

Existing Homes Alliance Scotland - Fuel Poverty Strategy - Written evidence to the Social Justice & Social Security Committee

19 November 2021

INTRODUCTION

The Existing Homes Alliance Scotland (EHA)¹ welcomes the opportunity to give evidence to the Social Justice and Social Security Committee on the recently published Draft Fuel Poverty Strategy as part of the 40 day scrutiny process by the Scottish Parliament. As the EHA works on the need to upgrade Scotland's cold and draughty homes to tackle both fuel poverty and climate change, our comments will focus on two of the four drivers of fuel poverty: poor energy performance of fuel poor homes, and how energy is used in the home. These actions must be set in the context of a coherent, integrated fuel poverty programme covering all four drivers and tailored to the needs of individual households. This submission represents the consensus view of the EHA though individual organisations' views may differ slightly on finer policy details.

The Strategy is a requirement of the Fuel Poverty (Scotland) Act 2019, which is a framework piece of legislation, and the strategy should include the detail on policies and programmes planned to achieve the targets. This evidence provides the EHA's initial views on the Draft Fuel Poverty Strategy on how it meets the requirements of the Fuel Poverty Act and if it sets out a clear path to achieving the statutory fuel poverty targets.

We believe the Fuel Poverty Strategy should be based on the following principles:

- Social justice and equality; applied equally regardless of where a person lives.
- Alignment of fuel poverty policy with Scotland's response to the climate emergency so that no one is left behind in the just transition to net zero.
- Lived experience of fuel poverty is included in its design and implementation.
- A people first approach to programme delivery.

KEY POINTS

End fuel poverty: We welcome the starting point of the draft Fuel Poverty Strategy with the government's commitment to end fuel poverty. We believe we should use the green recovery and net-zero transition as an opportunity to build a more inclusive, resilient, and net-zero society, where fuel poverty is a thing of the past. It will be very challenging to meet this goal, with energy prices rising steeply and fuel poverty rates are likely to be even higher than when the Fuel Poverty Act was passed in 2019.

End poor energy performance as a driver: There is absolutely no excuse for poor energy performance of the home to be a reason to be in fuel poverty. Simple and cost-effective measures are readily available to get the vast majority of homes to a good level of energy efficiency. We have good programmes – Warmer Homes Scotland and the local authority led Area-Based schemes – but they aren't the pace and scale we need.

¹ The Existing Homes Alliance is a coalition of housing, environmental, fuel poverty, consumer and industry organisations calling for urgent action to transform Scotland's existing homes.

No one left behind in the net-zero transition: We think everyone should have a warm, low carbon and affordable to heat home and welcome the Scottish Government's commitment to "only take forward actions where they are und to have no detrimental impact on fuel poverty rates, unless additional mitigating measures can also be put in place."

Does the Draft Fuel Poverty Strategy meet the requirements of the Fuel Poverty Act?

The following table provides the EHA's initial analysis of how the draft Fuel Poverty Strategy meets the requirements detailed in the Fuel Poverty (Scotland) Act 2019.

Set out the approach to ensure that the fuel poverty targets are met, including action on all four drivers
<p><i>General points</i></p> <ul style="list-style-type: none"> • The draft strategy provides a list of actions to address the four drivers which is a good start. These actions and expected outcomes need to be matched with the statutory fuel poverty targets so we can understand if they are adequate. • More attention should be given to urgent action to address the interim targets – particularly the 2030 target: no more than 15% of households in Scotland are in fuel poverty and no more than 5% of households in Scotland are in extreme fuel poverty – more than halving the current rate in eight years. The introduction mentions 'interim targets' but these are never spelled out or discussed in terms of the action plan. • Implementation of the strategy should be overseen with a cross-portfolio approach by ministers, including housing, energy, and health, based on the advice of the independent Fuel Poverty Advisory Panel. We are concerned that the Fuel Poverty Advisory Panel has yet to get underway and hope that its membership reflects the expertise to address the real and specific challenges of meeting the statutory targets. <p><i>Poor energy efficiency driver</i></p> <ul style="list-style-type: none"> • We welcome the intent to build on Scotland's successful fuel poverty programmes. Detail is lacking in terms of how these programmes will grow and adapt to meet fuel poverty and climate targets, and what new programmes need to be developed to plug gaps. • The Warmer Homes Scotland (WHS) and local authority led Area-based Schemes (ABS) schemes are reaching about 18-20,000 homes a year, compared with 600,000+ fuel poor households (SHCS Key Findings 2019) who need help. The strategy does not quantify this gap or discuss plans to address it, other than references to increases in this year's budgets. While very welcome, what is needed is a plan as to how these programmes, and other initiatives, will reach enough homes to reach the 2030 target of xxx in fuel poverty. • We need to know how the 'no detriment' commitment will be implemented in practice, for example additional measures like insulation, solar and heat storage to keep running costs down, along with 'aftercare' support on how to manage energy use. For example, what role will the Energycarers approach play, and will it be possible to exceed the spending cap to provide solutions that address running costs?

