

**Finance and Constitution Committee
Stage 1 Call for Evidence
Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill
Existing Homes Alliance Scotland November 2018**

Summary

The Existing Homes Alliance welcomes the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill as part of a long-term strategy to eradicate fuel poverty and improve energy efficiency. There is a focus on all four drivers of fuel poverty (energy efficiency, income, energy price and how energy is used in the home) and we particularly welcome the commitment to remove poor energy performance as a driver of fuel poverty.

While the focus on fuel poverty is welcome, we fear that the scope is too narrow and misses a 'once in a generation' opportunity to tackle energy efficiency as well and end the scandal of Scotland's cold, damp homes. This Bill should support the achievement of warm, affordable to heat and low carbon homes for everyone in Scotland, so no one is at risk of being in fuel poverty.

The Alliance wants the Bill to do the following:

- broaden its scope to include measures to promote energy efficiency
- set a target to eradicate fuel poverty as far as reasonably practicable by 2032 and to include a requirement to publish details of remedial actions if not on track to meet targets
- include an uplift for remote rural households in the fuel poverty definition
- strengthen scrutiny requirements; require annual reporting to Parliament
- set interim targets in statute
- **align finance budgets with fuel poverty targets.**

This written evidence responds to the questionnaire on the Financial Memorandum provided by the Committee and makes some wider points regarding scope of the Bill and financial implications.

About the Existing Homes Alliance Scotland

The [Existing Homes Alliance](#) (ExHA) is a broad coalition of housing, environmental, anti-poverty, energy advice and industry organisations arguing for urgent action to transform Scotland's existing housing stock to make it fit for the 21st century. We welcome the opportunity to submit written evidence to the Finance and Constitution Committee on the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill's Financial Memorandum and have also submitted evidence to the Local Government and Communities Committee.

Consultation Questions

1. Did you take part in any consultation exercise preceding the Bill and, if so, did you comment on the financial assumptions made?

Yes, the Existing Homes Alliance (ExHA) responded to the Scottish Government's consultation on the Draft Fuel Poverty Strategy. In our summary comments we said: "The strategy is lacking in new policies, programmes and resources that will provide the step-change required to eradicate fuel

poverty.” In addition, we noted that the proposed local partnerships “will require extra capacity (funding, skills, resources) to work effectively”.

We also recommended that one of the first priorities for the Fuel Poverty Advisory Panel should be a “review of local partnerships working on fuel poverty and what additional powers and resources they require.”

We note that the consultation did not ask any questions regarding resources, nor was any information provided regarding the budget that would be available for fuel poverty programmes.

2. If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?

No, we don't believe our comments are addressed in the FM. **We strongly believe that increased resources – funding and capacity - will be necessary to achieve the fuel poverty targets and reap the wider economic and social benefits these programmes can bring in terms of improved health and well-being, jobs, and energy security.**

Costings not given for meeting the target

The FM states that “this legislation does not, on its own, impose any new or significant additional costs on the Scottish Administration.” It then goes on to provide estimates of staffing costs for developing the strategy and reporting. **These are simply administrative costs and do not give any sense of the resources required to meet the targets.**

It is concerning that the FM states that the Scottish Government estimates that “an indicative overall cost for meeting the targets will be similar to the costs of delivering current programmes” i.e. in the region of £110million per year or a total of £2.2 billion over the target period (c.2020-2040). It may be there is an expectation that there will be contributions from other parts of the government budget – for example from health and climate change - as action to meet policy objectives in these areas will also help to meet fuel poverty targets. If so, this should be stated in the FM.

As it stands, we have a new strategy, addressing all four drivers of fuel poverty, a new definition to implement, and new targets all for the same budget investment. As far as we are aware, no evidence has been provided to suggest that this amount of funding will be enough to meeting the targets.

The track record of reducing fuel poverty does not indicate that a ‘business as usual’ budget will enable sufficient action to meet the targets. About a quarter of households now live in fuel poverty, the same proportion as a decade ago¹. While we applaud the recent decline in the rate of fuel poverty, this progress has depended to a significant extent on lower fuel prices², which cannot be expected to continue.

The draft strategy reflects the need for new approaches, including building on and developing national and local partnerships, to identify, reach and support fuel poor households (and those at risk of falling into fuel poverty). It also recognises that the costs for improving the energy performance of homes will increase – as we move to combine energy efficiency measures with affordable, low carbon heat.

¹ Scottish House Condition Survey Key Findings 2016

² Ibid.

Why the FM should include cost estimates for meeting the target

The FM states that the costs of eradicating fuel poverty are not stated because “key policies and proposals will need to be set out in each update on the strategy over the period to 2040”. We are very concerned with this statement because:

- We need the assurance that policies and proposals are adequately resourced if they are to be delivered. There is no information regarding resources to align with the policies and programmes in the Draft Strategy.
- The Scottish Parliament has asked the government to provide estimates for the cost of eradicating fuel poverty in the past (Economy, Jobs and Fair Work Committee, and the previous Economy, Energy and Tourism Committee) yet this information has never been provided.³
- The Scottish Government has provided costs of meeting climate change targets in the FM for the Climate Change Bill. Therefore, it should be possible, and appropriate, to provide an estimate of costs for meeting the targets (overall and interim) for the Fuel Poverty Bill.
- Perhaps most importantly, the current schedule for updating on the strategy is every 5 years. This means that we will be almost a quarter of the way into the delivery programme before we have any true indication of whether we are meeting targets.

