LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

FUEL POVERTY (TARGET, DEFINITION AND STRATEGY) (SCOTLAND) BILL
CALL FOR VIEWS

SUBMISSION FROM CALOR GAS LTD

Introduction

Calor welcomes this opportunity to respond to the call for evidence from the Local Government and Communities Committee on the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill which is now at Stage 1. Calor fed in to the Scottish Government’s consultation on a fuel poverty strategy for Scotland in February 2018 and also into the report by the Scottish Rural Fuel Poverty Taskforce; we have campaigned for rural homeowners to benefit equally from both UK-wide and Scottish specific energy efficiency programmes for a number of years.

1. Do you agree with the Scottish Government’s proposal to provide for a statutory target to reduce fuel poverty to no more than 5 per cent of Scottish Households by 2040?

Calor supports the Scottish Government’s proposal to provide for a statutory target to reduce fuel poverty. However, this target should work alongside other policies designed to improve the energy efficiency of existing and new dwellings, the government’s plans to decarbonise the heat sector and other activity aimed at addressing poverty in general.

2. Do you agree with the Scottish Government’s proposals for a revised definition of fuel poverty?

Calor supports the proposed new definition of fuel poverty being more narrowly defined to enable government support schemes, such as the Energy Company Obligation (ECO) and HEEPS (Warmer Homes Scotland scheme), to be properly targeted towards those households that are most in need of assistance.

3. Do you agree with provisions in the Bill requiring the Scottish Government to publish a fuel poverty strategy? Do you also agree with the consultation requirements set out in relation to the strategy?

Calor supports the requirement in the Bill that the Scottish Government publishes a fuel poverty strategy. However, we feel that changes need to be made to energy efficiency schemes to better support rural off-gas grid homes. In the Fuel Poverty Strategy, it is acknowledged that even if households reach Energy Performance Certificate (EPC) Band C it will not necessarily pull the most fuel poor households out of fuel poverty by 2040. Thus, Energy Efficiency Scotland includes a more ambitious
target for these homes to reach EPC B by 2040 with no firm pathways for this to be achieved.

Many rural fuel poor homes stand at a significant disadvantage toward meeting these targets as they have not benefited equally under scheme such as ECO and their predecessors. The Fuel Poverty Strategy attached to the Bill needs to ensure that energy efficiency schemes are better tailored to support rural off-gas grid householders; at present it is not clear within the strategy how this will be achieved alongside other commitments to decarbonise heat.

For example, Energy Efficiency Scotland includes policies that include the regulation of energy efficiency in the owner-occupier sector that will see home owners expected to reach a minimum EPC before they can sell their home. Whilst the policy clearly states that improvements will be based on technical feasibility and cost effectiveness it does not specify how it will be applied to rural homes – for example, rural, off-grid homes typically score lower EPC scores (E, F and G) because the methodology takes into account fuel prices which are typically more expensive. Rural homes are disadvantaged as there isn’t a level playing field for off-gas grid homes when it comes to energy efficiency, which is why we are calling on the government to reform EPCs so they only measure energy efficiency (kWh/M2/year). There is a danger that rural becomes too difficult to retrofit affordably and rural communities remain left behind as they are more difficult to treat.

Modelling by the Scottish Government has demonstrated that for a typical off-grid detached home to improve an EPC rating of E, F OR G to the minimum EPC rating level of D, could involve a retro-fit bill of approximately £20,000-25,000. Unless existing energy efficiency schemes properly target these homes, reaching an EPC B by 2030 will be out of the reach of many off-gas grid homes. As such, Calor urges the Scottish Government to alter its approach to assessing rural off-gas grid homes and to monitor the delivery of energy efficiency schemes to ensure they are not disadvantaged as this policies are pursued.

4. Do you have any views on the extent to which the measures set out in the draft Fuel Poverty Strategy for Scotland 2018 will contribute to meeting the Government's new target? Have lessons been learned from previous initiatives?

Definition of rural settlements

One of the reasons why deployment in rural areas has been so woeful is that no metrics exist to differentiate between programme delivery to rural off-gas grid, rural on-gas grid and urban off-gas grid households.

- An FOI response from Ofgem shows that only 2% of rural off-grid homes where the main fuel type is heating oil or LPG received ECO measures.
At the end of ECO2 (April 2017), parliamentary questions have confirmed that ECO measures in off-grid homes remained at less than 2%.¹

- Similarly, looking at HEEPS: ABS statistics from 2013-14 show a bias to urban areas in terms of delivery. Remote small towns and rural areas of Scotland have received fewer measures per household than the overall average².

The UK Government defines ‘rural’ as a settlement of up to 10,000 households, suggesting a community still on gas, potentially on the urban fringe. This same definition is used in Scotland, despite the Scottish Government defining rural as 3000 households or less for its own schemes.

Whilst the qualifying limit for ECO remains at 10,000, smaller rural off-gas grid communities will continue to be missed whilst delivery is focused into larger ‘rural’ on-gas grid communities which are easier and cheaper to both find and deliver measures into.

The Scottish Government, despite having new powers to design a ‘Scottish ECO’, have opted not to design a new scheme which could have tackled this issue. This is a missed opportunity as they can’t influence this UK wide scheme. However, for the purpose of the HEEP’s ABS scheme, Scottish Government could lower the rural classification of 3,000 to include a ‘remote rural settlement’ classification and set a sub-obligation in the scheme to target remote communities – this could include settlements with under 250 households.

**RECOMMENDATION:** Amend the Fuel Poverty Bill to include a ‘remote rural’ settlement definition with in the Rural/Urban Classification to better target energy efficiency schemes.

**Lack of available data**

As such, the strategy discusses how HEEPS, the Scottish Government’s Warmer Homes scheme, will play a part in addressing the issue of fuel poverty through funding those in need of support. The ABS targets hard-to-treat housing with solid wall insulation and is designed to leverage ECO funding in to Scotland. Nonetheless, it is unclear how effective they have been in addressing rural fuel poverty. This is because there is a lack of available data to differentiate between delivery to rural off-gas grid, rural on gas grid and urban off-gas grid households. This has been an issue with Energy Company Obligation (ECO) and is the same with HEEPS.

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¹ [http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2017-02-21/64855/](http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2017-02-21/64855/)

Whilst the draft strategy notes that between 2013 -2017 local authorities have spent £228 million of Scottish Government funding through HEEPS, it remains unclear how many rural off-gas grid homes have benefited from the scheme. Calor would urge the Scottish Government to capture this data going forward in order to establish how effective energy efficiency programmes are for those most vulnerable householders that live off the gas grid.

Similarly, the fact that local authorities are responsible for targeting funding based on their understanding of local housing stock and their own housing strategies is an improvement on previous schemes. However, funding is still based on a mix of data, including SIMD, council tax banding and the Scottish House Condition Survey. Calor supports the HEEPS ABS but would encourage base data to be used in order to identify homes in need of support, so that the most vulnerable in off-grid localities are not bypassed.

Similarly, the strategy states that the Scottish Government is in the process of introducing new enabling and renewable measures to the HEEPS scheme, bringing benefits to those living in rural communities, including fuel tanks for oil and LPG heating systems. Calor supports this move to support vulnerable communities, however urges for greater consistency in defining who has access to the schemes.

**RECOMMENDATION:** Amend the Fuel Poverty Bill to include quarterly reporting requirement for Scottish Government owned energy efficiency schemes such as HEEPS ABS.

5. Do you have any views on the Scottish Government's reporting requirements to the Scottish Parliament, as set out in the Bill?

No answer.

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