Just Transition Commission - Call for Evidence

Submission from Energy Action Scotland

30 June 2020

Questions

1 **What do you see as the main economic opportunities and challenges associated with meeting Scotland's climate change targets?**

Please explain your view.

Economic opportunities

There are many targets to meet over the years until 2045, for fuel poverty, energy efficiency and climate change – and these all need to be addressed synergistically so that work to meet one set of targets doesn't hinder the work to meet other targets. This is an opportunity now for Scotland to set out a clear action plan, pulling together all the work that has gone on before, delivering real cross government action to addressing all of these in a coherent manner.

We believe that investments to improve the quality of residential properties will support employment in manufacturing, installation and maintenance.

We support the Existing Homes Alliance's calls[1] for accelerating and scaling up the Energy Efficiency Scotland programme as part of a 'fair and green' recovery and doubling the funding, at the very least, of the Scottish Government's fuel poverty support programmes such as Warmer Homes Scotland and the HEEPS: Area Based Schemes[2]. Energy Efficient Scotland is the key delivery programme identified in the Scottish Government's draft Fuel Poverty Strategy, with the aim of removing energy efficiency as a key driver of fuel poverty. With a main fuel poverty target of no more than 5% of households to be in fuel poverty by 2040 and a current figure of 25% of households currently in fuel poverty, we believe that the Warmer Homes Scotland and Area-based Schemes (HEEPS: ABS) should be scaled up significantly to meet the 2040 and other targets. HEEPS: ABS is particularly useful as it recognises that there are people who, often for complex reasons, will not phone or approach others for help when it comes to living in a cold home. With ABS, help approaches the household and offers face-to-face delivery which is vital to get help to the most vulnerable. Warmer Homes Scotland is open to low-income homeowners or tenants of private sector landlords so helps people that are likely to be in fuel poverty.

Economic challenges

The main economic challenge associated with a green recovery, meeting

[1] Existing Homes Alliance, Just Transition Commission – Call for Evidence submission, June 2020

[2] Existing Homes Alliance, Energy efficiency, fuel poverty and the Scottish Budget 2020-21, November 2019

the fuel poverty targets, transitioning to a low carbon economy, putting people at the heart of the energy market is how this is financed. Who pays for the costs of decarbonisation? It shouldn't be people from lower income households but the challenge is for this cost to be distributed fairly. Currently costs of decarbonisation come from a regressive levy on energy bills. Energy Action Scotland asked all political parties in November 2019 to pledge to remove the hidden taxes and levies on all of gas and electricity bills and instead put these onto general taxation. We repeat this call as we believe that this is a fairer way of attributing costs. If this cannot be achieved then the most vulnerable of customers will need to be insulated from the additional cost burdens. Whilst the decarbonisation of the gas network is now ongoing, the major focus over the past 10 years has been levies on the users of electricity. The latest CCC progress report[3] has promoted "Fairness" as a key focus going forward –"Fairness must be a key part of policy design" "consumers who use disproportionately more electricity, often in homes heated with electric resistive heating, have been more adversely affected by these levies." The cost of decarbonisation of the energy grid which is a whole system social benefit is unduly burdened on those reliant on electricity to heat. In Scotland there are some 247k of homes that utilise electricity as their main source of heating energy, around 10% of all homes in Scotland. Of this group, 106k are fuel poor (43%). THE RATE OF FUEL POVERTY FOR ANY OTHER MAIN FUEL TYPE IS 22-24%

There is approximately £120 on each consumer's annual bill[4] [4] which goes towards things like the Warm Home Discount Scheme, the Energy Company Obligation and the EU Emissions Trading Scheme. This levy is only placed on suppliers with a minimum threshold of customers and so gives a price advantage to smaller suppliers who do not have to pass these costs onto customers. This aspect of the GB energy market encourages speculation from new entrant challenger companies, many of which have failed in the past few years. This failure increases the costs to operate the energy market in GB which ultimately is passed on to all consumers.

