



Fuel Poverty Strategy

Social Justice and Social Security Committee

November 2021

Briefing from Citizens Advice Scotland

Who we are

Scotland's Citizens Advice network is an essential community service that empowers people through our local bureaux and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

Introduction

The Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 (hereafter, "the Act") sets an overarching target that by 2040, as far as reasonably practicable, no household in Scotland should be in fuel poverty. As a backstop, the Act also requires that by 2040, no more than 5% of households in Scotland are in fuel poverty; no more than 1% of households in Scotland are in extreme fuel poverty; and the fuel poverty gap in Scotland is no more than £250 (in 2015 prices). Interim targets for both 2030 and 2035 are also stipulated, and the Act requires the Scottish Government to bring forward a Fuel Poverty Strategy. Section 6 of the Act defines what this Strategy must include.

"Tackling Fuel Poverty in Scotland – a Strategic Approach" (henceforth "the Strategy") is the Scottish Government's Fuel Poverty Strategy. As a 20-year framework, an ambitious and effective Strategy should:

- Provide a detailed route map to the 2030, 2035 and 2040 targets, with specific timescales for tackling fuel poverty and extreme fuel poverty through a coherent and comprehensive programme of support that adopts a whole system view, is tailored to the needs of individual households, and addresses each of the four drivers of fuel poverty throughout the transition to Net Zero in every community in Scotland.
- Establish how and when delivery of the Strategy will be monitored and reported, and set the metrics to be used by which progress will be measured.
- Define how delivery of the Strategy will be overseen by all Ministers whose portfolios include responsibility for housing, energy, social security, health, communities, local government, young people, older people, families, disabled people, fair work, and skills, based on the advice of the statutory Fuel Poverty Advisory Panel and including where appropriate the use of a Fuel Poverty Impact Assessment in public spending decisions made by relevant authorities.
- Set out how consumers in fuel poverty will be identified in view of the often transient nature of fuel poverty and the increasing uptake of home charging for electric vehicles; how support will be effectively targeted across each of the four drivers of fuel poverty; and how those on the margins will be prevented from falling into fuel poverty or being exposed to 'cliff edges' in support.

- Identify and commit to the provision of the funding and resources necessary to deliver the required progress under the Strategy in the five-year period before its first formal review.
- Demonstrate how the Scottish Government will work with and support the energy industry, local authorities, and other stakeholders – including community-based grass roots organisations – to ensure an effective and efficient delivery of the Strategy which recognises the importance of place and has due regard for the just transition and consumer principles.

A view from the Citizens Advice network in Scotland

Citizens Advice Scotland (CAS) is currently seeing a perfect storm of pressures on households, stemming from a cost-of-living increase, the removal of the Universal Credit uplift and the end of the Coronavirus Job Retention Scheme. Increases in the wholesale cost of gas, proposed changes to the default tariff cap, and costs associated with supplier failures, are also currently expected to place an upwards pressure on consumers' energy bills until at least April 2024. Network data for September 2021 already shows a rise in demand for energy debt advice (a 5% increase since August 2021 and 53% since February 2020), whilst pages related to energy efficiency have been the most frequently viewed of the energy-related pages on our Advice for Scotland website¹ since July 2020.

A recent survey by CAS also revealed that almost 400,000 people in Scotland missed an energy payment in the past 12 months². Of this figure, almost a quarter had missed more than three energy payments, while more than 85,000 missed more than six. Concerningly, this survey was undertaken in May 2021, before the worst of the current pressures had taken hold. With this situation unlikely to improve any time soon, CAS has warned of a looming energy affordability crisis, with urgent, long-term actions required to protect households from the worst effects of the cold this winter and beyond.

The Strategy provides an opportunity for the Scottish Government to set out how it will respond to these challenges. However, while its support for energy consumers this winter is welcome it does not outline how it will ensure that effective support continues to be provided while longer term interventions, such as the rebalancing of social and environmental levies on energy bills, are implemented.

