Introduction

In spring of 2014, the Economy, Energy & Tourism Committee (EET) Committee raised a number of questions with the Scottish Government, in connection with the 2015/16 budget. These included questions around fuel poverty and energy efficiency, some of which were informed by previous submissions to the committee from members of the Existing Homes Alliance Scotland (ExHAS).

The Scottish Government responded to those questions over the summer, and this note provides the views of the ExHAS taking account of the Scottish Government response. While we recognise the committee’s stated primary focus on exports, we welcome its continuing attention on the important issues of fuel poverty and energy efficiency. In line with the issues originally raised by the committee, we concentrate on:

- The level of spending to meet the 2016 target of addressing fuel poverty in Scotland.
- The effectiveness of the money being spent in tackling fuel poverty.
- Issues around promotion and engagement of energy efficiency.

Spending on Fuel Poverty

The committee asked how much money, and from what sources, was being spent to meet the annual £200m target to address fuel poverty. The Scottish Government response is that total spending in 2013-14 is well in excess of this sum, at an estimated £260m in 2013-14. By far the largest single source of funding for fuel poverty and energy efficiency work is the Energy Companies Obligation (ECO) which is outside the control of Scottish Government. While we welcome this investment, we have some concerns about this figure, as it is based on the total of all the money estimated to be spent on domestic energy efficiency – i.e. not exclusively on tackling fuel poverty. Our concerns are:

- We don’t know what the money is achieving in practice. We are working with headline figures published by DECC at the GB level for measures installed. Even if the estimates for spending in Scotland are correct, there is no breakdown of the proportion of ECO spent on fuel poor households, or estimate of the impact it has made on fuel poverty.

- Significant changes have been made to ECO, which will reduce the overall pot of money available across GB, and there is no guarantee that current and future spending will be at the same level without action on the part of Scottish Government. These changes mean that more money will go to owner occupiers and for more affordable measures, meaning that Scotland will suffer as most easy to treat properties have been tackled and we have high
proportion of solid wall and off gas. We are also concerned that remote and rural properties will get left behind.

- The £260m figure includes some Scottish Government spending (£15m on Green Homes cashback) which, while a welcome contribution to energy efficiency spending in general, is not targeted at fuel poor households. It also includes the very welcome spending on Home Energy Efficiency Area-based Schemes, which should provide the lion’s share of expenditure on fuel poverty.

- As a related point, we are concerned that revisions to the Energy Assistance Scheme include an element of profit sharing between Scottish Gas, the managing agent, and Scottish Government. We question if fuel poverty schemes should be making a profit.

- The £200m pa funding target is out of date. This figure was first suggested as a target by Energy Action Scotland in 2006, when a) energy prices, and therefore fuel poverty, were both at considerably lower levels than is the case today; and b) there remained 10 years to meet the 2016 target. Over the years annual funding has fallen well short of this target and Energy Action Scotland’s latest estimate is that approximately £300m pa is required.

- Furthermore, research indicates that the Scottish Government needs to increase its investment in domestic energy efficiency five-fold if climate change targets are to be met.¹

ExHAS therefore believes that a considerable increase in the level of resource is needed, alongside improved transparency and targeting of its delivery. The current budget is well below required levels to tackle fuel poverty and climate change, and coupled with the consequences of changes to ECO it is vitally important that the Scottish Government substantially increases its funding commitment so all stakeholders can be confident at least £300m will be spent in Scotland in 2015/16. In response to the 2014/2015 budget we called for an investment of at least £125m pa from the Scottish Government but we now believe significantly more will be required.

**Effectiveness of spending on fuel poverty**

The committee asked about the effectiveness of current spending. The response to this question referred to (ongoing) publication of annual reports on delivery of Scottish Government programmes. The first recommendation in the most recent of these Scottish Government reports² is: “Programmes designed to address fuel poverty need to measure fuel poverty before and after in order to measure the impact of the programmes.”

ExHAS agrees completely with this statement, whilst recognising the practical difficulties in achieving this outcome. While information about the impact of Scottish

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¹ EXHAS submission to ICI Committee October 2013

Government programmes is very considerably more detailed and transparent than that available for ECO, it does not yet meet its own recommendation. This reinforces the already pressing need to evaluate properly the impact of current programmes, looking both at the strategic level while also exploring the eventual outcomes for households in terms of lower bills and greater thermal comfort.

