



**Energy Action Scotland
Scottish Government Budget
representation 2021**

19 February 2021

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About Energy Action Scotland

Energy Action Scotland¹ is the Scottish charity dedicated to ending fuel poverty. Energy Action Scotland has been working with this remit since its inception in 1983 and has campaigned on the issue of ending fuel poverty and delivered many practical as well as research projects to tackle the problems of cold, damp homes.

Summary of our Budget representation

Fuel Poverty is growing and action is needed to reduce it. This will improve health outcomes by addressing some of the most vulnerable people who are at most risk of needless death and morbidity. There is a clear overlap between cold homes, deprivation and Covid-19 and it is more important than ever that the most vulnerable members of society have the right to live in a warm, safe home and can power essential equipment to cook and clean.

Our Budget representation builds on current policy developments and highlights where key actions remain and must be taken within the upcoming Budget.

Why take greater action on Fuel Poverty

- Living in cold, damp and unhealthy homes causes unnecessary hardship and premature mortality.
- In Scotland the number of excess winter deaths (EWDs) due to a cold home is estimated at over 2000 per year over the last five years
- Three-quarters of frontline organisations are concerned that there is a high risk that fuel debt will increase this winter as a direct result of the pandemic, while 98 percent believe that there is a moderate or high risk of more households cutting back on their energy use due to lockdown measures.²
- One in three British households is concerned about the health impacts of living in a cold home this winter and poor health associated with cold homes is likely to increase and contribute to widening inequalities in health for 2021 and beyond if mitigating measures are not undertaken.
- Millions of people face every winter in properties which are dangerous or unfit for colder seasons and over 25% of households in Scotland still live in fuel poverty, meaning they earn below the minimum income standard for their household group and where combined with poor levels of energy efficiency, they will have higher fuel bills to cope with.
- Independent analysis suggests that, during winter months, families in cold, leaky homes are facing heating bills on average or at least £124 per month, compared with £76 per month for those in well-insulated homes (£ 50per month)

¹ For more information visit: www.eas.org.uk

² [Build Back Fairer: The COVID-19 Marmot Review December 2020](#)

Our key proposals

- 1. Double the funding to improve the efficiency of heating and other reasonable fuel needs within the home of fuel poor households to over £200million per annum.**
- 2. Provide financial support to installer organisations to help their businesses to adapt and recover and be able to respond to increasing need to support the most vulnerable in Scotland.**
- 3. Provide greater financial support for local grassroots/community led/anchor organisations that provide support to the most vulnerable and difficult to reach fuel poor households.**
- 4. Help accelerate the resolution of energy debts by providing resources to support struggling credit customers.**
- 5. Optimise the flexibility of benefits devolved in Scotland to provide support to those that need it most.**

Strategic Case: Accelerating fuel poverty support measures to those that need it most.

The Scottish Government clearly recognises the importance of supporting households to improve the efficiency of their homes which in turn improves their health and wellbeing and can contribute to meeting Scotland's Climate Change ambitions. The Scottish Government's Home Energy Scotland service is a valuable national support service, and many community-led organisations extend that reach to support more vulnerable and harder to reach households. The Warmer Homes Scotland programme has helped thousands of households to improve the efficiency of homes and to install technology to help reduce heating bills. Scottish Government spending on activities such as this is estimated to be approximate £100million per annum. Yet, Scotland has over 25% of households in fuel poverty and this is rising as the impact of COVID-19 is felt across the country. To help there needs to be greater focus on those in most need and at most risk of fuel poverty:

- Transforming the lives of low-income households who live off the gas grid, particularly in remote rural areas, remote small towns, or island areas in Scotland where extreme fuel poverty is at its highest.
- Facilitating the consistent use of the current energy supplier obligation Energy Company Obligation (ECO), so energy suppliers can continue to help low-income and vulnerable consumers to improve the fabric, ventilation, and heating efficiency of the coldest homes.
- Provide support to local authorities and registered social landlords to provide more new affordable, energy efficient, homes with efficient appliances for cooking and cleaning that prioritises those in fuel poverty.
- Increasing support to local grassroots/community led/anchor organisations working with the most vulnerable and extreme fuel poor.

During 2020 there has been progress to establish the Energy Consumers Commission to help give consumers in Scotland a stronger voice in relation to energy issues. This is extremely welcome.

The Heat Networks Bill has recognised the importance that these developments could have in helping to address fuel poverty. The Heat and Buildings Strategy currently published also recognised the potential to help households in fuel poverty. The recent Climate Change Act updates similarly recognise that a just transition towards NetZero requires actions that do not increase inequalities. The Fuel Poverty Act sets interim targets of no more than 15% of households in fuel poverty by 2030 and 10% of households in fuel poverty by 2035. Ultimately by 2040, no more than 5% of households should be experiencing fuel poverty. That is ahead of our climate

change ambitions and implies that a massive reduction in fuel poverty is needed in the next 10 years at least.