- We support the commitment to end public funding for fossil-fuelled heating systems though this must be implemented carefully to ensure the ‘no detriment’ promise is kept. If done right, this policy should mean no fuel poor household is ‘left behind’ in the transition, nor should they face costs of retrofitting heating systems at a later date. Further clarity about how this will work is needed as is information on how many homes will still have fossil fuel systems installed as a result and what additional support (for example, subsidy for fuel bills, etc.) will be provided from government to ensure that as few of these more carbon intensive systems as possible are installed in fuel poor homes.
- The Scottish Government is committed to “additional support for rural and islands homes which require bespoke and targeted advice”. We would like to see this take the shape of a targeted rural heat transition package of advice and support which recognises the distinct challenges and opportunities in rural, remote and island communities.
- We welcome the emphasis on ‘whole house retrofits’ and ‘zero emissions first’ approach – this will fuel poverty proof homes and avoid costs of repeat interventions or replacing fossil fuel heating in a few years’ time.
- The strategy does not refer to the government’s commitment to establish a National Public Energy Agency and its focus on heat and buildings. It is vital that its role in overseeing energy efficiency and decarbonisation of heat programmes is part of the overall fuel poverty programme which addresses all four drivers.

Set out the approach to meet the fuel poverty targets in each local authority area

- The draft strategy recognises the important role local authorities must play in reaching fuel poverty targets, but the gaps in local authority capacity means reaching targets is put at risk. The Scottish Government and local authorities should jointly agree their roles and responsibilities and the resources to match. This includes ABS delivery (the refreshed guidance and increased flexibility is a welcome step), LHEES development and implementation, and enforcement of standards.
- The draft strategy should identify where central government can provide shared resources – data, mapping, procurement support, business cases etc.
- There is no reference to how Scottish Government will work with those local authorities with historically high fuel poverty rates and how existing and new programmes (such as our proposed rural transition programme) can help.

Set out the cost of the approach

- The draft strategy estimates costs in relation to the energy performance driver, but not the costs in acting across all four drivers and delivering a coherent programme. It would be helpful if these costs were broken down in terms of actions to achieve the interim and 2040 targets. The costs should be compared with existing funding commitments and plans to fill the gap through policies and private investment.
- The draft strategy estimates the cost of upgrading fuel poor homes to EPC band C with zero emissions heating at £6bn. The draft strategy also refers to a commitment to £465m over the course of this parliament (5 years) for fuel poverty and energy efficiency. These figures are useful in understanding the scale of the challenge, but the draft strategy does not go on to address the gap in funding and how the government intends to close this gap (e.g. through regulation, leveraging

private finance for large scale solutions, expected reductions in cost over time etc).

- As part of understanding the costs, the review of EESSH2 should take place in 2022, bearing in mind fuel poverty targets, the ZEST recommendations and EPC reforms and matched with increased investment (multi-year, non-competitive grant fund based on need), and support based on the ZEST recommendation for a sector capacity assessment.

Set out organisations, or types of organisations, with which the government will work to ensure that the fuel poverty targets are met.

- The draft strategy recognises the value of partnership working to identify, reach and help the fuel poor. It also notes the extensive partnership network developed through Home Energy Scotland for advice and referrals. We welcome these efforts to engage with a range of frontline services including Citizen Advice Bureaus and other debt relief services.
- We are concerned that the partnerships are patchy and subject to short-term funding, rather than a mainstreamed part of the fuel poverty programme – for example through service level agreements (e.g. Cosy Kingdom, Greener Kirkcaldy). There is good evidence to show that these community-based organisations have a good track record at reaching the fuel poor and identifying tailored solutions that work for individual households.

