

Social Justice and Social Security Committee Energy Action Scotland Submission

Introduction

Unprecedented increases in energy costs are set to have a devastating impact on households across Scotland this winter. Pre-pandemic a quarter of households, over 600,000¹ were struggling with their energy costs. We estimate that is set to rise by over 100,000 as the universal credit uplift is removed, furlough has ended, and more people are spending time at home.

The impact of this will undermine the health and wellbeing of many people and put pressure on the NHS, fuel poverty related NHS costs are estimated to be over £100million in Scotland. Sadly, this will lead to an increase in excess winter mortality, which already accounts for over 6 deaths every day in winter.

Fuel Poverty is highest in remote and rural Scotland, Western Isles 40%, Orkney 31% and Shetland 31% where there are more all electrically heated homes, oil, LPG, or solid fuel.

Households in **rural Scotland** are doubly penalised with higher costs. Many of these households pay almost double the average UK dual fuel bill because they live off the gas grid and are dependent on electricity and perhaps solid fuels. They also suffer from an apportionment of transmission costs² which further inflate costs vs other parts of the UK. A legacy of when these areas were remote from the centres of power generation, yet these very same areas are now the powerhouse of our renewables sector.

Pre-payment meter households are further disadvantage with even higher costs than credit meter customers. Some of which could be addressed by increasing the rate that households can access smart metering.³ It was clear in research which we completed during 2021 that there were significant financial benefits to pre-payment households and to energy suppliers by accelerating the adoption of smart metering.

Fuel Poverty in the UK

- Scotland was estimated at 613,000 in 2019, or 24.6 per cent of households;
- Northern Ireland was estimated at 131,000 households in 2018, or 18 per cent of households.
- Wales was estimated at 155,000 in 2018, or 12 per cent of households;
- England was estimated at around 2.4 million in 2018, or 10.3 per cent of households

¹ <https://www.gov.scot/publications/scottish-house-condition-survey-2019-key-findings/pages/1/>

² <https://www.ssen-transmission.co.uk/media/5261/ssen-transmission-tnuos-paper-february-2021.pdf>

³ <https://new.theclaymoreproject.com/uploads/entities/1230/files/Publications/Smart-Prepay-Full-Report.pdf>

The volatility in the energy market is already having a detrimental impact on households with rocketing energy bills from 1 October. Energy costs will continue to rise over the next year, suppliers will fail, people will have less choice and poorer 'deals'. It was reported that energy market analysts are predicting that the next price cap could see an increase of £500 to the average UK fuel bill. This would be even more devastating for vulnerable households.

Millions of households in the UK are in energy debt already. ⁴ Scotland's Energy Consumers Commission is concerned⁵ [NB Frazer Scott is one of the commissioners appointed by the Scottish Government].

Scotland's fuel poverty target is 5% by 2040. This is ahead of the target dates for NetZero of 2045.

Scotland's Heat in Buildings Strategy identifies quite clearly what needs to change. But the estimated costs of £33bn are quite incredible and it isn't clear yet how this will be paid for which is more challenging as fuel poverty figures look set to increase possibly as high as 1 in 3 households for a time.

If we meet our NetZero ambitions, then consumption of energy should be lower. Whether costs fall in real terms over time is a far bigger question. But how we pay for the transition to NetZero will add to the costs for all consumers. We believe more should be done to protect vulnerable, low income, fuel poor households. From rebates to greater regulatory protections for these same households must be put in place to ensure there is a fair and just transition.

⁴ <https://www.cas.org.uk/news/increasing-numbers-people-missing-energy-bills>

⁵ <https://www.scottishhousingnews.com/article/energy-consumers-commission-warns-of-fuel-debt-risk-toconsumers>

Scotland Fuel Poverty Strategy 2021

We welcome the much-delayed fuel poverty strategy. Our charity has over the last 3-5 years helped to shape the direction of travel from fuel poverty, leading to the Fuel Poverty Act in 2019 and participating until its suspension in early 2020, the Fuel Poverty Advisory Panel.

Energy Action Scotland has shared the strategy with its members. Responses from across the geographic as well as sectoral breadth of our membership are quoted below. For ease we have separated under a range of topic headings. These are initial responses as we are still working to provide the fullest and most considered response possible.

General impressions of the Strategy

Energy Action Scotland really does welcome in the new strategy. Increased investment for programmes to improve the fabric of people's homes, advice services, opportunities to reform the Energy Performance Certificate process, taking responsibility for providing Winter Heating Assistance and, the role of crisis support for households in difficulty. We sought initial responses from our membership and a sample is provided in appendix 1, with the caveat that these were early and reactive responses which over time may not be entirely reflective of our diverse membership.