Estimating the costs

We believe enough information is already available to allow the government to estimate the costs of meeting the targets. For example, the Energy Efficient Scotland Route Map estimates the programme will have a total cost of £10-12bn⁴ (a significant proportion of this is expected to be made up of private sector investment). The Route Map states that fuel poor households ‘will be prioritised within the programme’ and there are more ambitious energy performance targets in the Route Map for fuel poor households (EPC band C by 2030 and EPC band B by 2040 where technically feasible and cost effective).

One would hope that as part of setting these standards, the costs of meeting the standards has been estimated, particularly the expectations on the public purse, though this information is not included in the Route Map.

Of course, EES refers to just one driver, and estimates should also be sought for addressing the other drivers of fuel poverty.

Business as usual budgets not sufficient

Previous research demonstrates that ‘business as usual’ budgets will not suffice. For example, a Consumer Futures (now part of Citizens Advice Scotland) report in 2014⁵ estimated it would cost, on average, £7,800 per property to *alleviate* fuel poverty in Scotland. Against today’s fuel poverty rate of 24%, this equates to a total of £4.7bn (or £234m per annum over a 20-year period) to tackle the 24% of households now in fuel poverty – at least double the annual budget estimated by the Scottish Government for fuel poverty programmes.

We believe these figures could be an underestimate because the scenario used for the research:

³ SPiCE briefing on the Fuel Poverty Bill, September 2018, Scottish Parliament.

⁴ Energy Efficient Scotland Route Map, 2018, Scottish Government

⁵ Economic impact of improving the energy efficiency of fuel poor households in Scotland. 2014. Consumer Futures Scotland <https://www.cas.org.uk/system/files/publications/economic-impact-of-energy-efficiency-investment-in-scotland.pdf>

- is not as ambitious as the EES Route Map targets which aim to remove poor energy performance as a driver of fuel poverty; nor does it align with the 2040 target in the Fuel Poverty Bill.
- does not include any additional upfront costs associated with some shifts to low carbon heat, which is essential (and is in the Climate Change Plan) to meet climate change targets.
- does not include costings associated with programmes and policies to address ALL drivers of fuel poverty – income, energy prices and how people manage home energy use.
- does not include costs of delivery and additional expectations set out in the Draft Fuel Poverty Strategy on local delivery partnerships (eg public health, community organisations, local authorities, Home Energy Scotland).

Other research from the Existing Homes Alliance (in its joint statement on energy efficiency as an infrastructure priority⁶ and in evidence to the Economy, Jobs and Fair Work Committee) produces similar figures. This research estimated that £450m per annum on average for 10 years of public funding (or a total of £4.5bn) is required to achieve an EPC band C rating for the vast majority of homes (where technically appropriate). It also estimated that private investment of £620m per annum (average) for 10 years would be required (i.e. a total of £6.2bn). This would be leveraged through loan guarantees, tax incentives and regulation. This private investment is not considered in the Consumer Futures research.

Assuming an energy supplier obligation (ECO) continues similar to what we have today, we can estimate approximately £60m per annum would reduce the public investment requirement to £390m per annum. This estimate is more than three times the ‘ongoing’ annual budget estimated by the Scottish Government for fuel poverty programmes. To achieve these figures, we expect the annual budget would need to be ramped up over time, in conjunction with a growing supply chain.

Table 1 compares the two cost estimates against the Scottish Government plans for future investment. While we’ve applied the Existing Homes Alliance research to the longer, 20-year horizon, we strongly believe that the 2040 target is too distant and have called in our evidence to the Local Government and Communities Committee, for the overall target to be amended to read as follows: no one should be living in fuel poverty, as far as reasonably practicable, by 2032.

Table 1: Comparison of cost estimates to tackle fuel poverty

Existing Homes Alliance - joint statement	Consumer Futures report	Scottish Government as per FM – similar to current expenditure
£450m pa/£4.5bn over 10 years £225m pa over 20 years	£234m pa/£4.7bn over 20 years	£110m pa/£2.2bn over 20 years

⁶ Existing Homes Alliance joint statement on Energy Efficiency as an Infrastructure Priority, <http://existinghomesalliancescotland.co.uk/policy/no-one-in-scotland-living-in-a-hard-to-treat-draughty-home-by-2025/>, based on Building the Future: the economic and fiscal impacts of making homes more energy efficient, October 2014, Energy Bill Revolution <http://www.energybillrevolution.org/wp-content/uploads/2014/10/Building-the-Future-The-Economic-and-Fiscal-impacts-of-making-homes-energy-efficient.pdf>

(with private investment of £620m pa/£620bn over 10 years)		
All homes to EPC band C, priority for fuel poor households	Fuel poor households	Fuel poor households

The cost estimates in the two pieces of research are very similar when applied to the same 20-year period. The main issue is that both estimates indicate that planning for similar investment to what is in the current budget falls far short of what is needed. It is clear the Scottish Government needs to provide its own budget projections for meeting the overall and interim fuel poverty targets.

