

# Net Zero, Energy and Transport Committee 12th Meeting, 2021 (session 6), Tuesday, 30 November 2021

## Fuel poverty strategy: evidence session with Michael Matheson MSP - Cabinet Secretary for Net Zero, Energy and Transport

### Note by the Clerk

#### Background

1. A draft of the Scottish Government's first fuel poverty strategy under the Fuel Poverty (Target, Definition and Strategy) (Scotland) Act 2019 (the 2019 Act) was laid in the Scottish Parliament on 9 November 2021. The draft strategy is attached at **Annexe A**.
2. The 2019 Act sets an overarching target that in the year 2040, as far as reasonably practicable, no household in Scotland is in fuel poverty and in any event, no more than 5% of households are fuel poor, no more than 1% are in extreme fuel poverty and the fuel poverty gap is no more than £250 (in 2015 prices).<sup>1</sup> The legislation also sets sub-targets and interim targets within this for 2030 and 2035.
3. The Fuel Poverty Strategy sets out policies and proposals for the Scottish Government, local authorities and third sector partners to progress towards those targets. This covers:
  - Actions to make progress now on the four drivers of Fuel Poverty (poor energy efficiency of the home; low household income; high energy prices; and inefficient use of energy in the home)
  - Actions to ensure fewer people are at risk of Fuel Poverty in the future by making systemic change

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<sup>1</sup> As outlined in the draft strategy, 'A household is defined as being in fuel poverty if, in order to maintain a satisfactory heating regime, total fuel costs necessary for the home are more than 10% of the household's adjusted net income (i.e. after housing costs), and if after deducting those fuel costs, benefits received for a care need or disability and childcare costs, the household's remaining adjusted net income is insufficient to maintain an acceptable standard of living. The remaining adjusted net income must be at least 90% of the UK Minimum Income Standard to be considered an acceptable standard of living with an additional amount added for households in remote rural, remote small town and island areas. If more than 20% of net income is needed, the household is defined as being in extreme fuel poverty.' The [Scottish Government](#) also outline elsewhere that 'Where a household is in fuel poverty, the fuel poverty gap is the annual amount that would be required to move the household out of fuel poverty.'

- Actions to ensure that we continue to make progress to tackling Fuel Poverty at the same time as we decarbonise the way we heat and power our homes.

## Scottish Parliament consideration

4. The Cabinet Secretary for Net Zero, Energy and Transport has responsibility for the strategy. In a letter to the Convener notifying the draft, he said that the Scottish Government's aim was to publish the completed strategy by the year end, subject to the outcome of Parliament's consideration of the draft strategy. This letter is attached at **Annexe B**.
5. [Section 6](#) of the 2019 Act contains detailed provision on what matters the strategy must address. Section 7 states:
  - (4). The Scottish Ministers must lay the proposed fuel poverty strategy before the Scottish Parliament—
    - (a) in the case of the first strategy, before the expiry of the period of 1 year beginning with the day on which section 6 comes into force,
    - (b) in the case of a revised strategy, following a review under section 6(5).
  - (5). The Scottish Ministers may not complete their preparation of the fuel poverty strategy until after the expiry of the period of 40 days beginning with the day on which the proposed strategy is laid before the Scottish Parliament (taking no account of any time during which the Parliament is dissolved or in recess for more than 4 days).
6. With the 40-day window triggered on 9 November, the Committee agreed to hold an evidence session with the Cabinet Secretary to consider the draft fuel poverty strategy, with a particular focus on the energy market and the drive to improve the energy efficiency of buildings in Scotland.
7. The Social Justice and Social Security (SJSS) Committee also agreed to consider aspects of the strategy, focusing on existing benefits which aim to alleviate fuel poverty.
8. On 25 November, the SJSS Committee held an evidence session with witnesses including Citizens Advice Scotland, Existing Homes Alliance and Energy Action Scotland, as well as informal sessions with individuals who can provide detail of the lived experience of fuel poverty in Scotland. The agenda, with associated briefing papers, can be found here – [Agenda for Social Justice and Social Security Committee 11th Meeting, 2021 Thursday, November 25, 2021 | Scottish Parliament Website](#). The official report for this session will be available on the Scottish Parliament's webpage shortly – [Search the Official Report - Parliamentary Business : Scottish Parliament](#).
9. The SJSS Committee also received a letter from the Cabinet Secretary on 24 November, outlining parts of the engagement and consultation process

undertaken to support the development of the Fuel Poverty Strategy. This letter is attached at **Annexe C**.