It is also essential for such an evaluation to look at the benefits delivered by energy efficiency in the round, including the employment generated as well as reductions in greenhouse gas emissions and the social benefits of reductions in fuel poverty. Investment in fuel poverty programmes can and should be seen as contributing to the aim of mitigating the impacts of welfare reform and we would welcome an evaluation which looked at energy efficiency and anti-fuel programmes in these wider terms.

Promotion and Engagement

The committee raised the issue of promotion and engagement around energy efficiency / anti-fuel poverty work. In response, the Scottish Government quotes 5000 calls per week to the EST helpline as result of the ‘Doug the caterpillar’ advert. This is a positive response and it would be useful to know how many of these calls resulted in successful referrals to the different programmes, how many referrals resulted in measures installed and how many homes have been treated.

The Scottish Government response also highlights that the Energy Assistance Scheme received around 5,500 referrals in the whole of 2013-14. There were also 8,100 referrals to energy suppliers (Affordable Warmth scheme). These numbers on their own suggest that there are many more fuel poor households that are not being reached. To better understand the effectiveness of promotion and engagement, all referrals to fuel poverty programmes need to be included, alongside data on numbers of referrals that result in installation of measures. The figures provided suggest a greater success rate by the Energy Assistance Scheme.

In addition, data on issues raised by callers and the help they subsequently received should continually be used to refine future programmes – particularly if callers are consistently raising issues to which current programmes are not able to respond. Without this, there is a risk that marketing programmes will raise expectations that cannot be met, and may, in the worst case, discourage potential beneficiaries from making contact with the helpline in future.

Maximising the value of ECO spending in Scotland

The discussion above emphasises the critical importance of ECO in addressing fuel poverty and reducing carbon emissions in Scotland. As expected, the revised programme will concentrate on a return to loft and cavity wall insulation (CWI) at the expense of solid wall insulation (SWI). The changes mean that ECO may also provide more support for district heating, for support for people using electric heating and for increased delivery of basic measures in rural areas. However, our experience indicates that ECO funding alone will not provide sufficient funding to support district heating retrofit unless supplemented with other funding, eg ERDF monies.
ExHAS regrets the loss of focus on SWI as Scottish Government data shows that lack of such insulation remains a major concern for fuel poverty and reducing carbon emissions. Between 2009-2010 emissions rose from the residential sector by 15%, the following year they fell by 12% and then between 2011-2012 they rose by 11%. This is clear evidence that we have yet to assert sufficient control over the emissions from the housing sector.

As the UK Committee on Climate Change stated in its 2014 Progress Report for Scotland\(^3\), “substantial additional policy effort by the Scottish Government will be necessary if it is to achieve its insulation and fuel poverty targets. Going forward, there is a need to leverage funding under ECO, to make continued progress on loft and cavity wall insulation and to increase the level of solid wall insulation, where this is cost-effective.”

Further, the potential for installation of loft and cavity insulation in Scotland is limited by past successes – although many unfilled cavities remain, analysis suggests that the majority of these are in flats and post-war tenements rather than stand-alone houses.

As noted above, ECO remains the single biggest source of energy efficiency funding in Scotland. In order to make best use of the opportunity presented, we believe that Scottish Government programmes should be directed at 1) levering in ECO funding and 2) filling the gaps that ECO funding will not address as follows:

- Delivery of cavity wall insulation in blocks of flats, where barriers are as much about engagement and administration as about difficulties of installing physical measures. Previous Scottish Government programmes, before the introduction of ECO, had some success in this field which could inform new programmes.

- Installation of district heating schemes, concentrating on high-rise flats or other housing where mains gas systems are not available and where the carbon and fuel poverty benefits are thus greatest. This would be in line with the Scottish Government heat strategy.

- Support for consumers using electric heating, who are generally less well-off or living in remote or rural locations, and are significantly more likely to experience fuel poverty than those with access to mains gas. Programmes should explicitly include advice for consumers on how best to use their systems and what electricity tariffs are most effective, as research shows these are significant concerns.

- Delivery of basic insulation measures in rural areas where there remains potential for them; experience shows that installers have at times been reluctant to carry out such work because of the cost of travel.

- A programme of solid wall insulation to compensate for the move away from SWI under ECO. In the medium to longer term, much greater take up of SWI will be needed to meet both fuel poverty and climate change targets.

• Engagement by Scottish Ministers with main Scottish energy suppliers – SP, SSE and Scottish Gas – at both strategic and operational levels to ensure that their plans for ECO are as closely linked to SG funding as possible from the outset.

EXHAS will supplement this submission once the Draft Budget is published and more detail is available.

Existing Homes Alliance Scotland
September 2014