All this is creating an uneven playing field and, as everyone pays roughly the same, you will pay more if you are an all-electric customer, it creates a regressive tax mechanism where the fuel poor and vulnerable customers pay just as much as those better off customers who don't need to worry about the cost of energy. It is outrageous that those vulnerable consumers

[3] Committee on Climate Change, Reducing UK emissions: 2020 Progress Report to Parliament, June 2020
[4] - Ofgem, Bills, Prices and Profits, June 2020 https://www.ofgem.gov.uk/system/files/docs/2020/06/bills_prices_profits_-_june_2020.pdf

eligible for the Warm Home Discount credit pay £12 each year towards the cost of the operation of the same scheme.

This cost is likely to increase significantly as we move towards the use of Electric Vehicles (EVs) and the need to create the infrastructure and upgrade the electricity networks to provide charging points for those wealthy enough to be able to afford to buy or lease a new EV.

Energy Action Scotland believes that we cannot simply place the additional cost for this onto consumers' bills when many will never benefit from this new EV technology for starters, let alone the full costs of decarbonisation of heat, power and transport.

We believe this issue needs to be addressed now before sector plans are put in place and policies developed as it is intrinsic to the whole transition being carried in a fair and equitable way.

2 **What do you think are the wider social (health, community, etc.) opportunities and challenges associated with meeting Scotland's climate change targets?**

Please explain your view.

<u>Wider social opportunities</u>

Other wider social opportunities, as mentioned below, could include the community benefits from having renewable energy produced in an area eg SmartKlub (https://smartklub.org/) recognised that "the more deeply we work together the greater the mutual benefit".

If highlighting a community energy route, there are many benefits to communities such as empowering people to become part of the energy market, and reducing fear and stress at dealing with energy suppliers.

There should still be consumer protection and regulation in this provision to protect the most vulnerable. Concerns need to encompass the accessibility of enabling technology for those least able to pay. In addition, there are some significant concerns arising from data security and the value of data contracts between consumers (prosumers) and the big data organisations who are extrapolating value from machine learning data applications. At the moment there appear to be little value for the consumer and much value for the system. A crude example of this is the roll out of smart meters and who is currently benefitting from this.

Wider social challenges

The World Health Organisation estimates that 30% of winter deaths are caused by cold housing. In Scotland this means that six people die every day of winter from causes directly attributable to fuel poverty and cold homes.

Energy Action Scotland contends that with 25% of households of Scotland languishing in fuel poverty and insufficient progress to lift people out of fuel poverty it is only increasing pressure on GPs and on NHS Scotland budgets. For example,

- visits to GP consultations for respiratory disease increase by 19% for every one degree that the temperature drops below 5 degrees centigrade
- 9% of hypertension cases could be prevented by maintaining indoor temperature about 19 degrees
- More than one of four young people living in a cold household are at risk of multiple health problems

Those who are fuel poor are more likely to turn their heating down below the level adequate for their wellbeing and are more likely to live in energy inefficient homes, which are poorly insulated and prone to dampness.

A World Health Organisation Report in 1985[5] established that there is a link between poor health and low indoor temperatures. Since then further research[6] has strengthened this finding and demonstrated that fuel poverty is today a contributing factor in a number of cold, and poor housing, related health conditions. Some existing health conditions can be affected badly by cold and others can be brought on as a result of prolonged exposure to the cold. Respiratory disorders can be worsened by prolonged exposure to low indoor temperatures and people living in cold homes have an increased tendency to suffer colds, flu, bronchitis and pneumonia.

In addition cold conditions in a home can contribute to condensation dampness and mould growth. This has a detrimental effect on some allergies. Mould spores and dust mites in the air can cause allergic reactions, which in turn can cause problems for people with respiratory illnesses such as asthma.

There were 2,060 "excess" deaths in Scotland during the winter of

[5] World Health Organization, Health Impact of Low Indoor Temperatures, 1985
[6] Scottish Public Health Network, Fuel Poverty - Overview, October 2016

2018/19[7] and, due to the coronavirus pandemic, this statistic is likely to be greatly elevated for the next few years.

In Scotland there are long and damp winters, which are worse for health than dry Scandinavian winters. Factors affecting excess winter mortality are varied and complex, but there is a strong relationship between thermal standards in housing and excess winter deaths.