Set out how the Scottish Ministers intend to identify households in fuel poverty

- The draft strategy notes that the government will work with the Fuel Poverty Advisory Panel to ensure the fuel poverty programmes eligibility criteria are aligned with the new definition. While this is welcome, we are disappointed more progress has not already been made here given the new definition was agreed in the Act more than 2 years (even with some delay due to the pandemic).
- We also note the action to ‘explore’ the development of an assessment tool – this seems quite uncertain given the fact agencies must be applying the definition now.
- We are concerned that the strategy should also address those households on the margins so that they are prevented from falling into fuel poverty.

Identify characteristics of households which are likely to be in fuel poverty or for which getting out of fuel poverty presents particular challenges,

- The draft strategy identifies the characteristics of fuel poor households in terms of the property, income, and demographics.
- For the energy efficiency driver, the following factors are associated with higher rates of fuel poverty: electric heat; low levels of energy efficiency, private rented sector, and remote rural locations. The strategy action plan should detail how each of these factors will be addressed – for example through regulation of the private rented sector including agricultural tenancies, a rural transition package; and measures such as energy storage, smart energy systems, and whole house retrofits to mitigate electricity prices.
- We welcome the commitment to setting mandatory standards and believe these will make a big contribution to removing poor energy efficiency as a driver of fuel poverty across the entire housing stock. Standards, accompanied by a generous programme of advice, support and finance will drive private investment by landlords and owner/occupiers.

- The strategy should detail the expected outcomes due to regulation in terms of removing poor energy efficiency as a driver of fuel poverty against the interim and 2040 targets.
- It is disappointing that regulation in the Private Rented Sector has been delayed due to COVID-19, so every effort must be made to encourage voluntary compliance in advance of the regulations coming into force. As part of this effort, the strategy should outline plans to avoid the risk of ‘renoviction’ – tenants losing their home because the property is taken off the rental market to avoid regulation (shift to short-term let) or could face higher rents as the landlord seeks to recoup the costs of meeting the standards. This is of particular concern in rural areas where affordable housing is in short supply.

Set out the approach to identifying fuel poor homes which need to be upgraded to EPC band C

- The strategy relies on the development and implementation of the Local Heat and Energy Efficiency Strategies (LHEES) to identify where poor energy efficiency is a driver of fuel poverty. These strategies should be in place by 2023. We are concerned that local authorities do not have the capacity to develop and implement these strategies, which require considerable expertise to develop. We believe the government could do more to provide central resources in terms of data, mapping, and best practice.

Set out how the Scottish Government will assess progress towards meeting the fuel poverty targets, and whether the fuel poverty targets are met.

- The monitoring, accountability and reporting framework must include all four drivers, measured against a baseline.
- We recommend interim reporting as given the short timescales to meeting interim targets, reporting every three years is too late to put in place corrective measures to make sure we are on track.
- The reporting should include commitments to detail the corrective measures and how the outcomes will lead to meeting the targets.

Conclusion

The EHA believes the publication, Tackling Fuel Poverty in Scotland, is a useful start to meeting the requirements of the Fuel Poverty (Scotland) Act 2019 for the fuel poverty strategy, and outlining some new actions to help meet the statutory targets. However, we believe it is still some way from providing a comprehensive and coherent approach to addressing all four drivers of fuel poverty, nor does it confidence Scotland will meet its very challenging statutory fuel poverty targets. We hope the parliamentary scrutiny process will be useful in identifying additional actions.

This briefing provides our initial response to the strategy as we have had limited time to review and consider it. The EHA’s response focuses on two of the four drivers: poor energy efficiency and how energy is managed in the home. In summary, we do not believe the strategy fully meets the requirements of the Act and the government should work closely with the new Fuel Poverty Advisory Panel (which is yet to be announced) to fill the gaps we and others have identified.