### Next steps

10. Following the evidence session with the Cabinet Secretary, the committee will discuss the evidence heard and any potential next steps as a result.

# Tackling Fuel Poverty in Scotland

A Strategic Approach



## **Tackling Fuel Poverty in Scotland – A Strategic Approach**

*Laid before the Scottish Parliament [by the Scottish Ministers]  
under Section 7(4)(a) of the Fuel Poverty (Targets, Definition  
and Strategy) (Scotland) Act 2019*

*November 2021*

*SG/2021/208*

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## Ministerial Foreword

Our vision is for everyone to have a warm, safe home that they can afford and that meets their needs in a place where they want to live. Tackling the drivers of Fuel Poverty to ensure everyone can afford the energy they need to live comfortably is essential to achieving this vision.



In 2019, we introduced the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 (“The 2019 Act”) which was passed unanimously by Parliament. This landmark piece of legislation remains the most ambitious and comprehensive fuel poverty legislation in the UK, setting us on a course to eradicate fuel poverty. It sets a new definition of fuel poverty and extreme fuel poverty, focusing on low-income households and targeting our resources at those most in need of support, no matter where they live in Scotland.

The 2019 Act sets stretching statutory targets for reducing fuel poverty. The overarching target is that in the year 2040, as far as reasonably practicable, no household in Scotland is in fuel poverty and in any case no more than 5% of households are fuel poor, no more than 1% are in extreme fuel poverty and the fuel poverty gap is no more than £250 (in 2015 prices). The legislation sets interim targets within this for 2030 and 2035.

Our context for achieving these ambitious targets for fuel poverty was challenging before, but with the need to decarbonise our society, that challenge has been amplified. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 sets equally ambitious and legally binding targets for us to achieve net zero greenhouse gas emissions by 2045, with interim targets requiring a 75% reduction by 2030, and 90% by 2040.

Last year was undoubtedly a very challenging time as we collectively faced the difficulties of the Covid-19 pandemic and its financial and, for many, tragically personal impacts. Over these more recent months, we have also seen a period of sustained pressure on household incomes due the removal of the Universal Credit uplift alongside the impacts of rising fuel and food costs. These challenges created a perfect storm that has hit those on the lowest incomes hardest and highlights that households can move in and out of fuel poverty as income and energy costs change over time.

The vast majority of the welfare benefits system and the regulation of energy companies are reserved matters and overall energy/fuel prices are dictated by the market. Despite this, we are already doing what we can, with the powers that we have, to increase incomes, reduce household costs and mitigate the impacts of poverty in Scotland.

This Fuel Poverty strategy identifies a comprehensive range of actions to address all four drivers of fuel poverty and address fuel poverty for those at highest risk. These actions have been informed by evidence, lived experience and learning from the changing context as we respond to the Covid-19 pandemic and the Climate Emergency.

In order to make our homes easier and greener to heat – progressing our commitments both to decarbonise the heating in 1 million homes by 2030 and to remove poor energy efficiency as a driver of fuel poverty, we have committed to investing at least £1.8 billion over the course of this Parliament. As set out in the Programme for Government, we will provide increased funding this year for home energy programmes and measures that reduce poor energy efficiency as a driver of fuel poverty. We will allocate £200 million for heat and energy efficiency projects in social housing over this parliamentary term.

We are clear that as we decarbonise our society, we will do so in a way that supports and enables the eradication of fuel poverty to ensure we achieve a Just Transition. Many actions we have taken have reduced carbon emissions from homes while making them warmer and cheaper to heat. However, we recognise there are tensions between our commitment to decarbonise heating and our fuel poverty aims with many zero emissions heating systems being more costly to install and potentially more expensive to run than fossil fuel alternatives, all other things being equal, under present market conditions. We need to work together across sectors and jurisdictions to overcome these issues. Our Heat in Buildings Strategy sets out the guiding principles that will ensure our actions to decarbonise heat do not have a detrimental impact on rates of fuel poverty.