Energy Action Scotland is concerned about how well the strategy meets its statutory obligations as determined in the Fuel Poverty (Target, Definition and Strategy) Act⁶. It isn't clear how this collection of activity in the strategy cumulatively 'ensures that fuel poverty targets are met'. There is insufficient analysis presented to demonstrate the contribution made across the 4 drivers. We appreciate that some of the drivers are more difficult for the Scottish Government. Areas of energy policy remain reserved to the UK Government and energy is subject to global market forces, evidenced by the rocketing prices being experienced at the current time and in areas of social security such as Universal Credit.

Nonetheless the act is clear that we have statutory targets to all but eliminate fuel poverty by 2040. We are a long way from that target and current market turbulence is likely to increase fuel poverty in Scotland which may take some considerable time to recover from.

⁶ <https://www.legislation.gov.uk/asp/2019/10/enacted>

Current Crisis/ Winter 2021

The current volatility in the energy market is increasing wholesale prices and driving energy suppliers out of the market. Consumers are left to deal with this through higher bills. These are at unprecedented levels and set to rise even higher. There isn't enough on the strategy to indicate how we are responding now but also in the future should there be any circumstances that replicate the impact of the current crisis.

The £41million for the Winter Heating Assistance is welcome but is similar to levels available during 2020/21 when the scale of the challenge faced by households in Scotland is significantly greater than last winter. Last winter was a time when energy costs were significantly lower, furlough was delivered, and the Universal Credit Uplift was available.

Lived Experience/ Research

It is important that it is not lip service that is paid to the contribution that lived experience should play in helping to design successful strategies and interventions. We were disappointed in the previous lived experience work. It didn't go far enough or provide sufficient diversity of experience across Scotland's communities. We support more work on lived experience. Our own work supporting vulnerable households with a cancer diagnosis has improved year on year based on listening to those that have been supported, the local trusted referral partners and the contractors that deliver improvements. We have helped hundreds of people and their families, many unfortunately with a terminal diagnosis, live in greater comfort and dignity. In determining solutions, we place people at the heart of that process with the best solutions for them.

Energy Use in the Home

We support that much more needs to be done to understand better the approaches required to enable households make better use of their heating and power systems.

There have been several pieces of academic research on this topic including work done by the University of Lancaster. In recent times work by Connected Response, working with Glasgow Housing Association has demonstrated that households can be supported to maximise their use of electric storage heating.

Retrofit of Existing Homes/ PRS/ Owner Occupiers

The Scottish Government's Heat in Buildings Strategy identifies just how challenging it will be to meet our NetZero ambitions. A £33bn estimated price tag is staggering and it is far from clear how homeowners, many of whom live in fuel poverty, will be engaged to go on this journey. The value identified of £1.8bn we believe is insufficient to bring about the scale of change required.

We are supportive of a practical introduction of new standards where this drives quality, provides confidence for the public and accelerates support to vulnerable and fuel poor households.

The Department of Business Economy and Industrial Strategy (BEIS) is widely reported as accepting that new standards will add to the costs of delivery and will reduce the rate at which homes can be improved. This is a real issue for rural Scotland, where Scotland has the highest rates of fuel poverty. The capacity to deliver change to new and exacting standards is low and without significant investment this is not likely to change. Trades people can more readily work in these communities in new build and private work where the retrofit standards do not apply. There are limited incentives for them to undertake training, certifications, and accreditations. Rural Scotland was already the most expensive location to deliver improvements. Inflation, the availability of materials and skilled workers will make it more difficult to reduce fuel poverty in the Western Isles (over 40%), Shetland (over 30%) and Orkney (over 30%). It is incredibly disappointing that fuel poor tenants in private rented accommodation are a low priority with a further delay to the implementation of measures to improve the quality of their lives. Further delays will do nothing to improve the experiences of people in private rented accommodation.

The current proposed changes to the achievement of EPC 'D' and 'C', even if met, will not be sufficient to lift significant amounts of tenants out of fuel poverty. It is clear in the Scottish House Condition Survey and the Scottish Government Lived Experience research that many households in 2019, pre-pandemic, pre-energy crisis continue to endure fuel poverty whilst living in EPC 'C' properties.

Hardest to Reach Groups/ Equality of access

Many of our members deliver very local services. They are trusted organisations in their communities. They have trained and motivated staff working to support people in some of the most challenging situations in Scotland.

