

SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS

WRITTEN SUBMISSION

Low Carbon Scotland: Meeting our Emissions Reduction Targets 2013 – 2027

1. Introduction

- 1.1 The Scottish Federation of Housing Associations (SFHA) welcomes the opportunity to respond to the ICI Committee's call for views on the Scottish Government's progress towards meeting carbon emission reduction targets set in the Climate Change Scotland Act (2009).
- 1.2 Housing associations and housing co-operatives in Scotland own and manage 46% of the country's affordable rented housing stock. This represents 274,996 homes across Scotland, concentrated in some of the poorest communities in our country.
- 1.3 The housing association and co-operative sector are leaders in energy efficiency and in tackling fuel poverty – the Scottish House Condition Survey conducted by the Scottish Government found that the sector has the most energy efficient housing by tenure in Scotland.¹

2. General Comment

- 2.1 Housing associations and co-operatives have a strong track record in improving the energy efficiency of their homes. They have the potential to lead in the improvement of the energy efficiency of Scotland's housing, cutting carbon emissions and reducing fuel poverty. They face competing financial pressures, however, with welfare reform likely to lead to significant loss in income, and with cuts to grant levels for new build affordable homes putting pressure on finances. Support is needed, therefore, if they are to continue to lead in increasing the energy efficiency of Scotland's housing.
- 2.2 Minimum standards are crucial to driving improved energy efficiency in housing. While standards exist for social housing, none yet exist for the private sector. The SFHA calls on the Scottish Government to introduce minimum energy efficiency standards for private housing by 2015.
- 2.3 The SFHA welcomes the National Retrofit Programme (NRP) to fund improvements in energy efficiency. We believe, however, that funding needs to be substantially increased in order to meet Scotland's climate change targets. We are calling on the NRP to be doubled, and for 4% of

¹ Scottish Government (2012), *Scottish House Condition Survey Key Findings 2011*. Available at <http://www.scotland.gov.uk/Publications/2012/12/4995/6>

European Structural Funds to be ring fenced to fund energy efficiency and renewables in social housing.

- 2.4 Renewables, micro-renewables and district heating all have a role to play in meeting carbon emissions reduction targets and cutting fuel poverty. By supporting housing associations and other community groups to develop renewables, the Scottish Government will ensure that poorer communities share in the benefits of Scotland's renewable energy resources.
- 2.5 Rural communities, where many homes are off the gas network, are particularly vulnerable to fuel poverty. They also offer the potential to significant reductions in carbon emissions. The SFHA is calling on the Scottish Government to provide the necessary support to ensure that rural communities benefit from schemes to increase energy efficiency and to support the development of micro-renewables.

3. Fuel Poverty and Energy Efficiency in Housing

- 3.1 Fuel poverty is an issue of growing importance in Scotland – the most recent figures show that one in three Scottish households are in fuel poverty.² While housing associations and co-operatives have the most energy efficient homes in Scotland, our members house some of the poorest and most vulnerable society and so their tenants are vulnerable to fuel poverty.
- 3.2 Significant investment in the energy efficiency of existing homes can combat the effects of rising fuel prices and cut fuel poverty – last year there was a 2% drop in levels of fuel poverty among housing association tenants.³
- 3.3 The Scottish Government continues to fund energy efficiency schemes to alleviate fuel poverty in Scotland when the UK Government has ceased to do this in England and Wales – for 2013/14 there is a £66 million pounds National Retrofit Programme. We believe that a programme which supports area based schemes is the best way to increase energy efficiency in Scotland – as evidenced by a report into area based schemes by Consumer Focus Scotland⁴.
- 3.4 We believe, however, that in order to address fuel poverty and to meet the Scottish Government's targets to reduce carbon emissions set in the

² Scottish Government (2012), *Scottish House Condition Survey Key Findings 2011*. Available at <http://www.scotland.gov.uk/Publications/2012/12/4995/6>