The actions we are taking through this strategy are the start of the collaborative approach we will need and want to take over the coming months and years between national and local government, businesses including energy sector, the third sector, landlords, tenants, and home owners. We will ensure our approach continues to be driven and informed by the evidence and lived experience. The Scottish Fuel Poverty Advisory Panel will have a crucial role in advising and supporting the actions we will take and holding us to account for making the progress required.

We know there is no single or quick fix and our actions will need to evolve within the overall framework to take account of the changing context to 2040.

As a government we are clear that by working together with our partners we can bring an end to fuel poverty so that in Scotland people are not having to choose between using less energy than they need or cutting back on food or other essentials in order to achieve the level of warmth they need for an acceptable standard of living.



**Michael Matheson MSP**

Cabinet Secretary for Net Zero, Energy and Transport

## **Executive Summary**

### **The Scottish Government is committed to ending Fuel Poverty.**

Our vision is for everyone to have a warm, safe home that they can afford and that meets their needs in a place where they want to live. Tackling the drivers of Fuel Poverty to ensure everyone can afford the energy they need to live comfortably is essential to achieving this vision.

That is why we set stretching targets within the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 (the 2019 Act). With an overarching target that in the year 2040, as far as reasonably practicable, no household in Scotland is in fuel poverty and in any event, no more than 5% of households are fuel poor, no more than 1% are in extreme fuel poverty and the fuel poverty gap is no more than £250 (in 2015 prices)<sup>1</sup>. The legislation also sets sub-targets and interim targets within this for 2030 and 2035.

This Fuel Poverty Strategy sets out policies and proposals for national Government, Local Authorities and third sector partners to help us collectively make strong progress towards these targets. This covers:-

- Actions to make progress now on the four drivers of Fuel Poverty
- Actions to ensure fewer people are at risk of Fuel Poverty in the future by making systemic change
- Actions to ensure that we continue to make progress to tackling Fuel Poverty at the same time as we decarbonise the way we heat and power our homes

We will engage with the Scottish Fuel Poverty Advisory Panel (the Panel) on this final strategy after the Public Appointments process has concluded. We will work with the Panel to ensure effective delivery and to develop our approach and respond as new evidence, technologies and opportunities arise.

### **We're already doing a lot to support fuel poor households**

This strategy builds on twelve years of investment by the Scottish Government to support action on Fuel Poverty by improving the energy efficiency of homes through Warmer Homes Scotland and our Area Based Schemes. The award winning Home Energy Scotland (HES) service provides tailored advice to households in Scotland on how they can improve the energy efficiency of their home and is the gateway to our Warmer Homes Scotland Scheme.

<sup>1</sup> A household is defined as being in fuel poverty if, in order to maintain a satisfactory heating regime, total fuel costs necessary for the home are more than 10% of the household's adjusted net income (i.e. after housing costs), and if after deducting those fuel costs, benefits received for a care need or disability and childcare costs, the household's remaining adjusted net income is insufficient to maintain an acceptable standard of living. The remaining adjusted net income must be at least 90% of the UK Minimum Income Standard to be considered an acceptable standard of living with an additional amount added for households in remote rural, remote small town and island areas. If more than 20% of net income is needed, the household is defined as being in extreme fuel poverty.

Since 2009, we have allocated over £1 billion through energy efficiency programmes to make homes in Scotland warmer and cheaper to heat. This funding has attracted hundreds of millions more investment in energy company contributions, funding by local councils, landlords and individual householders. Since 2013, over 150,000 homes throughout Scotland have benefited from our Home Energy Efficiency Programmes. We've helped more than 100,000 households through our Area Based Schemes and, since its launch in September 2015, Warmer Homes Scotland has installed measures, such as insulation and heating upgrades, in over 25,000 homes. In addition to Warmer Homes Scotland and Area Based Schemes, the Scottish Government provides, a range of loans and cashback grants to facilitate energy efficiency improvements.

We are already doing what we can, with the powers that we have, to increase incomes, reduce household costs and mitigate the impacts of poverty in Scotland. This includes delivering new benefits like Child Winter Heating Assistance and the Scottish Child Payment as well as improved versions of existing benefits, like our planned replacement for Cold Weather Payments.

While the majority of households in fuel poverty are on a low income, it is those households who are also in income poverty that are most likely to face difficulties paying for their essential needs. We are already taking a range of actions to tackle poverty and build a fairer Scotland for all.

