
Diane Barr

Committee Assistant
Vikki Little
Economy, Energy and Tourism Committee

1st Report, 2012 (Session 4)

Fuel Poverty - summary of evidence taken and initial conclusions and recommendations

The Committee reports to the Parliament as follows—

INTRODUCTION

1. This report sets out the Economy, Energy and Tourism Committee’s initial findings in relation to a series of focused evidence sessions organised during the latter half of 2011 to examine fuel poverty issues and rising energy prices in Scotland.

2. The Committee sought the views of money and energy consumer advice agencies, local authorities, energy companies and architectural industry practitioners regarding the effectiveness of, and any barriers to accessing, present and proposed future energy efficiency measures available to consumers.

3. This report represents our conclusions and recommendations at this early stage. We intend to keep this subject under review and monitor the progress being made by energy companies, the regulator and the Scottish Government and other relevant public sector bodies in their efforts to reduce fuel poverty in Scotland. Actions taken in this parliamentary session will, as we outline below, be critical in terms of the ability to meet fuel poverty targets.

Scottish Government’s fuel poverty target

4. A household is considered to be fuel poor if it needs to spend more than 10% of disposable income on fuel in order to heat the home to an adequate standard of warmth. On the basis of the current definition, there were an estimated 658,000 households in fuel poverty in Scotland in 2010, equivalent to 28% of all households.¹ The Committee heard in evidence that, as a result of rising energy

¹ Scottish House Condition Survey,
prices and static or declining household incomes, this figure could be as high as 900,000 by the end of 2011.²

5. The Scottish Government has a statutory commitment “to eradicate fuel poverty, as far as is reasonably practicable, by November 2016”.³ It introduced its current fuel poverty programme, the Energy Assistance Package (EAP) in April 2009. The programme includes advice on benefits tax and low cost energy tariffs as well as loft and cavity wall insulation measures. This is complemented by the Home Insulation Scheme (now the ‘Universal Home Insulation Scheme’). The Scottish Government has also introduced the boiler scrappage scheme, proposed and supported by a number of political parties, which provided a £400 grant towards the replacement of a working G-rated boiler with an energy efficient model certified under the Energy Saving Recommended scheme.

Current Scottish and UK schemes for fuel poverty and domestic energy efficiency

6. Currently, the UK Government offers the Carbon Emissions Reduction Target (CERT) scheme, which is due to conclude in December 2012 and the Community Energy Saving Programme (CESP), which began in October 2009 and concludes in December 2012. Both of these schemes are implemented by the energy companies and involve obligations placed on them by the UK Government to reduce carbon emissions through implementation of energy efficiency measures in households and across target communities. These measures are paid for by a levy on fuel bills. The UK Government plans to replace both CERT and CESP with the Green Deal and Energy Company Obligation (ECO) in October 2012, as set out in the Energy Act 2011.

7. The UK Government also provides winter fuel payments of between £100 and £300 to pensioners, depending on their circumstances. In addition, the energy companies offer the Warm Home Discount scheme, which can be rebates of up to £120 on electricity bills to eligible groups of individuals, primarily pensioners on benefits.

8. The Scottish Government schemes are included within the energy assistance package, which is implemented by both the Energy Saving Trust Scotland and individual local authorities. The obligations of local authorities in respect of the Scottish Government’s target are set out in the Housing (Scotland) Act 2001.⁴

9. A key issue for the Committee is the real or imagined barriers that are preventing people from accessing the Scottish and UK Government schemes that are available to help reduce fuel poverty, and possible solutions to overcome these obstacles. In our investigations to date, the Committee has found that there are a variety of reasons why people do not access the schemes on offer.

² Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 610
³ Progress Report on the Scottish Fuel Poverty Statement 2002:
http://www.scotland.gov.uk/Publications/2010/11/23134646/1
⁴ http://www.hmso.gov.uk/legislation/Scotland/acts2001/10010--k.htm#88
KEY ISSUES – EVIDENCE RECEIVED

Challenges to tackling fuel poverty and to a greater uptake of energy efficiency measures

Customer confusion

10. In the evidence taken by the Committee, we heard that one of the most significant issues in terms of tackling fuel poverty was that customers felt confused about the large number of different UK and Scottish Government schemes on offer and unclear about who was offering what assistance, how to apply and eligibility issues.

11. Mike Thornton of the Energy Saving Trust told the Committee that the rationale behind the Scottish Government’s energy assistance package is to make it simpler and easier for people to access the various schemes. He said—

“By using the one-stop shop through the network, we strive continually to show that people should not really need to know what scheme they could get assistance from”.

12. Whilst a simple system with a single point of access is clearly the aspiration, the Committee heard that this is not always the case in practice. Eddie Boyd of The Highland Council told the Committee that—

“People seeking the same advice could be exposed to three different names ... It is therefore difficult for a home owner to know who to go to in the first place”.

13. An issue with access to the Scottish Government schemes is lack of a country-wide consistent approach. Yvonne MacDermid of Money Advice Scotland told the Committee that this needed to be tackled at a national level. She said—

“Co-ordination and linking up is required. At the minute, we have a postcode lottery for advice and access to schemes. Overcoming that will be a challenge, but it is doable ... Any strategy will have to be done through local authorities; they are the ones that can truly make a difference at local level and, collectively, at national level”.

14. An added complication is that those who do contact providers for advice can also often find themselves being provided with information on products and services in which they have no interest. The Committee heard that this can be off-putting for consumers. Kevin Christie of Aberdeen City Council told the Committee that “Advice should cover the help that the person wants”, with additional information being provided at a later date only where appropriate.

---

5 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 612
6 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 642
7 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 616
8 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 643
Lack of information

15. Another key barrier to the uptake of energy efficiency measures is that people have no way of finding out if their homes are energy efficient or not and therefore find it difficult to know which measures would be right for their property. Richard Atkins of the Royal Incorporation of Architects in Scotland told the Committee that one way to provide people with information on which to base decisions was to keep the data that is currently input into the Home Energy Efficiency Database (HEED) and used to calculate the data for the current energy performance certificates (EPCs). He told the Committee—

“That is where we would find the information that would identify whether specific properties have particularly high energy use because of a number of elements, such as that the level of insulation is poor, the boiler is poor or the control systems are poor.”

16. The Committee also heard that people find it nearly impossible to make informed decisions on the most economical method of energy use for their homes as they cannot determine the amount of energy they use or energy patterns. This is often due to the limited amount of information that conventional meters can provide for a consumer and also the complexity of current utility bills. Kevin Roxburgh of Scottish Gas told the Committee that the introduction of smart meters would help to tackle this problem—

“Giving customers insight into their consumption patterns and the energy consumed by the various appliances that they use gives them choices about when to use appliances and helps them to understand more about what they can do.”

17. However, he did caution that due to the technological requirements, smart meters will start to be rolled out for domestic use in 2012 “but the big ramp-up, involving significant numbers, will take place in 2013”. Kevin Roxburgh also indicated that smart meters could help to ensure customers only pay for the energy that they use and make overestimated bills “a thing of the past”. In order to gain the full benefit of these meters, however, a home must have access to a mobile phone connection. This potentially makes tackling fuel poverty harder in rural areas as a lack of mobile phone coverage can inhibit the use of smart meters.

Identifying suitable customers

18. There was broad agreement from both energy advice organisations and energy companies that identifying potential customers suitable for their services had become a much more difficult task. This was in a large part due the length of time that some of the schemes had been in operation and their success to date in identifying those most likely to apply. Norman Kerr of Energy Action Scotland told the Committee that—

---

9 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 657
10 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 647
11 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 648
12 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 647
“we have dealt with a lot of what we might call the low-hanging fruit such as inner-city areas and other areas with a dense population. We are left with many rural areas ... It is time consuming and costly to find the one-off in a street where 50 or 60 people live and then to ensure that that person takes up the offer”.