A route map to 2040

CAS welcomes the Scottish Government's desire to deliver a place-based, locally-led, and tailored approach to the alleviation of fuel poverty, and we strongly support the development of high-quality Local Heat and Energy Efficiency Strategies (LHEES) as a central part of these efforts. However, there is little in the Strategy on the other three drivers of fuel poverty that indicates how the Scottish Government will ensure that its fuel poverty targets are met in each local authority area in Scotland – a statutory requirement of the Strategy. It is, for example, silent on the potential role of community energy and local energy markets in reducing the cost of energy, and it offers few details on how it will empower communities or realise more effective consumer engagement despite recognising that these are essential to its success. Although the Strategy identifies a need for behaviour change, it also sees no role for improving the financial capability of low income and vulnerable consumers in enhancing households' financial resilience and/or

¹ <https://www.citizensadvice.org.uk/scotland/>

² <https://www.cas.org.uk/news/increasing-numbers-people-missing-energy-bills>

market engagement, and it offers no vision for how behaviour change can be effectively harnessed or supported.

While there is much that is positive about the Strategy, it does not in our view therefore provide a sufficiently comprehensive whole system framework to deliver the Scottish Government's fuel poverty targets.

Fairness in the low-carbon transition

The Scottish Government has committed to ending its contribution to climate change by 2045 and effectively eliminating fuel poverty by 2040. Achieving these outcomes in isolation would be a challenge for any administration. However, designing programmes to deliver these outcomes concurrently, thus ensuring that one is not achieved at the expense of the other, is likely to add even further complexity. In our response to the Just Transition Commission's call for evidence, we argued that successfully meeting both of these targets would effectively be a just transition realised³.

From our network evidence and engagement with stakeholders, CAS is aware of several examples where the tension between these two aims is already visible:

- The installation of unproven heating technologies in social housing under the Energy Efficiency Standard for Social Housing (EESH), resulting in reduced thermal comfort for tenants at significantly increased cost.
- Poor practice in unregulated energy markets, where at least one heat network operator has allowed consumer debts to reach unsustainable levels before making a reasonable intervention or offering support, resulting in damaged relations with the local community.
- The rollout of an electric storage heating system in local authority housing causing soaring costs, resulting in the formation of a local action group and a subsequent agreement to extend gas central heating to the affected communities, despite an increased risk of asset stranding in the early 2030s.
- The recent ban on public subsidies for oil and LPG heating systems, resulting in potential detriment for households where alternative heating technologies are unsuitable or less cost-effective.

Addressing potential unintended consequences of decarbonisation activity, the Strategy states that: "we will only take forward actions where they are found to have no detrimental impact on fuel poverty rates, unless additional mitigating measures can be put in place." The Heat in Buildings Strategy contains a series of guiding principles⁴ to protect households in the low-carbon transition, and CAS is encouraged that the Strategy reinforces those commitments. However, if situations like the examples above are to be avoided, these assurances must translate into meaningful and robust protections for consumers.

On pricing, we agree with Scottish Government that a rebalancing of social and environmental obligation costs on energy bills is required to incentivise investment in, and the uptake of, low-carbon heating systems. Following research by Public First⁵, CAS was recently co-signatory to an energy industry letter to

³ <https://www.cas.org.uk/publications/cas-response-just-transition-commission-call-evidence-0>

⁴ <https://www.gov.scot/publications/heat-buildings-strategy-achieving-net-zero-emissions-scotlands-buildings/>

⁵ <https://www.publicfirst.co.uk/wp-content/uploads/2021/04/OptionsEnergyBillMaster.pdf>

the Secretary of State at BEIS which called for these costs to be moved onto government expenditure, with a carbon tax introduced on gas and electricity alongside mitigations to protect the interests of low income and vulnerable consumers.