The strategy has welcome commitments to support third parties to engage with hard-to-reach households and communities. This level of engagement can be often regarded as expensive yet through social return on investment, as demonstrated through the industry initiatives funded through the Warm Home Discount that huge benefits are derived.

Organisations require long-term commitment to ensure that local trusted advice organisations are supported. It takes time to build the capacity of individual advisors to a suitable standard and the current nature of funding works against that provision.

The rationale for prioritising some of the communities of interest in the strategy is unclear. The emphasis on traveller communities, whilst clearly a target group for support with families in fuel poverty, sits uncomfortably with no clear rationale for inclusion as a current priority. There are other communities where support and protections are needed including refugees and people living in temporary accommodation.

Net Zero/ Just Transition

The Fuel Poverty Strategy joins several other overlapping and relevant policy areas. The Just Transition Commission and its recommendations, the Heat in Buildings

Strategy, Housing 2040, the Heat Networks Act, Scotland's Climate Change and NetZero ambitions and targets.

It is disappointing that the strategy seems to accept and promote an emissions reduction first approach as its tactic to achieve a reduction in Fuel Poverty. It is positive that it does accept that there is a tension between climate change and fuel poverty policy, but it is not clear how that tension will be resolved.

The energy performance of buildings is only one aspect of fuel poverty, and the strategy acknowledges this but is vague on how tensions will be addressed where costs impact on already fuel poor households. The Scottish Government's decision to suddenly stop support for the replacement and upgrading of oil and LPG heating systems is not consistent with a just transition. Many households with oil and LPG are in fuel poverty and could benefit from system upgrades and associated efficiency upgrades whilst programmes of support that might enable alternative systems are geared.

In a just transition we would expect sufficient notice, a clear plan of action and excellent communication to support households. We are concerned that in an emergency such as a loss of a heating system that support will not be sufficient to support those households where their options are limited, and their needs are immediate.

Energy Action Scotland believes that the priority must be on eliminating fuel poverty which in turn addresses our NetZero ambition. Far too many lives are lost each year, and in during the winter to deliver support in anything other than a person centric approach.

The strategy identifies that new and future technologies will all be required

Energy Levies/ Social Justice

Energy Action Scotland is concerned that the strategy accepts the rebalancing of levies that are currently a feature of electricity and gas bills. We believe that these levies in a large part are nothing more than regressive stealth taxes. They disproportionately affect those with the least in society, with low-income households being asked to subsidise the EV infrastructure whilst being unable to benefit from this revolution. We believe that most of these costs should move to general taxation. It is fundamentally fairer.

Proposals to shift the 25% policy cost burden on electricity to gas has the potential to increase fuel poverty amongst the 2million households that have gas heating.

Financial benefits and support for households

Energy Action Scotland is concerned about the uncertainty that surrounds the future delivery of Warm Home Discount (currently £140) support to households. Neither the Heat in Buildings Strategy nor the Fuel Poverty Strategy shed significant light on the role that this support will play in helping fuel poor households. With the next phase of

Warm Home Discount due to commence on 1 April 2022 customers in Scotland deserve to know what will happen. People on the low incomes, vulnerable households manage their budgets to every penny. WHD is an important support.

We are disappointed in the approach taken to Winter Heating Assistance. Changes identified will result in some households receiving less support than they would have during periods of cold weather. It fails to better align itself to the needs of the households and be directly relatable to fuel poverty.

Winter Heating payments are made to all pensioners regardless of their circumstances. Many choose to donate these payments to charities each year. With over £150million distributed annually through the winter payments this is an intervention which could and should have significant impact on fuel poverty. Yet it is proposed to deliver this on a like for like basis which fails to make efforts to align the support to those that need it most.

The cold weather payment replacement which benefits low-income households on means tested benefits is mobilised when the temperature falls and is recorded geographically. Meaning that the communities experiencing the coldest sustained periods receiving more payments than those more moderate.

There were 7 triggers for cold weather payments in the whole of GB winter 2019-20, all of which were in Scotland. The impact that payments have is dependent on multiple factors including the thermal efficiency of the property a person lives in and the type of heating they have.

£25 a week is a useful boost when you have a modern mains gas boiler, however its effect in heating amenity is much less if you heat your home with electric storage heating. You can approximately buy 3 times the amount of heat with a gas boiler than you can get with an electric storage system for the same money. In effect £25 worth of gas heating delivers £8.30 worth of equivalent electric heating.