19. The Committee heard that although householders in rural areas may be in most need of energy efficiency measures, the often low-volume of work available in these areas has resulted in some companies going out of business. Norman Kerr told the Committee that—

“All the energy companies will have two or three very large contracting companies that they work with ... we are not seeing the same volume of work in the rural areas.”

20. The Committee heard that the Cabinet Secretary for Finance, Employment and Sustainable Growth is interested in how to make it viable for small business in remote areas to carry out these measures.

21. A particular area of concern for energy companies is their difficulty in identifying those who are on low incomes and who may be in fuel poverty. Lindsey Restrick of Scottish and Southern Energy told the Committee that—

“We also have difficulty targeting the working fuel poor. People on benefits can be targeted via their engagement with social work or with third sector agencies, but the working poor can slip through the net of the programmes. That is a challenge for us, as is finding people who are in fuel poverty. We need to find mechanisms for reaching those people.”

22. This has impacted on the ability of energy companies to meet the specifically targeted ‘super priority group’, which is a subset of low income households considered to be at high risk of fuel poverty, within the current CERT scheme. Rupert Steele of Scottish Power told the Committee that—

“We found—I think this is an industry-wide problem—that it is almost impossible for an energy supplier to locate the super-priority group because energy suppliers do not know which of their customers are on low incomes.”

23. The Committee heard of a recent energy company sponsored initiative where the Department for Work and Pensions (DWP) agreed to provide those in receipt of a pension with information on how to access energy efficiency advice.

Lack of trust
24. One of the key issues that the Committee heard evidence on was the suggestion of a clear breakdown of trust between the public and the energy

13 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 614
14 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 625
15 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 625
16 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 644
17 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 643
companies and that this needed to be addressed as one reason why people did not take up some of the free measures offered was due to their mistrust and scepticism. Lindsey Restrick of Scottish and Southern Energy told the Committee that “We recognise that there is not much trust in energy companies at the moment.”

25. An on-going issue in relation to consumer confidence is the complexity of tariffs on offer to consumers and an inability to determine if those in lower income households are accessing the cheapest tariffs. The Committee heard from Kevin Roxburgh of Scottish Gas that that energy companies were aware of this issue and that Scottish Gas were to tackle it by introducing a two-tier system—

“The two-tier tariff structure will be launched by British Gas and Scottish Gas shortly. We absolutely welcome that approach to simplifying tariffs for customers. … the simplification of tariffs was a big part of building trust.”

26. One method suggested by a number of witnesses to tackle the lack of trust was through the use of trusted intermediaries. This would be a proactive approach where those in need were identified and contacted, rather than waiting for them to make contact with advice centres or local authorities. Norman Kerr of Energy Action Scotland explained the proposed approach—

“If someone chapped on your door this evening to offer free insulation, you would be sceptical about that, even if you were eligible for it. However, if your home help told you about free insulation and said that it was okay for you to take it, the chances are that you would be more likely to take it up.”

27. Rebuilding trust and helping people access the current schemes should be done through partnership working between the energy companies and others. The Committee heard a range of views on who would be best placed to undertake the role of trusted intermediary. Suggestions included local authorities as they are often the first point of contact, as well as those who make home visits such as home helps and health visitors, voluntary organisations, and relevant community groups such as mother and toddler groups.

**Quality of Scotland’s housing stock**

28. The Committee is aware that there is a real challenge in bringing the physical condition of Scotland’s housing stock up to an acceptable standard of energy efficiency and wanted to determine whether the measures that are in place are the correct ones.