### **The Covid-19 Pandemic increased pressures on fuel poor households**

We acted quickly to ensure that appropriate support has been available for those struggling with increased household energy bills during the pandemic. Through our Wellbeing and Supporting Communities Funds we supported over 100 local organisations to deliver a range of community focused projects providing support around energy use / fuel insecurity. As part of the Winter Plan for Social Protection, we also made £7 million available to a number of third sector partners to help households struggling with fuel costs. Our funding allowed organisations to provide same-day support to prepayment meter users and for those using unregulated fuels at risk of imminent self-disconnection over the winter.

As part of the Winter Support Fund, we are making a further £10 million available to third sector partners to support those facing fuel insecurity this winter. This work will build on the work taken forward under the Winter Plan for Social Protection. We are working with the partner organisations to deliver projects that can help those struggling with their fuel costs. In doing so, we will seek to ensure that those receiving help are connected with wider advice and support on energy efficiency, income maximisation and how to reduce energy bills.

## **We are now all facing a climate emergency**

The context we are now working in has changed significantly with the rapid escalation of focus on decarbonising the way we heat our homes as a result of the Climate Emergency. We recognise that some properties risk increased costs when switching from fossil fuels to zero emissions heat and have committed to ensuring our approach will protect FP households to ensure we continue to tackle fuel poverty.

As set out in our Heat in Building strategy, work to transform our homes and buildings over the next two decades will be directed by a set of guiding principles which will aim to do so in a manner that continues to help eradicate fuel poverty and protect our most vulnerable citizens. This will be done by building the evidence base on the interactions between our fuel poverty and climate commitments, and applying that knowledge to our policy design and to our programmes: mitigating the risks of unintended consequences, tracking progress, and learning by doing in order to adjust immediately where unintended consequences arise. Where the intended actions have the potential to impact on fuel poverty we will undertake an assessment to understand what those impacts will be. We will only take forward actions where they are found to have no detrimental impact on fuel poverty rates, unless additional mitigating measures can also be put in place.

## **We recognise that some households are more likely to be in fuel poverty than others**

We know that there is an increased risk of Fuel Poverty for households on low incomes; those who rent their accommodation and those who live in remote areas. We also know that people with pre-payment meters; who rely on electricity as their main heating fuel; lack full central heating or live in homes with very low energy efficiency are at higher risk.

Additionally evidence shows that young households (aged 16-24); households with a female Head of Household; people who live in the 15% most deprived areas; those where a household member has a long term health condition and finally households living in flats are at a higher risk of Fuel Poverty.

Households at risk of Fuel Poverty are not a homogenous group and a range of circumstances contribute to the risk faced.

We also know that some fuel poor households can face particular challenges when it comes to getting out of Fuel Poverty for a variety of reasons – for example, having less or no choice in energy tariffs; requiring a greater amount of energy than average to meet their household needs; facing difficulties in achieving energy efficiency improvements or being unaware or unable to access fuel poverty related advice and support. Gypsy/Traveller communities face particular challenges which must be better understood and addressed to promote equality of outcomes.

As we work closely with the Scottish Fuel Poverty Advisory Panel to deliver the actions that support this strategy we will ensure a person centred approach guides our policy and investment decisions to ensure maximum impact and effectiveness in supporting those at highest risk to overcome Fuel Poverty.

**This strategy sets out action to tackle the four drivers of Fuel Poverty:**

- poor energy efficiency of the home;
- low household income;
- high energy prices;
- inefficient use of energy in the home

As set out in detail in this strategy, we have identified a comprehensive range of actions to tackle these drivers and address Fuel Poverty for those at highest risk. These actions have been informed by evidence, lived experience and learning from the changing context as we respond to the Climate Emergency.