The flat payment of £50 does not adequately address the complexity of fuel poverty. The Winter Heating Assistance and Cold Weather Payment could be far better targeted to those that need help the most.

Happy to discuss any of this further, although some areas are still in development.

Submitted by

Frazer Scott, CEO Energy Action Scotland

19 November 2021

Appendix 1 – Initial member reactions

General

“Overall, there some things to welcome, but relatively small points of progress. Like the climate change agenda, it feels like actions are positive but far from sufficient in scale or radical enough to respond to the challenge”

“For me, the bigger strategic stuff isn’t present”

Current crisis

“We have to emphasise the current crisis which the strategy doesn’t address”

“There is a lot of focus on what has been done by the SG in the past. There is less detail on what practical things the govt. plans to do now to help those in need. The financial pressures stemming from Covid and rising energy costs demand urgent action now to alleviate current difficulties. I’m not left with an overriding sense that this document helps in that regard”

“Big push on EE/heating systems, but not so much support for short term crisis. People need help now, as EAS has been making the case with calls for greater support for those in need this winter. Massive overall cost is quoted, but these costs are probably underestimating the numbers in fuel poverty. This could be a big problem. Also, more detail on owner contributions as a potential barrier to action could be considered”

“Analysis of distributional impacts - why has this been delayed? It's not unreasonable to have expected this by now”

“Raising incomes focuses mostly on benefits checks/uplifts/etc. This is welcome for those eligible for that support, but what about those not eligible? Also, the continuing lack of progress on WHD and ECO remains a disappointment/concern”

“Commitments to continue with existing support for those eligible is welcome, though does this risk excluding some groups (e.g. those in in-work poverty) in need from assistance?”

Lived Experience

“The previous Scottish Government research on lived experience in fuel poverty was wholly inadequate and something of an embarrassment to the term. If future work to tackle poverty was based on this they should be taken to task over its validity and relevance”

“More lived experience work would be good”

“The SG’s lived experience research is used a lot, but at the same time they say more research is needed. The lived experience research was weak, so further research will definitely be required. Yes some other evidence is brought in, but it may be a concern if the main evidence informing the strategy is that lived experience research. I’d suggest this is something for the new advisory panel to consider as a priority”

Energy Use in the Home

“The statement that there is a lack of research on how energy is used in the home is surprising. There’s been quite a focus on energy in academic research, e.g. the Demand Centre at Lancaster University but a quick search of recent journal articles highlights some relevant work. Perhaps a limited terms of reference has been used in scoping the evidence review”

Retrofit of Existing Homes/ PRS/ Owner Occupiers

“The suggestion of a fuel poverty assessment tool and whole house retrofit is potentially a game changer, but there are practical challenges that will need to be considered in more detail”

“There are numerous examples of aspects which were clearly issues a decade ago, and which are still nowhere near sorted e.g. households relying on electric heating. For example, electric heating reform [on p.37] -welcome but, again, has been characterised by a lack of progress”

“Reform of EPCs - long overdue if they do what we need them to do - provide accurate and practical information that can be used by building owners”

“EPC reform [on p.34] welcome but has been characterised by a lack of progress”

“There are numerous examples of aspects which were clearly issues a decade ago, and which are still nowhere near sorted for example, treatment of tenements and flats where communal agreement is needed (on energy efficiency, let alone heating)”

“Elsewhere, some can-kicking evident on the hard stuff, for example on flats where communal agreement is needed [p.22] but more especially on the PRS:

To tackle poor energy efficiency in the private rented sector we have been committed to the introduction of regulations to ensure properties in the private rented sector reach an EPC D by 2025 and have trailed this standard for the past 3 years. However, we recognise that the private rented sector has been significantly affected by the ongoing COVID-19 pandemic ... to reflect the need to reduce pressure on the sector, the formal process to bring these regulations forward was halted.... we will introduce regulations requiring private rented sector properties to meet a minimum standard equivalent to EPC C, where technically feasible and cost-effective, by 2028.