29. A key area of concern is bringing the private sector housing up to an acceptable standard. Kevin Christie of Aberdeen City Council told the Committee that one way of achieving this was through the introduction of a Scottish housing quality standard for private rented property. He said—

“Private sector landlords can be dealt with in a relatively simple and straightforward way through legislation. For example, we have the SHQS for

---

18 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 644
19 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 645
20 Economy, Energy and Tourism Committee, Official Report, 30 November 2011, Col. 611
social housing providers and the same measure could be made to apply to private landlords to ensure that, in those circumstances, properties could not be rented out.”21

30. Households in dwellings with lower energy efficiency are more likely to be fuel poor. According to the Scottish House Condition Survey, 58% of people living in dwellings rated ‘poor’ are living in fuel poverty compared with 40% of those in dwellings rated ‘moderate’ and 20% of those rated ‘good’.22

31. Richard Atkins of the Royal Incorporation of Architects in Scotland (RIAS) told the Committee that—

“The influence of the built environment on people’s wellbeing is huge. It is outrageous that, in the 21st century, we have houses that are poorly insulated and suffer from condensation.”23

32. He also told the Committee that, for some properties, it may not be cost effective to install certain energy efficiency measures. However, he also said that even though there may be issues in some properties with the use of cavity insulation, this technology should still be a part of the “mix of measures to increase energy efficiency and reduce energy bills”.24 He told the Committee that “adding even relatively little insulation has a big impact”.25
CONCLUSIONS AND RECOMMENDATIONS

33. The Committee considers that fuel poverty is a blight on our society. In a country as economically and resource rich as Scotland is, we do not believe it is acceptable to continue to tolerate such high and increasing levels of fuel poverty.

34. We welcome the efforts that have been made by successive governments in Scotland to tackle this issue. We also recognise that government in Scotland alone cannot eliminate the problem. This will require concerted and sustained effort by both the public and private sectors in Scotland and in the UK, as well as the regulator, to turn the corner, halt the rising numbers of our households entering fuel poverty and meet the statutory target of eradicating fuel poverty, as far as is reasonably practicable, by November 2016. However, Callum Chomczuk said—

“The budget for fuel poverty measures this year is around £49 million. Next year the figure will increase but, even by 2014, less money will be spent than was spent in 2010-11. At neither Scottish nor UK level are we seeing the necessary funding to tackle the 600,000 to 900,000 homes in fuel poverty.”

35. Whilst the Committee welcomes the evidence we have received from the energy companies on the efforts they are making, we do not believe that it is yet enough and there are still, as we have demonstrated, problems in the current provision of assistance packages and the roll out of energy efficiency measures.

36. We also note the announcements in recent weeks from all 6 of the leading suppliers in the UK that consumer prices of gas and electricity are to be cut given the falls in wholesale prices. Whilst we welcome these reductions, which will help some householders facing fuel poverty, we would like to see all of the major suppliers make cuts to both gas and electricity prices and not choose one or the other and we also believe that, relative to the size of the reductions in wholesale prices, the cuts to consumer bills should be commensurate. A failure to do so risks missing an opportunity to help the domestic and commercial consumer, and risks adding to the charge made by our sister committee in the House of Commons that prices “rise like a rocket and fall like a feather”.

37. In relation to Scottish Government expenditure, the Committee noted in its recent budget report that the figure of £65 million for tackling fuel poverty allocated in the 2012-13 Draft Budget, even if combined with the Warm Homes Fund and a portion of the domestic energy efficiency spending allocation, still falls some way short of half of what Energy Action Scotland estimate is the financial requirement to eradicate fuel poverty, i.e. at least £200 million per annum from both public and private sector sources. The Committee further noted the findings of its predecessor committee in previous draft budget reports, where it recommended that “investment [by the Scottish Government] could be in the order of £100-170 million per year” for this objective to be realised.