³ Scottish Government (2012), *Scottish House Condition Survey Key Findings 2011*. Available at <http://www.scotland.gov.uk/Publications/2012/12/4995/6>

⁴ Consumer Focus Scotland (2010), *Energising Communities: Learning from area-based energy efficiency projects in Scotland*. Available at <http://www.consumerfocus.org.uk/scotland/files/2010/10/Area-Based-Energy-Report.pdf>

Climate Change Scotland Act (2009) there needs to be a significant increase in the NRP in future years. A recent report by the World Wildlife Fund estimated that there was a significant funding gap between the investment required to meet the Scottish Government's targets and the funding available through the NRP, the Energy Company Obligation and other available funds.⁵

- 3.5 Improvements to the energy efficiency of social housing can also be funded by the Scottish Government ring fencing European Union Structural Funds in order to fund programmes to retrofit existing homes. There are examples of successful programmes in Wales and France that have cut fuel poverty while providing jobs and training in disadvantaged areas (for example the Arbed scheme in Wales⁶). The SFHA calls on the Scottish Government to earmark 4% of European Regional Development Funding from 2014 to fund improvements.
- 3.6 Minimum Standards can also play a significant role in driving improved energy efficiency standards in existing housing. The Social Housing Quality Standard (SHQS), combined with a culture of good asset management and strong planned maintenance programmes, has helped housing associations and co-operatives to significantly improve the energy efficiency of their homes, making them the most energy efficient by tenure in Scotland.
- 3.7 There are now proposals to set a further standard – the Energy Efficiency Standard for Social Housing (ESSH), will be published and set higher energy efficiency standards for social housing for 2020 and on to 2050. The SFHA and its members broadly welcome the aim of the proposals as we believe that increased energy efficiency is vital to alleviating fuel poverty and combating climate change. We believe, however, that for social landlords to meet these challenging standards funding has to be made available through an expanded NRP and through ERDF. We are calling for this investment because Welfare Reform is likely to have a significant impact on social landlords' income, while considerable cuts to grant levels for new build affordable housing have already had an impact on the ability of housing associations and co-operative's funding and ability to borrow.
- 3.8 While minimum standards already exist in the social rented sector and are to be increased, there are currently no minimum energy efficiency

⁵ WWF Scotland (2012) *Mind the Gap: Funding Home Energy Efficiency to Deliver Scotland's Climate Change and Fuel Poverty Targets*. Available at http://scotland.wwf.org.uk/wwf_articles.cfm?unewsid=6275

⁶ Welsh Government (2012) *Arbed Strategic energy performance investment programme*. Available at <http://wales.gov.uk/topics/environmentcountryside/energy/efficiency/arbed/?lang=en>

standards in the private sector, which makes up 76% of Scotland's housing. The Scottish Government's Sustainable Housing Strategy recently proposed setting minimum standards for the private sector by 2018.

3.9 The SFHA believes, however, that the proposed timescales for agreeing standards and setting targets could be shortened. At present the working group would report by 2015 with targets set for 2018. The SFHA would like to see the report in 2014, with standards set for 2015 – we believe that with the average Scottish household in fuel poverty there is no time for delay.

4. Energy and Heat Supply

4.1 Efficient generation and distribution of electricity and heat have a significant role to play in cutting carbon emissions and alleviating fuel poverty.

4.2 Housing associations and co-operatives have the potential to play a significant role in the development of schemes that promote the more efficient use of energy and the generation of clean and renewable energy. They have the groupings of housing and the financial and project management skills to be early adopters of district heating schemes, combined heat and power installations and renewable electricity and heat.

4.3 Housing associations and co-operatives have already led on the development of district heating schemes in Scotland, with schemes installed for example in Glasgow and the West Highlands. The SFHA calls on the Scottish Government to support the expansion of such schemes, which cut fuel bills and reduce carbon emissions, by adopting the recommendations of the Expert Commission on District Heating⁷.