The Scottish Government has made welcome commitments in terms of ambition and just transition principles and the strategy should have more detail about how these will be met in practice. We agree with the vision that everyone should have a warm, safe, and low carbon home, and that fuel poor households should no longer be 'left behind' because they are 'hard to reach' or their homes are 'hard to treat'. We know what works and we should build on current programmes to provide a community-based, people-centred approach that address individual needs and circumstances.

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For further information about the Existing Homes Alliance visit www.existinghomesalliancescotland.co.uk

Existing Homes Alliance Scotland, a Scottish Charitable Incorporated Organisation, (SCIO), No SC048434, October 2021

ANNEX: ADDITIONAL BRIEFING BY EXISTING HOMES ALLIANCE ON MEETING FUEL POVERTY TARGETS

The Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019²

An Act of the Scottish Parliament that set targets relating to the eradication of fuel poverty, provided a new definition of fuel poverty that focuses on low income households, set an obligation on the Scottish Government to produce a fuel poverty strategy, and statutory reporting to parliament on progress made. The main targets are:

- 2040 targets: As far as reasonably possible no household in Scotland is in fuel poverty and, in any event no more than 5% of households in Scotland are in fuel poverty and (b) no more than 1% of households in Scotland are in extreme fuel poverty, These targets must also be met in each local authority area.
- 2035 targets: no more than 10% of households in Scotland are in fuel poverty and no more than 3% of households in Scotland are in extreme fuel poverty,
- 2030 targets: no more than 15% of households in Scotland are in fuel poverty and no more than 5% of households in Scotland are in extreme fuel poverty,

To support passage of the Fuel Poverty Bill, the Scottish Government published in May 2019 estimates of fuel poverty and extreme fuel poverty under the proposed new definition³. This showed that in mostly rural and island local authorities there were large decreases in fuel poverty rates between the previous definition and the new definition. EHA members have raised concerns that fuel poverty could be under-recognised in some communities, which may lead to less investment being directed to the places most in need. We are interested in how the Scottish Government is analysing the application of the new definition is being applied and how it is working in practice.

Heat in Buildings Strategy

The final Heat in Buildings Strategy was published in October 2021 and sets out a pathway for fuel poverty to be tackled in Scotland and for homes and buildings to be net zero by 2045. The document includes principles to ensure alignment with fuel poverty objectives and a just transition, commitments to remove poor energy performance as a driver of fuel poverty, and to upgrade fuel poor homes to reach EPC band C by 2030 and EPC band B. It also sets a target of over 1 million homes being heated with low/zero emissions heat by 2030, doubling the annual rate of heat pumps installed year on year.

The intention is that the final Fuel Poverty Strategy will set out the overall approach to eradicating fuel poverty, while HBS focuses on eliminating the poor energy performance driver and ensuring that in decarbonising homes, fuel poverty is not made worse.

Heat Networks (Scotland) Act⁴

² <https://www.legislation.gov.uk/asp/2019/10/enacted>

³ <https://www.gov.scot/publications/latest-estimates-fuel-poverty-extreme-fuel-poverty-under-proposed-new-definition-following-stage-2-fuel-poverty-targets-definition-strategy-scotland-bill/>

⁴ <https://www.legislation.gov.uk/asp/2021/9/section/1/enacted>

The Heat Networks Act was passed in February 2021 and provides a legislative framework to support the growth of heat networks in Scotland to help meet climate change targets and tackle fuel poverty. The Bill creates a new licensing system to drive up standards across the sector, thereby improving consumer confidence. It also creates new rights for heat network developers and operators to level up the playing field with other utilities in order to make investment in the sector more attractive and encourage further growth. A new consent system will be introduced to make sure that new networks are developed in areas where they will have most benefit and are tailored to its needs. Detailed guidance and regulations required to implement the Bill will be developed over the next two years. Fuel poverty is at the heart of the Bill's provisions by requiring consultation with the Scottish Fuel Poverty Advisory Panel before regulations are introduced.

A Fuel Poverty Strategy for Scotland

The draft final Fuel Poverty Strategy was published in November 2021, after a period of delay due to COVID-19. It is disappointing the strategy has taken so long to be finalised, particularly at a time when fuel poverty rates are rising, not falling.

Research has shown that the lived experience of fuel poverty can be profound⁵, but we also know that the pandemic and recent hikes in gas prices are likely to lead to a rise in fuel poverty rates. When combined with wider health impacts known to arise from living in cold and/or difficult to heat homes⁶, there is an urgent need for an effective and comprehensive strategy to be in place.