It is generally accepted that the number of excess winter deaths could be reduced if everyone could be kept warm in their homes during the winter months.

3 What would a successful transition to net-zero emissions look like for your sector/community?

Please explain your view.

A successful transition to net zero for the fuel poor would mean the adoption of a number of conditions that would need to be put in place to support the absence of fuel poverty eg housing that achieves thermal comfort without a heating system, jobs across the whole of Scotland accessible to those excluded from the current labour market, a model for provision of green energy the same as the model we currently have for provision of water (but with a revised – more progressive – replacement for current local council tax system, etc.

There needs to be some caution that net-zero does not in itself provide a mechanism that impacts on the fuel poor. They may share wider societal benefits associated with a greener energy provision but there needs to be a drive to reduce overall consumption. The fuel poor may need to increase their consumption to live a more comfortable healthier life.

A successful transition to net zero for the fuel poor should also consider the views of people living in fuel poverty: there is an opportunity here and now to build resilience into the heart of our communities. There are a few possible scenarios which we could describe in this section: we have chosen local/community energy as an example of a bottom-up, community-level approach which demonstrates how an often-overlooked part of the whole system can be crucial when working out how to progress towards net-zero emissions in our sector in a fair and just way, therefore utilising more of a co-production approach with people in their communities Community energy is community-led renewable energy, energy demand reduction and

[7] National Records of Scotland, Winter Mortality in Scotland 2018/19, October 2019

energy supply projects, and they can be either wholly owned by communities or in collaboration with other organisations, both public and private sector. Community energy puts people at the heart of the energy system and also helps to empower them as energy consumers. An example of this could be Project Leo in Oxfordshire which cited the active and developed community energy partners as one of the main reasons for choosing that area. A successful transition will see no people living in fuel poverty, accessing greener energy, with higher levels of high-quality life expectancy.

There are already grassroots environmental organisations working in communities, funded through the Climate Challenge Fund and other funds that are in a prime position (as trusted intermediaries) to work with people in their local area, and develop local solutions as the organisations have carried out research in their local areas and know the issues well. This is happening in a few areas of Scotland already and people benefit from their expert knowledge of the local area and energy and welfare issues. This network of community groups could be extended further to all communities in Scotland, there could be better support from local authorities (eg Glasgow City Council's 3rd sector funding has been postponed), there could be better links between this network of groups and Scottish Government, plus longer-term funding, and there would be wider benefits to the local area.

There are many policy levers which the Scottish Government has been putting in place over the last 5 years including a new fuel poverty definition, a forthcoming Fuel Poverty Strategy, and Heat Networks Bill.

4 **What actions do you think the Scottish Government should take to manage the opportunities and challenges referenced above?**

Please explain your view.

In an ideal world, we would like to see:

- Fuel poverty eradicated to 0% before 2040
- People being able to use clean, affordable sources of energy for their heating and the market providing this
- Renewable forms of heating being much cheaper than they are currently and included widely in the Scottish Government's fuel poverty support programmes.
- Non-regulated energy sources being regulated, with better consumer protection for the most vulnerable.
- Paying for social policies on energy bills moved to general taxation

- People being empowered to take part in the energy market and switching when they need to or not switching – in fact, switching not being the only option to save money.
- Education programme, from school age upwards, on the actions needed to transition to a low carbon economy. Energy and carbon literacy is not emphasized enough alongside to help students understand the social impact of action. However, the main problem is not people and their choices, viewing it as such removes responsibility from those with the power to make the changes.

More emphasis needs to be made on the benefits of smart meters being used to reduce energy demand – the focus so far has been on saving money and getting rid of estimated bills, but there needs to be more awareness of their other benefits and people need to be shown how to do this – so a better installation experience for the people receiving smart meters. Smart prepayment meters or smarter meters that provide the options to pay in advance of use or not and incentives for energy demand shifting (scheduling). A good example of this can be seen in the Energywise project which recruited social housing tenants living in Tower Hamlets to take part in a trial using smart meters and time-of-use tariffs[8]

There needs to be some sort of signalling in advance otherwise the public won't know about different heating systems that are available to them, for example gas boilers will no longer be installed in new builds from 2024 in Scotland, however, people don't know about this and councils are worried about what they are to use to replace them, there is no clear signalling from Government what the replacements could be, and if they will be effective at keeping homes warm and are affordable to run.

