

EXISTING HOMES ALLIANCE SCOTLAND

WRITTEN SUBMISSION

1. Introduction

The Existing Homes Alliance Scotland (ExHAS) welcomes the opportunity to provide written evidence to the Infrastructure and Capital Investment (ICI) Committee on the 2015/16 draft budget. ExHAS is a coalition of environmental, anti-poverty, consumer, and housing organisations that believes Scotland's existing housing stock must be transformed to help tackle fuel poverty and climate change.

We understand the focus of the ICI Committee's scrutiny is on linking the draft budget to the National Performance Framework. Our submission looks at how the proposed levels of spending for energy efficiency relate to the National Indicator on reducing Scotland's carbon footprint.

We believe **the level of spending in the Draft Budget 2015/16 for fuel poverty and energy efficiency is inadequate**. Scotland has missed three annual emissions reduction targets in a row and the housing sector needs to do more to ensure Scotland can meet its climate change targets. This requires substantially greater investment, combined with a suite of policies to lever in private funding and motivate uptake of energy improvements.

2. Reducing Scotland's carbon footprint

There has been an overall reduction in Scotland's carbon footprint, though it increased between 2009 and 2010 in part due to a cold winter and the increased energy consumption to heat homes. This illustrates the need to make more progress on upgrading Scotland's existing homes to ensure a steady downward trend. However, as this indicator does not have a target, there is no way to understand if the current trend is 'enough' to tackle the global challenge of climate change.

More detailed analysis of carbon emissions reductions can be made by assessing progress against the ambitions set out in the second Report on Proposals and Policies. The RPP2 states that the housing sector is expected to reduce its emissions by 37% from the 1990 baseline by 2020¹. If this ambition is not met, more reductions must be made in other sectors, such as transport, agriculture and waste, which may prove more difficult.

The following graph shows that there is a considerable challenge ahead. While progress has been made with an overall decrease of residential emissions of 19.5% as of 2012², it does not appear we are 'on track' to meet the 2020 ambition. The graph also shows the effect of colder winters,

¹ <http://www.scotland.gov.uk/Publications/2013/06/6387/7>

² See http://www.theccc.org.uk/wp-content/uploads/2014/03/1871_CCC_Scots_Report.pdf

producing spikes in emissions which must be compensated for in later years. The gap is concerning as many of the easy measures to improve energy efficiency performance have already been taken up, with more remote and expensive to treat properties yet to be tackled.

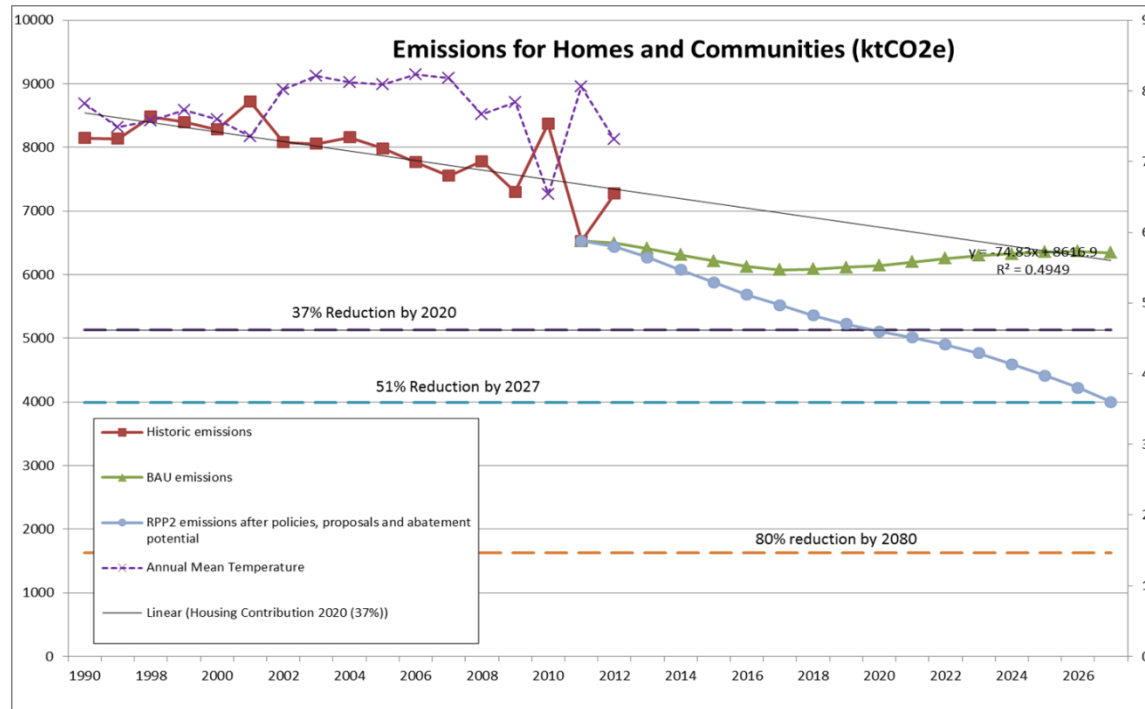


Figure 1: Emissions from Homes and Communities, Scottish Government

3. The level of investment required

ExHAS believes the Scottish Government’s investment of £79m in the Draft Budget 2015-16 is inadequate. In our submission to the scrutiny of the 2014-15 budget, ExHAS called for **at least £125m pa** to be invested on making Scotland’s homes low carbon. We now believe **substantially more is necessary** for the following reasons:

- Research published in 2012 for WWF Scotland³ concluded that overall investment in domestic energy efficiency needs to increase **by three times** to meet the ambitions in the second Report on Proposals and Policies.
- Increased investment is also required to meet the 2016 fuel poverty target, contributing to other important outcomes such as improving health and reducing inequalities. The WWF research noted above indicated that a total of £6.3bn (public and private funding) was required - **more than ten times** the level of funding projected from

³ Mind the Gap: Funding home energy efficiency to deliver Scotland’s climate change and fuel poverty targets, 2012, WWF Scotland http://assets.wwf.org.uk/downloads/fuel_poverty_funding_3_2_.pdf

Scottish Government and ECO fuel poverty programmes. Consumer Futures research (March 2013)⁴ concluded that an even greater sum was necessary - a total of £7.4bn.

- The UK Energy Company Obligation (ECO) scheme has been cut substantially, with total funding cut by nearly £1bn, which will result in 1/3 fewer measures installed and 14,000 fewer jobs.⁵ ECO has provided the lion's share of funding for the Home Energy Efficiency Programmes Scotland and the Scottish Government now predicts the changes will mean a reduction of £50m pa for Scotland, which will "hit Scotland's poorest households hardest" and have "serious consequences for homes in fuel poverty and jobs in Scotland."⁶
- ECO changes will impact Scotland negatively due to the higher proportion of solid wall, remote and off-gas properties. Furthermore, ECO is now expected to only deliver about 6% (rising to 16% with maximum uptake of Green Homes Cashback) of what the UK Committee on Climate Change predicts is necessary to achieve climate change targets.⁷ The changes also mean job losses, with several closures of Scottish insulation firms already happening.
- The UK Committee on Climate Change progress report for Scotland states that there may be a need "for the Scottish Government to increase levels of funding, given the recent reduction in the ambition of the ECO" and that "it is likely that substantial additional policy effort by the Scottish Government will be necessary if it is to meet its insulation and fuel poverty targets."⁸

Thus, although the Scottish Government can be proud that a total of £260m⁹ was invested in home energy efficiency in 2013-14, this amount does not equal what is required to meet climate change and fuel poverty targets; it does not make up for previous years of underinvestment; and the amount of ECO funding is unlikely to be sustained going forward.

4. Conclusion:

The Draft Budget 2015-2016 states that £79m has been allocated to fuel poverty and energy efficiency programmes "which we anticipate will lever in additional funding from other sources."

⁴ Economic impact of improving the energy efficiency of Scottish households, Consumer Futures, 2013
<http://www.consumerfutures.org.uk/files/2014/03/Economic-impact-of-energy-efficiency-investment-in-Scotland.pdf>

⁵ The Future of ECO Consultation, www.gov.uk/government/uploads/system/uploads/attachment_data/file/335098/20140721_The_Future_of_ECO_consultation_Final_IA.pdf

⁶ <http://news.scotland.gov.uk/News/Fuel-poor-households-to-suffer-ba5.aspx>

⁷ <http://www.energybillrevolution.org/wp-content/uploads/2014/07/ACE-and-EBR-fact-file-2014-06-ECO-and-the-Green-Deal.pdf>

⁸ See http://www.theccc.org.uk/wp-content/uploads/2014/03/1871_CCC_Scots_Report.pdf

⁹ Letter from the Cabinet Secretary to the Convenor of EET Committee,
<http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/77643.aspx>

This vague statement contrasts strongly with the Draft Budget 2014-15 which said that the same £79m investment “together with ECO, is expected to deliver a combined funding package of around £200 million for energy efficiency measures.”

The Scottish Government has not increased its own investment despite its own admission that ECO funding will fall by £50m pa. The statement also shows the government is not able to predict how much ECO investment will be levered into Scotland, and therefore has not shown how the necessary energy improvements will be funded. In summary, ExHAS recommends:

- A significant increase in the 2015-16 budget for energy efficiency and fuel poverty programmes to ensure targets are met.
- The Scottish Government should report to Parliament within six months on projected ECO investment for Scotland and how the Scottish Government will compensate for any losses.
- The Scottish Government should publish its own analysis of total funding required to meet its fuel poverty and climate change statutory targets and use this evidence to set spending levels in the next spending review.
- Energy efficiency should be considered a national infrastructure priority contributing to several national performance indicators including emissions reduction, improving health, reducing inequalities, and sustainable economic growth.

Existing Homes Alliance Scotland
30 October 2014