The EHA believes the strategy should build on the 2018 draft and provide the detail to give confidence that Scotland is on track to meet its targets. In summary, it should:

- Be underpinned by a principle of social justice and equality, applied equally no matter where a person lives. It should also take a people first approach to programme delivery.
- Address all four drivers of fuel poverty: household income, high energy costs, poor energy efficiency, and how energy is used in the home.
- Be overseen by Scottish Ministers based on the advice of the independent Fuel Poverty Advisory Panel and be delivered in partnership with local level structures.

The EHA welcomed the 2019 Act being closely aligned with the Energy Efficient Scotland Route Map⁷. Now the strategy must be aligned with the Heat in Buildings Strategy (HBS), which includes an updated route map and reaffirms the Scottish Government's commitment to removing poor energy performance as a driver of fuel poverty, phasing out government support for fossil fuelled heating systems and gives priority to fuel poor households in upgrading the energy performance of their homes and in the transition to zero emissions from heat.

The Fuel Poverty Strategy must clearly set out the detail – in terms of programmes and policies linked to outputs and firm timetables, for how all four drivers of fuel poverty will be tackled in Scotland. In doing so it should also respond to wider challenges Scotland faces that have grown in prominence since the draft strategy was published. These include:

- Responding to the climate emergency

⁵ <https://www.gov.scot/publications/research-lived-experience-fuel-poverty-scotland/pages/3/>

⁶ <https://www.gov.scot/publications/respiratory-care-action-plan-scotland-2021-2026/>

⁷ <https://www.gov.scot/publications/energy-efficient-scotland-route-map/>

- Supporting a just transition to net zero
- Helping Scotland's economy and people recover from the COVID-19 crisis.

Responding to the climate emergency

The Fuel Poverty Strategy should be aligned with Scotland's response to the climate emergency so that no one is left behind in the transition to net zero. Improving the energy efficiency of homes can reduce rates of fuel poverty and meet emission reduction targets.

To meet Scotland's climate targets, the Scottish Government's HBS commits to converting over 1 million homes to using zero or low emissions heating systems by 2030. It is vital that this is done in a manner that protects those in – or at risk of – fuel poverty from increased energy bills and avoids placing a burden on those least able to pay for the transition.

Creating the right conditions to enable action through raising awareness, providing advice, offering financial support, upskilling the supply chain, and promoting consumer protection will require adequate resources. The EHA has been calling for Scotland's energy efficiency and fuel poverty programmes to be more than doubled so climate change and fuel poverty targets are to be met.

The Scottish Government committed in the 2021 Programme for Government⁸ to £1.8 billion investment over the next parliament to decarbonise the way Scotland's homes and buildings are heated. A further breakdown of funding is provided including:

- **Fuel Poverty Programmes (Warmer Homes Scotland and Area-based schemes):** £465 million investment for domestic energy efficiency and fuel poverty programmes to support the elimination of poor energy efficiency as a driver of fuel poverty.
- **Social Housing Net Zero Fund:** £200 million investment to accelerate the delivery of energy efficient, low and zero carbon heat provision to social housing.
- **Heat Networks:** £400 million investment in large scale heat networks.
- **Other programmes:** funding to support heat decarbonisation and energy efficiency in 'self-funding' homes, public sector and non-domestic buildings, community energy, and decarbonising islands and energy.

The EHA welcomes these commitments, though it is clear more public and private investment will be required if the challenge is to be met and the heat decarbonisation agenda provides real and tangible benefits to vulnerable and fuel poor households rather than risk putting them at even greater disadvantage.

Helping support a just transition to net zero

The Scottish Government's commitment in the HBS to supporting the least able to pay and protecting those who are most vulnerable from any increase in costs arising from the transition to net zero is welcomed. The commitment to end public funding for fossil-fuelled heating systems is a case in point. Further clarity about what this will mean in practice is needed as is information on how many homes will still have fossil fuel systems installed as a result and what additional support (for example, subsidy for fuel bills, etc.) will be needed

⁸ <https://www.gov.scot/publications/fairer-greener-scotland-programme-government-2021-22/documents/>

from government to ensure that as few of these more carbon intensive systems as possible are installed in fuel poor homes.