---

38. The Committee recognises that spiralling energy costs and changes to welfare spending may have a detrimental impact on fuel poverty in Scotland. Taking all of this into consideration, the Committee recommends as we did in our budget report that the Scottish Government reconsiders its contribution to combating fuel poverty with the aim of reaching, along with energy companies through the CERT and ECO schemes, a combined budget of at least £200 million per annum from public and private sources for fuel poverty measures - the level recommended by Energy Action Scotland as what it believes is necessary to meet the 2016 fuel poverty target in Scotland. Furthermore, the Committee calls on the Scottish Government to maintain pressure on the UK Government and energy providers to act on rising energy costs.

39. It should also be noted, however, that research undertaken for the Scottish Government as part of its consultation on the Energy Efficiency Action has suggested in one scenario that it may costs upwards of £16 billion by 2020 to bring Scottish homes up to the standards required to meet the emissions targets set by the climate change legislation.29

40. The Committee agrees that customer confusion, disparity of service provision and lack of a clear message on how to access energy efficiency schemes is having a negative impact on uptake. The Committee recommends the ‘one-stop shop’ approach be adopted, with one hotline number for people to access independent advice and referral services and the provision of clear advice to local authorities to ensure a consistent message is available to both local authority practitioners and consumers.

41. The Committee recognises that lack of information on which to base decisions can prevent consumers from choosing and accessing the correct measures and energy tariffs. We recommend the Scottish Government to consider using the Home Energy Efficiency Database data to provide consumers with accurate household energy information. Additionally, given the potential benefits to domestic energy customers, we strongly encourage the energy companies to commence the roll-out of smart meters as soon as practically possible.

42. The Committee recognises that there is a real need for energy companies to rebuild trust with consumers and to work in partnership to try to access those most in need. We welcome the approach of British Gas and others to simplify tariff structure and would like to see other energy companies undertake this approach. We recommend that the regulator – Ofgem – continues to place pressure on the energy companies to take action in this area and would welcome a regular update on the progress that is being made.

43. The Committee remains deeply concerned about the ability of consumers in rural and remote areas in Scotland to access energy efficiency support programmes. We support the approach of involving more local businesses in contracts for the provision of services and would appreciate an update from the Scottish Government on any plans or progress in tackling the ability of small local

---

firms to carry out the installation of energy efficient measures in these areas of the country.

44. The Committee believes a proactive approach is needed to reach those in need and welcomes the suggested ‘trusted intermediary’ approach. Whilst we found all of the proposed routes feasible, to ensure consistency of approach and due to local knowledge, the Committee is of the view that local authorities are best placed initially to take the lead in undertaking the role of trusted intermediary. We recommend that the Scottish Government discusses how this can be achieved with local government and its representatives.

45. The Committee recognises that identifying suitable customers for energy efficiency assistance measures is an on-going and difficult issue and we welcome all initiatives to help reach those in need. The Committee notes the Department of Work and Pensions initiative highlighted above and would recommend that the UK Government consider how this initiative can be extended to all low income households vulnerable to fuel poverty.

46. The Committee recognises that making Scotland’s housing stock energy efficient is a very significant challenge and that this might not be possible for all households. Evidence we received from Richard Atkins of the Royal Incorporation of Architects in Scotland suggested that we may have reached the end of the ‘low hanging fruit’ in terms of efficacy of the types of insulation typically installed and also to the improvements to the housing stock and that the significant number of those that remain to be brought up to acceptable standards will be very expensive to deal with.

47. We would encourage the Scottish Government and others to continue to drive up building standards in this area and also to continue to invest in area-based energy efficiency schemes to tackle problems in the existing housing stock. It should be noted, however, that it is critical to tackle both new build and also in the existing stock of houses.

48. Finally, as this is our initial report, the Committee gives notice that we will continue to keep this area under review and we would hope to see an improvement in the matter before we enter the next winter of 2012/13 if we are to make progress towards the overall fuel poverty target set for 2016.
Members who would like a printed copy of this *Numbered Report* to be forwarded to them should give notice at the Document Supply Centre.