The actions detailed in this document cover the following priority action areas:

- 1. We will keep lived experience and evidence at the heart of our approach and we will work with the Scottish Fuel Poverty Advisory Panel to build our understanding of how people in fuel poverty with different protected characteristics use energy in the home to ensure our approach promotes equality of outcomes, including a specific focus on the experience of Gypsy / Traveller communities.**
- 2. We will maximise the benefit of our Heat in Buildings capital investment programmes through measures that support a reduction in Fuel Poverty – integrating learning on new technologies, as appropriate.**
- 3. We will drive up energy efficiency standards in all tenures through regulation; a New Housing Standard and a review of energy efficiency standards in Social Housing – ensuring our approach maximises the impact on fuel poverty.**
- 4. We will demand action from the UK Government to change their approach to the operation of energy markets to provide effective, flexible support for Fuel Poor households.**
- 5. We will ensure that all households in Fuel Poverty have access to high quality, impactful advice.**
- 6. We will ensure targeted support for those unable to afford the energy they need; those who need greater warmth and those facing specific barriers to getting out of fuel poverty.**
- 7. We will work with Local Authorities to ensure effective local action to tackle Fuel Poverty across Scotland.**

- 8. In collaboration with the Scottish Fuel Poverty Advisory Panel we will develop effective outcomes focused monitoring and evaluation of this strategy.**
- 9. We will continue to take action to raise and maximise household incomes and reduce household costs for those in poverty.**
- 10. We will tackle the stigma of Fuel Poverty working closely with communities and partners working with people living in fuel poverty.**

Getting this right will support our vision of a Fairer Scotland, promoting equality of outcomes for people. It is also essential that we continue to tackle and address Fuel Poverty as we seek to decarbonise the way we use energy in our homes.

We will only achieve these aims by working collectively, across boundaries and at all levels of local/national government and in partnership with both the private and third sector – and by continuing to be driven and informed by the evidence and lived experience.

These are challenging targets and we will continue to learn and adapt as we implement this strategy.

## Chapter 1 – Introduction

In 2019, we introduced the Fuel Poverty (Target, Definition and Strategy) (Scotland) Act 2019 (“The Fuel Poverty Act”) which was passed unanimously by Parliament. The Fuel Poverty Act is the most ambitious and comprehensive fuel poverty legislation in the UK, setting us on a course to eradicate fuel poverty. It sets a new definition of fuel poverty and extreme fuel poverty, focusing on low-income households and targeting our resources at those most in need of support, no matter where they live in Scotland.

### Our approach

Our Fuel Poverty Strategy is rooted in the principle of social justice. Our vision is for everyone to have a warm, safe home that they can afford and that meets their needs in a place where they want to live. Tackling the drivers of Fuel Poverty to ensure everyone can afford the energy they need to live comfortably is essential to achieving this vision.

Our commitment to a just transition to a net zero society means working to ensure that, as we transition Scotland’s energy system, everyone in Scotland continues to have affordable access to energy. We also want to ensure that when people face difficulties in accessing affordable energy, they do not face any stigma in seeking support and assistance.

In developing this Strategy, we have built upon the draft fuel poverty strategy published in 2018 and have also carried out analysis of the data we hold on fuel poverty in Scotland to identify the characteristics of those households most likely to be in fuel poverty and most likely to be impacted by each of the drivers of fuel poverty. The full details of our analysis are set out in the supporting document that accompany the strategy. To help build our understanding of the impact of fuel poverty, we also carried out two key pieces of research. Firstly, we carried out an Evidence Review to understand what is already known about life in fuel poverty. We then carried out Lived Experience Research where we spoke with households in fuel poverty from across Scotland to learn more about the barriers that they face and to gain their views on the support required. Throughout the development of this strategy we highlight what those with lived experience have told us.

**SG Action - Working with the Scottish Fuel Poverty Advisory Panel, we will explore the opportunities to carry out further lived experience research and build on our existing evidence base**

This Strategy also sets out the wider actions we will take to support all households in fuel poverty. Across all of our activity, we will ensure our approach is informed by the realities of living in fuel poverty and ensures respect and dignity for those we seek to help.

## Changing context of Fuel Poverty

In the 3 years since the Draft Fuel Poverty Strategy was published, much has changed in Scotland. As a result of the Global Climate Emergency, we are taking action to decarbonise the way we heat our homes, whilst ensuring we protect fuel poor households and continue to tackle fuel poverty in a way that is fair and leaves no one behind during the transition.

As we note in our Heat in Buildings Strategy, published on 7 October, zero emissions heating systems can be more expensive to run than high emissions alternatives. This poses new challenges that must be addressed so that we can meet our commitment to ending fuel poverty. We remain steadfast in our commitment to tackling fuel poverty as we decarbonise the heat supply to our homes.

