

## **ENERGY SAVING TRUST**

### **WRITTEN SUBMISSION**

The Energy Saving Trust is one of the UK's leading organisations set up to address the damaging effects of climate change. We aim to cut emissions of carbon dioxide (CO<sub>2</sub>) – the main greenhouse gas causing climate change – by promoting the sustainable and efficient use of energy. We are an independent, non-profit making organisation who provides free, impartial information and advice. We have a dedicated office in Scotland and will advise at least 125,000 Scottish households this year. Our work programme in Scotland is funded by the Scottish Government.

Our submission focuses on the key areas of the Energy Saving Trust's activities and expertise – specifically our work on energy efficiency in relation to housing, and how current investment is reflected in progress against National Performance Framework indicators, and in meeting Scotland's climate change targets.

#### **Meeting Scotland's climate change targets:**

Home energy use accounts for approximately 25% of Scotland's carbon emissions. The Scottish Government has put significant investment into domestic energy efficiency to ensure the residential sector plays its part in meeting Scotland's challenging climate change targets. Indeed, the Scottish Government has used this funding to good effect to leverage in more than its pro-rata share of Energy Company Obligation (ECO) funding in the last year.

These efforts have met with some success, with the average energy performance steadily rising to a moderate rating of 'D' in the past five years. However, there has been little improvement with the small percentage of poorly rated dwellings since 2010.<sup>1</sup>

---

<sup>1</sup> Scottish House Condition Survey, 2013,  
<http://www.scotland.gov.uk/Publications/2013/12/3017/290983>

Figure 3.1: Residential sector emissions in Scotland (1990-2011)

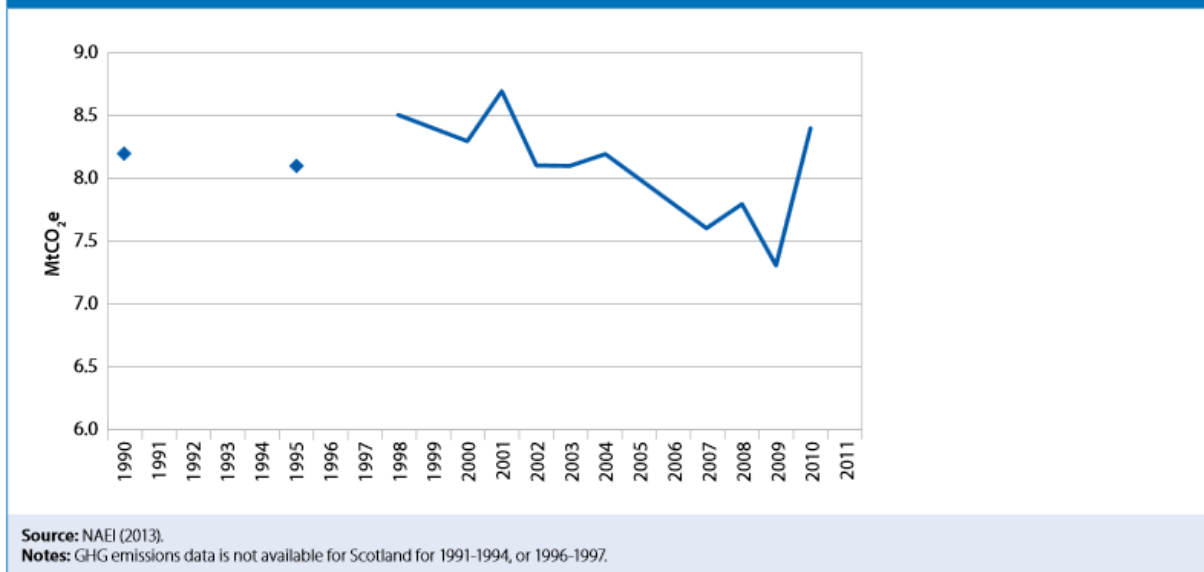


Figure 1: Residential sector emissions in Scotland (1990-2011) UK CCC Progress Report for Scotland 2014

The second Report on Proposals and Policies includes an aim for the housing sector to reduce its emissions by 37% from the 1990 baseline by 2020.<sup>2</sup> Good progress has been made with an overall decrease of residential emissions of 19.5% as of 2012, however, this means we are only just over halfway to the anticipated 37% decrease. This 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. The figure above also shows that residential emissions reflect the weather conditions, and cold winters have had a significant impact on Scotland's ability to meet its annual targets.

The UK Committee on Climate Change concludes in its 2014 Progress Report for Scotland that "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."