4.4 The SFHA believes that the Scottish Government needs to provide support for the small to medium sized renewable energy schemes developed by housing associations and co-operatives. Renewable heat and electricity have an important role to play in:

- cutting carbon emissions from domestic dwellings and helping the Scottish Government to meet the targets set in the Climate Change (Scotland) Act 2009;
- helping the Scottish Government to meet its target of eradicating Fuel Poverty by 2016.

4.5 Housing associations and co-operatives have a key role to play in helping the Scottish Government to meet these targets by developing renewable energy schemes at a community scale. A number of our members have developed or are developing schemes using wind, photo voltaics, biomass and hydro. In our view it is important to ensure that renewables subsidies

⁷ Scottish Government (2012) *Expert Commission on District Heating*, Available at <http://www.scotland.gov.uk/Resource/0040/00408383.pdf>

do not only benefit large companies, but are also used to develop community capacity and provide funding to increase energy efficiency. The SFHA is involved in discussions with the Scottish Government and other bodies about supporting such developments.

4.6 While the Scottish Government supports the development of renewables in housing associations through the District Heating Loans Fund and the Warm Homes Fund (and these are both welcome support for our members) the SFHA is calling on the Scottish Government to increase funding for renewables and district heating schemes by doubling funding for NRP and ring fencing ERDF to support renewables and energy efficiency in social housing.

5. Specific Rural Issues

5.1 Scotland is a very rural country and rural parts of Scotland, especially the Highlands and Islands, face particular challenges with fuel poverty and carbon emissions. Due to its geographic location, people in Scotland experience longer, colder winters than the rest of the UK. A study by Energy Action Scotland found that it could cost a family living in the north of Scotland 68% more to heat their home than for an equivalent household living in a similar house in the south of England⁸.

5.2 Scotland has a high proportion of hard to treat properties. These are properties where low cost solutions to improving energy efficiency such as cavity wall insulation and loft insulation are not appropriate, for example, buildings with solid stone walls such as traditional tenements, multi-storey flats and timber frame buildings built prior to 1982. The Existing Homes Alliance Scotland, of which SFHA is a member, estimates that one third of Scottish homes are hard to treat⁹

5.3 Scotland also has a high proportion of properties that are off the gas network: 541,000 households in Scotland do not have gas heating, with 21% of households in Scotland off the gas grid¹⁰. Households that do not have access to mains gas are much more likely to experience fuel poverty than households who do, because of the higher costs of other fuels.

⁸ Energy Action Scotland, (2008), *The Wrong Direction: How UK Fuel Poverty Policy Lost Its Way*. Available at

http://www.theclaymoreproject.com/uploads/associate/365/file/EAS%20Publications/UK_Fuel_Poverty_Monitor_2008.pdf

⁹ Existing Homes Alliance Scotland, (2011) *Declaration*. Available at

http://www.existinghomesalliance.org.uk/scotland/declaration_scot.php

¹⁰ Office of Fair Trading, (2011), *Off Grid Energy; An OFT Market Study*. Available at <http://www.offt.gov.uk/OFTwork/marketswork/completed/off-grid/#named2>

- 5.4 Rural areas have higher proportions of hard to treat properties and much higher proportions of properties off the gas grid. At the same time they are more remote and have lower population densities, meaning that they are less attractive to energy companies looking for investments to meet their carbon reductions obligations.
- 5.5 The SFHA believes that it is vital that the Scottish Government ensures that it provides support to rural communities and rural housing associations to enable them to increase the energy efficiency of their homes and develop small scale renewables. There are opportunities for the NRP, ERDF, the Warm Homes Fund and the District Heating Loans Fund to make a positive difference in rural communities.
- 5.6 Positive examples of how housing associations can help to cut fuel poverty and carbon emissions in rural areas include West Highland Housing Co-operatives development of biomass district heating schemes, and the Lochalsh and Skye Energy Advice Service, which has provided face to face energy advice to 491 households and 22 community organisations.

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