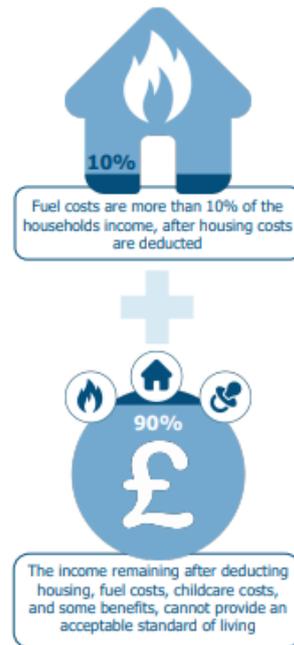
As well as the climate emergency, Scotland has, of course, had to respond to the COVID-19 pandemic. We know that the direct and indirect impacts of the pandemic have been devastating for individuals and communities across the whole of Scotland.

The speed with which the pandemic impacted household finances due to drops in income combined with increasing energy bills highlighted how quickly households can move into fuel poverty as a result of a sudden change in circumstances. COVID-19 also shone a new light on the importance of the home as a safe haven bringing to the fore inequality in housing experience. Those in fuel poverty, not only had to worry about meeting the cost of increased energy usage but also had to find new ways to adapt to meeting their essential needs.

As part of the response to COVID-19, we acted quickly to ensure that appropriate support was available for those struggling with increased household energy bills during the pandemic, through our Wellbeing and Supporting Communities Funds with further funding through the Winter Plan for Social Protection to third sector organisations to help households struggling to meet their fuel costs. As part of the Winter Support Fund, we are making a further £10 million available to third sector partners to support those facing fuel insecurity this winter.

Since the publication of the Draft Fuel Poverty Strategy, we have also published Housing to 2040, Scotland's first ever long-term national housing strategy. Our vision is for everybody living in Scotland to be able to enjoy a warm, comfortable and safe place to live. To achieve this, we will take action to make the right to an adequate home a reality for everyone in Scotland. This will include the introduction of a new housing standard so that all homes, no matter what their tenure, are required to meet the same standards. We aim to ensure that there will be no margins of tolerance, no exemptions and no "acceptable levels of sub-standard homes" in urban, rural or island communities. This will mean our existing homes will keep pace with new homes, with no one left behind.

## Chapter 2 – Understanding Fuel Poverty



The 2019 Act provides a new definition of fuel poverty and the ambitious targets that must be achieved by 2040. The supporting documents that accompany this strategy, set out the definition and related material on how we define fuel poverty and those who are more likely to be in fuel poverty.

### How we will end fuel poverty

This Strategy is the start of a long term commitment to help build a better country - one where access to affordable energy is considered a right and not a privilege and contributing to improved health and wellbeing for people across Scotland.

We have identified comprehensive actions required to deliver our ambition of eradicating fuel poverty. These actions will address the four drivers of fuel poverty. The actions are set out in Annex A, but are also referenced throughout the Strategy.

To ensure that our approach continues to take account of the needs of those in fuel poverty, we will consult with people with lived experience of fuel poverty when making changes to our approach as may be suggested by emerging evidence or identified by the Scottish Fuel Poverty Advisory Panel in order to make systematic progress to tackling levels of fuel poverty.

**SG Action - we will consult with people with lived experience of fuel poverty when making any new regulations under the Fuel Poverty Act**

Ending fuel poverty will require a collaborative approach involving a wide range of organisations from across Scotland, all of whom want to help eradicate fuel poverty. We provide more detail on the partners that we will work with to achieve our goal in Chapter 8.

One of our most important partners in our efforts to tackle fuel poverty will be local authorities, who are currently required to set out their plans for how to tackle fuel poverty in their Local Housing Strategies (LHS).

Refreshed LHS guidance was published in September 2019 which reflects the new fuel poverty definition and the statutory targets. We will refresh this guidance further, to reflect the approach taken within this Strategy and to reflect the new uplift for our remote rural and island communities.

As part of our approach to decarbonising buildings, local authorities will also be required to produce Local Heat and Energy Efficiency Strategies (LHEES). LHEES will set out the long-term plan for decarbonising heat in buildings and improving their energy efficiency across an entire local authority area. Local authorities will set out within their LHEES how poor energy efficiency will be removed as a driver of fuel poverty. We provide more detail on the LHEES process in Chapter 3.