Estimating wider benefits

While it is important to understand the costs of meeting the targets, it is equally important to understand the wider social and economic benefits. For example, eradicating fuel poverty is estimated to save the NHS in Scotland between £48m - £80m per annum.⁷ Research also finds that tackling FP could create and sustain around 9,000 jobs.⁸

The Consumer Futures report (2014) found that the macroeconomic benefits of such an investment were significant in terms of jobs, boosting household incomes through fuel bill savings, increased GVA and reduced carbon emissions. The report concluded that investing in “household energy efficiency creates more jobs and growth than other kinds of major Government investment or tax cuts, in addition to delivering environmental and social benefits.”⁹

Recommendations

- The Financial Memorandum should include an estimate of the economic costs of meeting the targets, and this estimate should also include a macroeconomic analysis to understand the full societal and environmental benefits.
- The Bill should include a requirement for the Scottish Budget to be aligned with meeting the fuel poverty targets, and the fuel poverty strategy should include information that demonstrates that the full costs of delivering the target are understood. This should be based on research into what funding and other investment is required to achieve the targets. The strategy should also make clear how that funding will be allocated.

3. Did you have sufficient time to contribute to the consultation exercise?

Yes.

Costs

4. If the Bill has any financial implications for your organisation, do you believe that they have been accurately reflected in the FM? If not, please provide details.

⁷ Economic impact of improving the energy efficiency of fuel poor households in Scotland. 2014. Consumer Futures Scotland.

⁸ Ibid.

⁹ Ibid.

No, however, it will likely have financial implications for some of the organisations in the Alliance, who may be responding separately to this consultation.

5. Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?

As far as administrative costs to the civil service of developing the strategy and reporting, they are probably reasonable. However, this fails to give a full reflection of the costs of meeting the targets set in this bill, and the wider social and economic benefits to society – in terms of improved health and well-being, jobs, and fuel bill savings.

6. If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill? If not, how do you think these costs should be met?

N/A

7. Does the FM accurately reflect the margins of uncertainty associated with the Bill's estimated costs and with the timescales over which they would be expected to arise?

No. Please see our answer to question 2.

Wider Issues

8. Do you believe that the FM reasonably captures any costs associated with the Bill? If not, which other costs might be incurred and by whom?

No. Please see our answer to question 2.

9. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?

The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill stems from a SNP manifesto commitment to a Warm Homes Bill to tackle fuel poverty and energy efficiency. In our view, this Fuel Poverty Bill is therefore only 'half' of the Warm Homes Bill commitment and fails to make the most of this legislative opportunity to deliver warm homes for all of Scotland. Therefore, additional costs are possible if the scope of the Bill is widened to take account of the necessary legislative measures relating to removing energy efficiency as a driver of fuel poverty.

In this regard, it is important to note that the Scottish Government has stated in the Draft Fuel Poverty Strategy that it will develop "...if appropriate, a wider **Energy Efficient Scotland Bill** for later in this Parliament, and this would be the vehicle for any further legislative changes needed to support Energy Efficient Scotland, beyond the fuel poverty provisions contained in the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill".¹⁰ This could form the other 'half' of the Warm Homes Bill, and together with the Fuel Poverty Bill they would form a strong legislative framework for the new Fuel Poverty Strategy and Energy Efficient Scotland.

Failing a firm ministerial commitment to introduce an Energy Efficient Scotland Bill in this Parliament, we believe the Fuel Poverty Bill should include additional measures on energy efficiency to ensure the commitment to removing poor energy efficiency as a driver of fuel poverty – and

¹⁰ Draft Fuel Poverty Strategy

indeed the overall fuel poverty target - can be realised. These measures would give Energy Efficient Scotland, the foundation programme of the National Infrastructure Priority on the energy efficiency of buildings, a statutory basis with targets, an independent oversight body, a duty for local authorities to produce and implement Local Heat and Energy Efficiency Strategies and include supporting policies to remove any barriers to energy upgrades.

Conclusion:

We believe the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill could offer a significant opportunity to make this the last generation of people in Scotland to suffer the terrible consequences of living in cold, damp homes. However, the FM and the draft fuel poverty strategy do not include any information regarding the funding which will be required to achieve the aims of the Bill. We believe the FM should be amended to include:

- an estimate of the economic costs of meeting the targets
- a macroeconomic analysis to understand the full societal and environmental benefits

In addition, we recommend that the Bill should include a requirement for the Scottish Budget to be aligned with meeting the fuel poverty targets.

We would welcome the opportunity to discuss our evidence with Committee members and clerks and provide additional information or comment to them on request. We would also be happy to present oral evidence to the Committee if invited.