The recent changes to ECO mean it will be difficult to leverage the level of funding Scotland has enjoyed in the last year. Less of ECO will go to solid wall and off-gas properties with more going to easier and cheaper measures. We believe Scotland will suffer because most easy to treat properties have been tackled and we have a high proportion of solid wall and off gas properties. We are also concerned that remote and rural properties will get left behind. The Scottish Government has predicted that the changes in ECO will mean a loss of £50m pa which will "hit Scotland's poorest households hardest" and have "serious consequences for homes in fuel poverty and jobs in Scotland."<sup>3</sup>

<sup>2</sup> Low Carbon Scotland: Meeting our emissions reduction targets 2013- 2027  
<http://www.scotland.gov.uk/Publications/2013/06/6387/7>

<sup>3</sup> <http://news.scotland.gov.uk/News/Fuel-poor-households-to-suffer-ba5.aspx>

We are also concerned that the changes in ECO are already having a negative impact on the energy efficiency industry. In the last year, there have been several high-profile closures of insulation firms in Scotland including Solas and BIS (Business Insulation Service), not to mention job losses from UK firms such as Carillion and the Mark Group. The Scottish Government already uses its funding to smooth out the peaks and troughs of UK spend and it will be important to step up this effort to provide greater certainty for Scottish firms and their supply chains.

Given the need to step up the pace on reducing emissions from Scotland's homes, and compensate for the reduction in ECO funding, we believe the Scottish Government should significantly increase its funding for domestic energy efficiency and fuel poverty in the 2015-16 budget. We are confident that the Scottish Government can achieve its ambition of "warm, high quality, affordable, low carbon homes" by 2030 given consistent and significant public funding which will leverage in private investment over several years. It is also essential that policies such as regulation for a minimum energy performance standard for private housing are put in place to stimulate a market for more energy efficient homes.

#### **Contribution to other national performance indicators:**

Investment in energy efficiency can contribute to other national performance indicators relating to health, inequalities and sustainable economic growth:

- **It results in lower fuel bills.** The financial benefits of energy efficiency stem from the fact that the initial costs are far outweighed by the benefits of reducing demand for fuel. So, for example, the cost to the consumer of a typical installation of cavity wall insulation in a 3 bed semi-detached house is around £450. This will result in fuel bill savings of up to £145 per year with a payback of approximately three years.<sup>4</sup> Thus investment in energy efficiency can help to reduce someone's risk of being in fuel poverty.
- **It results in investment in the local economy:** Money not spent on fuel bills can be spent on other things. A report for Consumer Futures Scotland (now Citizens Advice Scotland) concluded that, "the energy efficiency measures scenario has three distinct economic effects: it simultaneously increases investment in the economy, which results in an increase in demand for construction, reduces output of the utilities sector (the majority of which is imported) by reducing fuel demand, and boosts household disposable income by reducing fuel bills."<sup>5</sup>
- **It avoids costs to the NHS.** The study noted above estimates the cost of fuel poverty to the NHS is between £48m - £80m per annum for Scotland,

---

<sup>4</sup> Based on a typical three-bedroom semi-detached gas heated house, with an 81% efficient gas boiler and average gas tariff of 4.21p/kWh and electricity tariff of 13.52p/kWh; correct as of January 2014 and valid for 2014. <http://www.energysavingtrust.org.uk/domestic/content/cavity-wall>

<sup>5</sup> Economic impact of energy efficiency investment in Scotland, 2014, Consumer Futures

based on figures for the UK in the Hills Review on fuel poverty. Although there are mixed opinions on whether or not there is direct link between fuel poverty and poor health<sup>6</sup>, it is clear that cold homes have a negative impact on both mental and physical health.<sup>7</sup>

## **Conclusion**

EST makes the following recommendations for the committee's consideration:

- Funding for domestic energy efficiency and fuel poverty should be increased significantly to ensure Scotland meets its climate change targets and to compensate for reductions in
- ECO funding.
- Scottish Ministers should continue to engage with main Scottish energy suppliers – Scottish Power, 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.
- The Scottish Government should conduct its own analysis of the overall costs required to achieve the 37% reduction in residential emissions by 2020, allowing for a contingency for cold
- weather conditions. Based on this analysis, the government can plan the balance of public and private investment now and looking forward to the next Spending Review to achieve its emissions target, while also eradicating fuel poverty, and providing consistency and certainty for the energy efficiency and home renewables industries.
- The impact of energy efficiency programmes should be measured 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 and energy efficiency should be considered as preventative spend that can contribute to the aim of mitigating the impacts of welfare reform as well as meeting our climate change commitments.
- Energy efficiency should be considered a national infrastructure priority contributing to several national performance indicators including emissions reductions, health, inequalities and sustainable economic growth.

**Energy Saving Trust**  
**30 October 2014**

---

<sup>6</sup> Fuel poverty evidence review, 2012, Scottish Government, <http://www.scotland.gov.uk/Resource/0039/00398798.pdf>

<sup>7</sup> The health impacts of cold homes and fuel poverty, (Marmot review), 2011, Friends of the Earth