5 **Are there specific groups or communities that may be, or feel that they may be, adversely affected by a transition to a net-zero carbon economy? What steps can be taken to address their concerns?**

Please explain your view.

In many hard-pressed families, there is no recognition of net-zero. They will have many other issues to deal with. They could feel further alienated or excluded from moves towards net-zero if it isn't well communicated. With regards to fuel poverty, many people in society are affected such as these examples[9]:

- Approximately half (49%) of fuel poor households are other households

[8] UK Power Networks, Energywise Key Impacts https://innovation.ukpowernetworks.co.uk/wp-content/uploads/2019/05/Key-Impacts.pdf
[9] Scottish Government, Scottish House Condition Survey: 2018 Key Findings, January 2020

without children.

- Around 15% of households living in fuel poverty are families with children, and 36% are older households.
- Fuel poverty has a strong association with income and households in the lower income bands have the highest rates of fuel poverty: 95% for the bottom income band and 55% for the 2nd bottom band.
- The highest rates of fuel poverty by tenure are found in the social sector where 39% of local authority and housing association households are fuel poor. In comparison, only 10% of those with a mortgage are assessed to be fuel poor.
- The 2018 fuel poverty rate for outright owners (23%) is higher than the 2017 rate (18%).
- The large urban area household fuel poverty rate increased by 4 percentage points, from 21% to 25% in 2018.
- Levels of fuel poverty among households using electricity as primary heating fuel have remained among the highest, at 43%

Steps that can be taken to address their concerns could include directly talking to representatives from groups covering older people, families, lower income households, groups using electric heating, disabled, people living with long term conditions, lone parents, people living in rural off grid areas etc. We need to bring people with us instead of implementing measures which may have unintended consequences; we need to directly engage with people who will be adversely affected by a transition to net zero, especially if they have to change their way of life drastically. We need to access the support networks for the most vulnerable and work with their trusted people to help the people that need it most.

6 Please provide here any other information, evidence, or research you consider relevant to the work of the Commission.

Please explain your view.

Through a review of existing evidence and in consultation with users of electric heating who contributed over four deliberative workshops held across Scotland, a compelling picture of the lived experience of householders reliant on using electricity for heating has emerged. This report[10] written by Energy Action Scotland, Keith Baker and Fraser Stewart expands on the particular issues related to the support and advice service

[10] Energy Action Scotland, Keith Baker and Fraser Stewart, Down to the Wire: Research into support and advice services for households in Scotland reliant on electric heating, January 2018 accessed at https://new.theclaymoreproject.com/uploads/entities/1230/files/Publications/down_to_the_wire_-_technical_report_-_eas_gcu_dr_fraser_stewart.pdf

needs of these households in Scotland. This is pertinent to the Commission, as we move away from gas central heating, the issues identified in the report will become more widespread.

Energy Action Scotland recently responded[11] to the Economy, Energy and Fair Work Committee's Call for Evidence on the Heat Networks Bill which we feel is relevant to this response.

"We are encouraged to note the focus on fuel poverty "In the right circumstances, heat networks can also reduce heating costs for householders." and "ensuring that new heat networks develop where evidence shows that they can reduce fuel costs for householders". This appears to be an encouraging commitment to co-design this policy alongside the Scottish Government's commitment stated in its fuel poverty Act. However, we would like to see a more robust link to that policy, the Government's Fuel Poverty Strategy is still in development and it is important that this policy be subject to some scrutiny via the statutory Scottish Fuel Poverty Advisory Panel as defined under s.14 of that Act".

[11] EAS submission to the Economy, Energy and Fair Work Committee on the Heat Networks (Scotland) Bill - https://www.parliament.scot/S5_EconomyJobsFairWork/Inquiries/EEFW-S5-20-HN-07-EAS.pdf