The final report of the Just Transition Commission⁹ made clear there are genuine opportunities available from improving the energy efficiency of existing housing. There are multiple benefits that can be delivered in terms of supporting or creating jobs, improving health and wellbeing outcomes, tackling fuel poverty, and reducing emissions. By reviewing existing programmes and supporting the most vulnerable so that they are engaged in the transition, the Scottish Government's ambitions will align with the Commission's view that achieving a good level of energy efficiency in the majority of Scotland's homes is a prime example of a just transition in action. The final Fuel Poverty Strategy should set out how this will be achieved.

The Scottish Government's updated Climate Change Plan¹⁰ set out a pathway where Scotland will become a place that prioritises the environment and the wellbeing of its people, while driving inclusive and sustainable economic growth. This fits with the EHA's own vision for homes that places the eradication of fuel poverty at the heart of the successful transition to net zero, where Scotland's homes are warm and healthy, low or zero carbon in emissions, and affordable to heat¹¹. The EHA has estimated a large scale energy efficiency and heat decarbonisation programme could create and sustain up to 17 - 20,000 jobs per year¹²¹³ across the length and breadth of Scotland.

To ensure Scotland's transition to net zero is just, the EHA has called for targeted funding that will significantly scale up the energy efficiency and fuel poverty programmes¹⁴, as well as provide a programme of upskilling, innovation, and enterprise support to scale-up supply chains.

Supporting Scotland's economy and people to recover from COVID-19

The COVID-19 public health crisis presents Scotland's economy and people with unprecedented challenges. However, it also affords us an opportunity to transform Scotland's strategies and investment programmes and deliver a wellbeing economy built on green jobs. With fuel poverty rates likely to rise due to the economic consequences of the pandemic¹⁵ and the recent hikes in gas prices, investing in energy efficiency and affordable heat has become even more critical.

The EHA believes the right set of proposals to aid recovery already exist. Some of these are ready to start immediately and will support local supply chains by using labour and SMEs in every part of Scotland, as noted above. The scale of the transformation is enormous, but it will also mean there will be opportunities for existing and new entrants to markets across the energy efficiency, heat, and renewable energy sectors. However, it is essential the highest levels of quality standards will be ensured. The Scottish Government has proposed adopting the UK PAS 2035/30 standards for delivery programmes and the Trust Mark quality assurance framework to ensure compliance with

⁹ <https://www.gov.scot/publications/transition-commission-national-mission-fairer-greener-scotland/>

¹⁰ <https://www.gov.scot/publications/securing-green-recovery-path-net-zero-update-climate-change-plan-20182032/>

¹¹ <http://existinghomesalliancescotland.co.uk/policy/just-transition-to-warm-homes/>

¹² <http://existinghomesalliancescotland.co.uk/information/home-retrofit-and-the-green-recovery-an-evidence-review/>

¹³ The Heat in Building Strategy estimates an additional 16,400 jobs will be supported across the economy in 2030 as a result of investment in the deployment of zero emissions heat

¹⁴ <https://www.gov.scot/policies/energy-efficiency/energy-efficient-scotland/>

¹⁵ [Experimental analysis of the impact of COVID-19 on fuel poverty rates](#). Scottish Govt. (Sept 2020)

standards. These standards cover the entire energy efficiency retrofit process in homes, from initial assessment and design, through to installation and evaluation. This should ensure that installers of energy efficiency measures are suitably skilled to undertake the required works. However, EHA members remain concerned there is a risk that adopting PAS 2035 might increase the costs of installations and reduce the rate required with little or no obvious support for installers to meet the skills gap. The Scottish Government should urgently provide clarity on standards and how they will be upheld.

Monitoring, accountability, and reporting

The Fuel Poverty Strategy needs to have monitoring, accountability and reporting built in from the start. The new independent Fuel Poverty Advisory Panel must have a robust remit, so it speaks with authority when providing advice to the Scottish Government and the Scottish Parliament. This will ensure the panel is strong and can act with authority. The Strategy should outline the role for the new National Energy Agency and the Just Transition Commission in relation to fuel poverty. For example, we believe the National Energy Agency should have an oversight role for the HBS, including its commitment to just transition principles.