So: it was due 2025, we’ve had a two year interruption and we’re now saying the whole process has been delayed three years total? This is far beyond disappointing”

Hardest to reach

“It's not clear how those groups in fuel poverty that are the hardest to reach will be reached as a result of this strategy. It's often based on households in need opting in and seeking out support. We know more needs to be done to capture those not currently being reached. The need for stronger public engagement, as proposed in the HiBS, is great but it needs to be for those living in FP and other vulnerable groups”

“Lots of commitment to provide funding for third parties to help those in need, this is clearly important and welcome. But again, there is not much to reassure us that the hardest to reach will also get the help they need as a result of this strategy”

NetZero/Just Transition

“NetZero first seems to be the approach suggesting that that will reduce fuel poverty. Whereas we should argue that a fuel poverty reduction approach will reduce carbon emissions”

“There's lots of warm words and it's good to see an acknowledgement that there is a tension between climate change and fuel poverty policy. But there's not much detail in this document on what can be done about that tension”

“It is clear from this document that the SG is taking an emissions reduction first approach by doing that FP will be alleviated along the way. But energy performance of dwellings is only one aspect of FP. In addition, a genuine social justice approach would likely say that we should be tackling FP first as a national priority, which will be life changing for those groups and still reduce emissions”

“Recognition of the tension between the FP and low carbon heating systems is welcome, I think, for both FP and carbon agendas... p.13 has upgrading costs of £3bn to reach EPC C using fossil fuels, £6bn using low carbon technologies, which is quite striking to say the least!”

Specific Groups/ Households

“The focus on these specific reference groups seems out of place”

“Some of the focus on particular groups looks a bit odd to me: *female head of household, gypsy/traveller community* in particular. The gypsy/traveller community being referred to on multiple occasions elevates this group in a way I've not seen before. While FP does exist for this group and they quite rightly need to be supported, why such a big focus now? This could be explained. Also, households with a female head of household is mentioned in a cursory manner, but a bit of reflection on what type of households these are wouldn't go amiss. It might help explain why they are more likely to be in FP”

“The list of groups at greater risk of FP on p.8 (and detail pp.20-21) is helpful, if mostly not surprising. It would be more helpful if it was clearer how this information will be

used to improve targeted responses – there's a mention of EST targeting single parent households on p.30, but I didn't see anything else"

"The focus on free bus travel for under 21s as freeing up more household income for spending on energy is really odd. Free school meals for primary schools too is in the same vein, but at least with school meals the financial decisions are being made at the household level. To make this statement would need some detailed analysis about the households affected and how their financial decision making/practices"

Levies

"SG support for balancing levies (consistent with CCC) - but there are real risks in doing so. It may reduce some costs for electricity consumers, which those using electricity for heat might welcome. But it may increase fuel poverty for some of those using mains gas. These are costs that may increase as the transition to net zero makes progress. So this really needs to be fully thought through and the impact analysed in detail. It also takes a leap of faith to believe that any cost savings will make it to consumer bills; given the mess of the current market it's not unreasonable to be sceptical. Urging more work in this area before a final position is taken is prudent"

Financial Support

"The comments on reserved/devolved powers is unsatisfactory. As the reports show, there are of course difficulties, but there's also a lot that could be getting done by the SG now. This isn't about constitutional wrangling but taking action where they can and using their advocacy role to press for changes elsewhere"

"On the benefits side, the lack of examination of Winter Heating Assistance, in comparison to the detail covering numerous other, much smaller pots of money, is just pathetic and I take issue with this bit though on p.7. Mainstream WHA for pensioners is not even mentioned:

We are already doing what we can, with the powers that we have, to increase incomes, reduce household costs and mitigate the impacts of poverty in Scotland. This includes delivering new benefits like Child Winter Heating Assistance and the Scottish Child Payment as well as improved versions of existing benefits, like our planned replacement for Cold Weather Payments.

WHA is not targeted, and given it is of the order of £180m+ pa, it is the biggest single pot of money available to address FP. WHD gets a section on p.27 – it is just under £350m across GB. Assuming 10% of that in Scotland shows comparable scale to the £180m+ on WHA.

"Also compares to SG programme size, for example p.45 – figure is over 5 years, so £93m pa average. This investment will support the removal of emissions from heating and the removal of poor energy efficiency as a driver of fuel poverty with at least £465 million to support those least able to pay through our programmes targeted at those in fuel poverty"

“The proposal to get data sharing right could be a game changer in identifying those in need, but it is massively challenging with UK's data protection laws. Wouldn't want to delay getting support to those in need while legal wrangling over data sharing takes place”

“The recognition of the variability of covid impacts on household finances is important here, since some of the associated FP will be temporary and mobile so less helpful to target through EE, but benefits approach can provide much more immediate help”

Future Strategy

“Learning by doing and monitoring / reporting built in from the start is welcome. Also need to ensure that this incorporates evaluation when appropriate so that changes/adjustments can be made along the way. This should not be limited to just programme delivery, but also other areas of strategy implemented by the government or their partners”