Future of the fuel poverty support schemes and social security

Whether or not a household receives the Warm Home Discount (WHD) has no material impact on fuel poverty rates in Scotland⁶. However, the annual rebate is viewed as a lifeline by many consumers who have come to depend on it for managing their energy costs in the winter months. CAS is concerned about the delivery of WHD in the four years from 2022/23 as reforms mean that the scheme in England and Wales is moving to a new model utilising Valuations Office Agency data, an approach that is not possible to replicate in Scotland⁷. Clarity on the delivery model in Scotland from April 2022 is urgently required to provide certainty for consumers, participating energy suppliers, and community-based grass roots organisations whose service delivery relies on funding from Warm Home Discount Industry Initiatives.

The Strategy confirms the Scottish Government's intention to combine WHD and the Energy Company Obligation (ECO) in a single, flexible fuel poverty support scheme, stating that this would ensure "targeted rebates and additional funds for energy efficiency". However, it is not clear how this would be possible given that the proposed apportionment of the total spending envelope between a separate Scottish scheme and the schemes in operation in the rest of GB will reduce the overall proportion of both WHD and ECO funding available to households in Scotland when compared with the historical average⁸. As GB-wide schemes, consumers in Scotland have been able to leverage a greater proportion of the WHD and ECO levies than they have contributed towards them. However, the UK government has been clear that if a separate Scottish scheme were to be created for WHD and/or ECO, only those funds contributed by consumers in Scotland would be made available to spend in Scotland. Based on the historical proportion of WHD and ECO spending which has taken place in Scotland, we estimate that current proposals for a single flexible pot would therefore result in £185.8 million less money coming to Scotland between April 2022 and March 2026 than might be expected were WHD and ECO to be continued as GB-wide schemes.

The Scottish Government has also confirmed that its replacement for Cold Weather Payments will be paid at a fixed annual rate instead of payment being triggered by low temperatures. CAS has strong reservations about breaking the link with weather, as this approach ensured that claimants received financial assistance at a time when it was most likely to be needed and scaled with the extent of that need in a way that a single flat-rate annual payment cannot. Over the past eleven years, for example, consumers in off-gas rural areas of Scotland have received up to 245% more in cumulative support under the Cold

⁶ <https://www.cas.org.uk/publications/mind-fuel-poverty-gap-warm-home-discount-scottish-context>

⁷ <https://www.gov.uk/government/consultations/warm-home-discount-better-targeted-support-from-2022>

⁸ As GB-wide schemes, neither WHD nor ECO have their funding apportioned between nations, and thus there is no cap or floor on the level of funding accessible to consumers in Scotland. Consumers in Scotland therefore contribute approximately 9% towards the total WHD spending envelope and approximately 9.11% of the total ECO spending envelope. However, 10.11% of WHD rebates are paid to consumers in Scotland and 13.4% of all ECO funds between 2012 and 2020 were spent in Scotland. A separate Scottish WHD scheme would see spending in Scotland capped at 9.4% and ECO spending capped at 9.11% of the respective GB-wide spending envelopes.

Weather Payments scheme than they would have received under the Scottish Government's proposals for Low Income Winter Heating Assistance.

Identifying fuel poor households

It was a statutory requirement of the Strategy that Scottish Ministers should set out how they intend to identify households in fuel poverty. This has always been a lot more challenging than it sounds, particularly where a complex definition is involved. The draft Strategy published in 2018⁹ made reference to the development of a "doorstep tool" but this never materialised and the development of an assessment tool to identify fuel poverty remains only an ambition in the final Strategy. Despite this, analysis carried out as part of the Strategy identifies characteristics of fuel poverty in households across various categories, including: income, tenure, heating type, meter type, council tax band, and protected characteristics. CAS has consistently called for a fuel poverty identification tool to assist practitioners tasked with targeting support to those most in need. Although a proxy-based approach is less robust, this new analysis is welcome, particularly in its consideration of protected characteristics.