Stakeholders have a clear expectation that the strategy and panel need to be able to reach across different parts of government that are relevant to the outcome so that policy is joined up. To achieve this, programme performance should be measured against a baseline – clearly setting out how much better or worse off people would be in relation to that baseline.

GB energy market issues

The energy market has been undergoing considerable change, which will have a direct impact on Scottish energy consumers. Fuel poverty related issues of concern include retail prices increasing, the impact of RII02 on the most vulnerable consumers, the Energy Company Obligation (ECO) and other UK government-mandated policies as potentially being regressive. While some of these are beyond the competence of the Scottish Parliament, it is incumbent on the Scottish Government to use its existing powers creatively and to full effect. Where powers are reserved, the Scottish Government should undertake an advocacy role to ensure better outcomes for Scottish consumers.

We acknowledge the Scottish Government has been urging the UK Government to review levy funding for the ECO and the Warm Home Discount, and work with Scottish Ministers so that these can be brought together into a single combined levy to establish a single, flexible Scottish Fuel Poverty scheme. This will allow low income households to receive direct support with their higher energy costs and help fund energy efficiency improvements and the switch to zero emissions heating. The future design of such a scheme must be aligned with the fuel poverty strategy, for example it should include measures of fuel poverty to ensure that any data used to identify recipients is data which will identify those who are fuel poor, rather than low income. (i.e. that used for any data matching for the Warm Home Discount). It should also be designed in collaboration with stakeholders who have experience with delivery programmes to maximise impact.

The timeline for these schemes is very tight and quick action will be necessary to ensure industry initiatives continue without a break in funding.

Action by the UK Government

The UK Government's Fuel Poverty Strategy for England¹⁶ that set out the approach that will be taken to meet the English fuel poverty target. This aims to ensure that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band C by 2030. This compares to the Scottish Government's ambition for homes with fuel poor households being improved so they reach an energy efficiency rating equivalent to EPC Band C by 2030 and equivalent to Band B by 2040.

The UK Government's fuel poverty policy has a clear focus on improving the energy efficiency of fuel poor homes, even though other factors can affect how much it costs to heat homes. The strategy for England also links fuel poverty to net zero policy, proposes a new fuel poverty measure based on EPC rating rather than relative costs, suggests new guiding principles, makes provision for new schemes, and proposes increased funding for schemes like ECO. The UK Heat and Buildings Strategy¹⁷ includes funding support schemes targeted at those least able to pay to achieve this target.

While fuel poverty remains a fully devolved policy issue, changes to UK or GB-wide policies, such as the ECO or the Warm Home Discount scheme, will impact Scottish consumers. ECO is an important mechanism for the long term alleviation of fuel poverty through energy efficiency, WHD provides an important and short term lifeline payment. There may also be funding consequential for Scotland if relevant public spending is increased, or as a result of changes to GB-wide schemes. Under current proposals, the proportion of overall spending for ECO will reduce which will represent a significant loss for fuel poor households in Scotland. The Scottish Government should look to influence these decisions where appropriate to achieve better outcomes for Scottish consumers.

Summary and conclusion

Scotland's Fuel Poverty Strategy presents us with an opportunity for fuel poverty policy to be reframed to not only help tackle the burden of fuel poverty, but also to respond to the climate emergency, provide support for a just transition to net zero and help Scotland's economy and people to recover from the COVID-19 crisis.

Taken together the issues highlighted in this briefing will provide a renewed focus on reducing emissions from buildings and heat, as well as improving the energy performance of Scotland's homes, which in turn will help combat poor energy efficiency performance as a driver of fuel poverty.

The stubborn persistence of fuel poverty in Scotland shows us that it is essential we do not delay in getting the strategy finalised early in the new parliamentary session. This will allow the new independent Fuel Poverty Advisory Panel to be established so that it can get to work in helping the Scottish Government achieve its obligations and commitments to reduce emissions from buildings and alleviate fuel poverty for the most vulnerable members of our society.

¹⁶ <https://www.gov.uk/government/publications/sustainable-warmth-protecting-vulnerable-households-in-england>

¹⁷ <https://www.gov.uk/government/publications/heat-and-buildings-strategy>