There are targets for improving the efficiency of homes as measured by the rating of the Energy Performance Certificate (EPC). Scotland has a long way to go to reach its targets. Greater investment is needed. High-quality installation will underpin the public's confidence in programmes to improve the quality of homes including the installation of renewable technologies. Installer companies have identified that there are challenges, heightened by COVID-19 restrictions, in meeting the staff training and capacity requirements for future quality standards.

Installer companies told us during 2020 that they were concerned about the future of their business. Whilst many have provided services to fuel poor households during 2020 this has been at a considerably lower level than in previous years. The most vulnerable of households have tended to suffer most where supports in the home and advice face to face was reduced. These companies face uncertainty over the standards that will be applied to their sector in future and will need support if they are to meet the scale of need and demand. Other industry sectors³ benefitted from targeted support to help them adapt and modify their practices. Waste Management companies were provided with almost £1million of support during 2020, in addition to other government support. Financial support to help businesses required to deliver the scale of improvement to ensure that Scotland is able to meet the challenge of reducing fuel poverty to no more than 5% by 2040. Even more challenging given the Scottish Government projects that fuel poverty is set to rise from 25%

Energy Action Scotland is urging the Scottish Government in its budget to boost investment to accelerate the improvement of the energy efficiency of the homes of fuel poor households. Further to support households to engage that there is a greater level of investment in local grassroots/community led/anchor organisations working with the most vulnerable and reach households in Scotland. Our Fuel Poverty Monitor Fuel Poverty Monitor⁴ found that vulnerable energy consumers had been particularly impacted in five ways due to COVID-19:

1. An increase in energy use, due to more people spending more time at home.
2. A reduction in income, as many jobs were either lost or placed on furlough.
3. Increased affordability issues, and therefore debt, leading to energy rationing.
4. Reductions in smart meter, ECO programme and other government and industry supported installs.
5. Difficulties in accessing support, especially where households were digitally excluded or speak English as an additional language.

Increasing public investment in activities across the factors recognised in the definition contained in the Fuel Poverty Act that can also:

- **Reduce the burden on the health system and increase the quality of services available in the NHS in Scotland**, reduce the occurrence and impact of respiratory illness which increase pressures on the NHS in Scotland over the winter months. This contributes to excess mortality which over the last five winters has seen approx. 6 people die each day because of living in fuel poverty.
- **Strengthen the economic recovery**, supporting long term jobs. Additional funding for fuel poor households to upgrade their homes could help support

³ <https://www.zerowastescotland.org.uk/press-release/coronavirus-grant-boosts-safety-waste-management-firms>

⁴ <https://www.nea.org.uk/wp-content/uploads/2020/09/UK-FPM-2019.pdf>

these jobs well into the 2020s. The skills required for these jobs will equip the workforce for further progression towards net zero, as more homes look to increase their energy efficiency after the fuel poverty target has been met.

- **Improve economic circumstances across the nation.** Public money spent on reducing fuel poverty means money saved for householders. This saving means more spending power, which often means greater spending in local areas, helping to support local economies. As fuel poor homes are often found in areas that have suffered detriment, such as remote and rural Scotland, this has the effect of increasing economic activity in those areas that need it most.
- **Strengthen research, innovation (in the form of technological, financial and regulatory innovation) and manufacturing bases,** all of which will be needed for a successful national rollout of energy efficiency and energy management upgrades.
- **Strengthen Scotland's international standing** through a demonstration of credibility in meeting our net zero, and fuel poverty targets, ahead of COP26 in Glasgow. This has the potential to galvanise other nations in their attempts for reducing emissions and achieving a green recovery.

Strategic case: Boosting incomes and addressing energy debt

The 2019/20 Fuel Poverty Monitor found that Energy rationing can be deadly during cold winters and 95% of respondents to its call for evidence said there was a moderate or high risk of more households cutting back on their energy use due to being forced to spend more time at home during lockdown. Three quarters of respondents said they were concerned that there is a high risk of the increased building up of fuel debt this winter, as a direct result of the pandemic. Households in Scotland have like other parts of the UK suffered huge economic shocks to their income.⁵ Ofgem has committed to proposals to strengthen the package of support being provided during COVID-19 into permanent requirements from this winter⁶. This is welcome and whilst the UK Government's support through the Job Retention Scheme and the uplift to Universal Credit has also been welcome these are set to end. It would be better if these provisions continued and we urge the Scottish Government to support calls to extend these supports.

Scottish Government funding has been provided to the Fuel Bank Foundation and others to provide much needed crisis funding, in the form of ex gratia payments, to households with Prepayment Meters and more recently an additional provision of those with oil, LPG and solid fuel heating. However, credit customer debt is set to rise dramatically. Ofgem has announced an increase to the price cap which is set to send fuel bills rocketing. This will be felt even more in Scotland where we consume greater amounts of energy and have a significant proportion of households with expensive all electric systems. We urge the Scottish Government to work with energy suppliers to provide support to reduce indebtedness. According to the Office for National Statistics (ONS)⁷, even before the devastating impact of Covid-19, the poorest 10% of households in Great Britain had debts three times bigger than the value of the assets they own.