Delivery programmes

As a 20-year framework, the Strategy should include detail on policies and programmes planned to achieve the fuel poverty targets. It should also set out a detailed route map with specific timescales on tackling fuel poverty through a coherent and comprehensive programme of support that adopts a whole system view, is tailored to the needs of individual households, and addresses each of the four drivers of fuel poverty throughout the transition to Net Zero in every community in Scotland. The Strategy states that an outcomes framework will be published in the spring of 2022.

The Strategy confirms that LHEES will be one of the key delivery vehicles: "LHEES will set out the long-term plan for decarbonising heat in buildings across an entire local authority area", with each local authority required to have their LHEES live by 2023. Local planning and delivery should ensure that heat decarbonisation and energy efficiency programmes are responsive to the varying needs of communities, for example, of those in remote, rural and island areas, and those using unregulated heating fuels.

For targeted heat and energy efficiency support for fuel poor households, Area Based Schemes will be retained, and a new seven-year scheme will be announced in September 2022 when Warmer Home Scotland ends. Research by CAS has shown that these schemes must be underpinned by a robust consumer protection framework if they are to gain trust and buy-in from the public¹⁰.

A recent study undertaken on behalf of the Scottish Federation of Housing Associations (SFHA) was critical of the projected impact of the EESSH2 on fuel poverty rates¹¹, so confirmation that its review will be brought forward is welcome.

⁹ <https://www.gov.scot/publications/draft-fuel-poverty-scotland-2018/>

¹⁰ <https://www.cas.org.uk/publications/fit-future-putting-consumers-first-move-net-zero>

¹¹ <https://www.scottishhousingnews.com/article/new-eessh2-standards-will-cost-housing-associations-2bn-sfha-research-finds>

Funding

The Scottish Government committed in the 2021 Programme for Government to £1.8bn in investment over the current parliamentary term to decarbonise the way Scotland's homes and buildings are heated. This includes:

- Fuel Poverty Programmes (Warmer Homes Scotland and Area Based Schemes): £465m investment for domestic energy efficiency and fuel poverty programmes to support the elimination of energy efficiency as a driver of fuel poverty.
- Social Housing Net Zero Fund: £200m investment to accelerate the delivery of energy efficient, low and zero carbon heat provision to social housing.

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. However, while the Strategy commits the Scottish Government to "work with local authorities to introduce LHEES", it does not commit to providing local authorities with 'adequate support', nor does it contain proposals for whole system co-ordination across local authority boundaries to ensure that the costs of the energy transition are minimised – a role for which the recently announced National Public Energy Agency would seem to have been well-placed to deliver. Research by CAS has also revealed that current levels of funding for energy efficiency continue to fall significantly short of what is required to meet the statutory fuel poverty targets¹². The Existing Homes Alliance has repeatedly called for the funding allocated to Scotland's energy efficiency and fuel poverty programmes to be more than doubled.

The role of advice services

The Scottish Government's commitment to partnership working through Home Energy Scotland (HES), and to explore further opportunities through data-sharing, is welcome. In its response to the consultation on the draft Heat in Buildings Strategy¹³, the Energy Consumers Commission commended the work of HES and the ease with which clients could be referred to it by partner agencies. However, it argued that there is a need for longer-term planning and funding of varied advice services. This is particularly true in light of the Climate Challenge Fund ending, and the ongoing uncertainty around the future of the WHD Industry Initiatives, upon which many independent advice services in Scotland depend.

The Strategy highlights that consumers in fuel poverty welcome advice-related support, and that engagement is higher where relationships with advice providers are well-established. However, while the Strategy recognises the important role of community-based grass roots organisations, few details are provided as to how these organisations will be supported such that they can continue to play a role in driving engagement and providing holistic, wrap-around advice and support to consumers in or at risk of fuel poverty.

¹² https://www.cas.org.uk/system/files/publications/cas_briefing_-_energy_efficient_scotland.pdf

¹³ https://www.cas.org.uk/system/files/publications/ecc_heat_in_building_strategy_response.pdf