Our sister organisation, NEA's report "*Surviving the Wilderness: The landscape of personal debt in the UK*"⁸ highlighted UK household debts owed to government and utility providers are soaring due to the impacts of Covid, with an estimated 2.8 million people falling into arrears, 1.2 million with their utilities, 820,000 with their council tax, and 590,000 with their rent; and 3.8 million people having to borrow to

⁵ For the full report, please visit <https://www.nea.org.uk/wp-content/uploads/2020/09/UK-FPM-2019.pdf>

⁶ <https://www.ofgem.gov.uk/publications-and-updates/more-help-prepayment-customers-and-those-struggling-bills>.

⁷ ONS, Household debt in Great Britain: April 2016 to March 2018, December 2019.

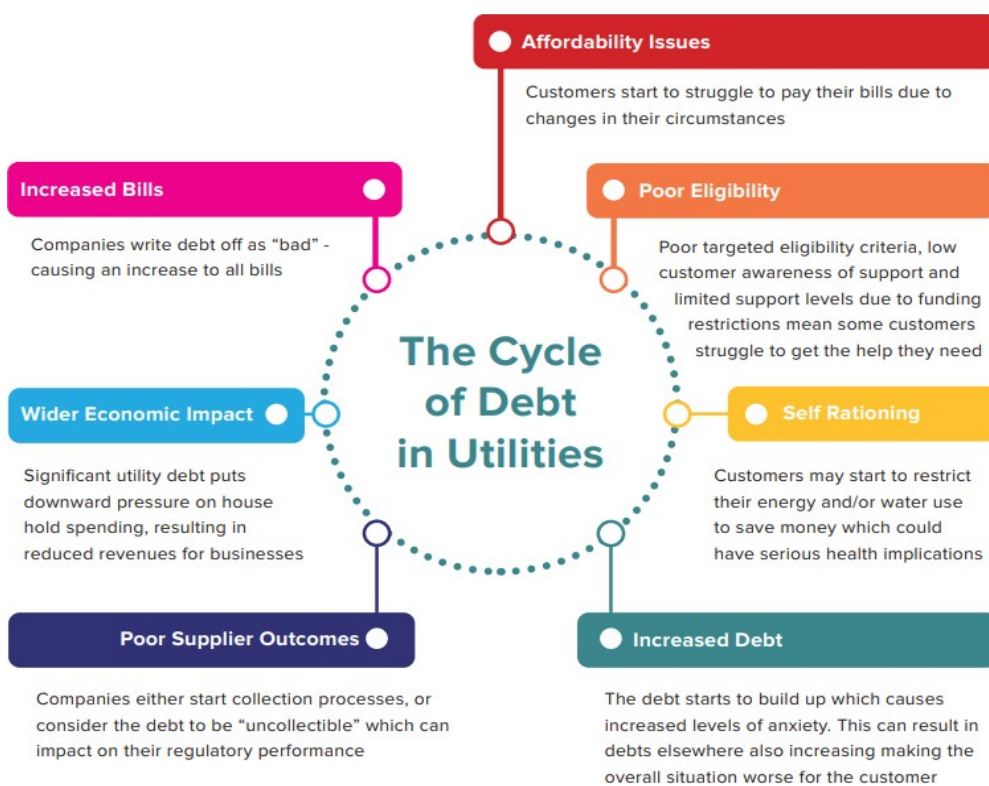
⁸ <https://www.nea.org.uk/research/surviving-the-wilderness/>.

make ends meet.

We are calling on the Scottish Government to work with suppliers to provide support directly to support low-income households to accelerate the resolution of energy debts accrued because of the impact of restrictions imposed during COVID-19.

With the UK Government set to remove the £20 per week Universal Credit uplift provided during 2020/21 there is a need to maximise the opportunities available to support fuel poor households. We are calling on the Scottish Government to optimise all the available benefit support routes that it has available to support fuel poor households. In particular we are urging the Winter Fuel Payment and the Cold Weather Payment systems are configured to ensure that those in most need receive support when they need it most.

As well as the positive impact addressing utility debt can have on individuals, reducing utility debt has significant benefits for both utility suppliers and the wider economy and breaking the debt cycle, illustrated below.



Source: National Energy Action

Alongside helping to meet the fuel poverty strategy, increased economic support offers other significant benefits:

- **Achieve prosperity**, through targeting financial support where it is needed most, the economic benefit will be felt locally in local economies particularly in remote and rural Scotland.
- **Reduce the burden on NHS Scotland**, through reducing the likelihood of energy rationing practices and achieving healthier homes, which in turn lead to healthy people and reduced impacts rates of respiratory and cardiovascular illnesses.