### **The Scottish Fuel Poverty Advisory Panel**

Our progress in meeting the fuel poverty targets will be overseen by a new, statutory public body, the Scottish Fuel Poverty Advisory Panel. The Panel were formally appointed on 1 November 2021 and consists of 4 Members and a Chair. Together, the Panel have a wide range of collective knowledge and experience which will allow them to provide informed advice to Scottish Ministers.

The role of the Panel will be to support and challenge Government at all levels on our efforts to tackle fuel poverty. The Panel will also encourage and foster a partnership approach to tackling fuel poverty across the public, private and third sectors.

We will continue to monitor our progress towards meeting the targets and will publish a report every 3 years to set out what we have achieved and what further steps we believe are necessary. Furthermore, we will publish a revised Strategy no later than 2026 which will take account of the progress we have made and outline any changes required to ensure that we meet our targets. Further information on how we will monitor and report on progress is contained in Chapter 9. The Panel will consider our progress reports and provide advice separately to Scottish Ministers, which may include changes to the Fuel Poverty Strategy or other recommendations.

### **How much it will cost**

By 2033 we will ensure that all homes across Scotland will have achieved the equivalent of an EPC C, where technically feasible and cost effective. Under the current EPC framework, which utilises the Energy Efficiency Rating as the headline indicator of energy efficiency, we estimate that delivering EPC C across fuel poor households will cost up to £3 billion. This cost is based on a scenario where we continue to allow for the installation of fossil fuel heating systems in reaching an EPC C. Yet our climate change targets necessitate a step change in the way we heat our homes and buildings. We have also estimated the required level of capital expenditure where existing fossil fuel heating systems are replaced with zero-emissions heating. In this scenario - which relies on the deployment of heat pumps,

electric resistive heating, microgeneration technologies, and fabric measures - the total capital cost of upgrading fuel poor households to EPC C was estimated to be up to £6 billion<sup>2</sup>.

We also recognise the additional challenges faced by those in fuel poverty, and the importance of going beyond this standard for these households to help further reduce their energy costs. Our ambition is to maximise the number of fuel poor households having attained the equivalent of an EPC B by 2040. Delivering this ambition across all fuel poor homes is expected to cost up to £4 billion when allowing for fossil fuel heating systems in reaching the standard, and up to £5 billion when only allowing for net zero consistent heating technologies. Additional detail on the modelling exercise used to inform these cost estimates is included in the accompanying technical report.

This analysis is predicated on having first achieved an EPC C across fuel poor homes, and reflects the cost to achieve an EPC B using the metric currently used to assess the energy efficiency of a dwelling under the standard assessment procedure (SAP), the Energy Efficiency Rating (EER)<sup>3</sup>.

The fuel costs used to estimate the number of households in fuel poverty were based on 2017 fuel prices, and do not therefore take account of the recent substantial increase in fuel prices. This increase in fuel prices may increase the number of fuel poor households relative to our estimate at the time of the modelling exercise. The estimated total costs of attaining EPC B and C for fuel poor households may therefore be higher than noted if this analysis were undertaken using recent fuel prices.

We must ensure that as we eradicate fuel poverty, we also meet our climate change objectives. This means changing the type of heating systems we rely on to decarbonised alternatives. It also means ensuring that the way that we measure energy efficiency encourages the installation of zero emissions heating while also ensuring that we do not increase the rate or depth of existing fuel poverty. In order to do this, we are currently consulting on reforming the way we measure EPCs so that it aligns with both our net zero and our fuel poverty objectives. This is discussed further in Chapter 5.

<sup>2</sup> These costs have been estimated by undertaking SAP modelling using the National Household Model and applying an uncapped, minimum cost approach to achieving EPC B across fuel poor homes. A suitable package of measures was identified from those included at appendix x, and applied to the dwelling characteristics of fuel poor households as identified by the Scottish House Condition Survey. Further detail of this modelling exercise is included in the accompanying technical annex.

<sup>3</sup> This metric is calculated as a function of the quantity of the energy required to meet the dwelling's space heating, water heating and lighting requirements, and the unit cost of the fuel in use. Given the higher unit cost of electricity relative to fossil fuels, including fuel prices in the Energy Efficiency Rating calculation serves to dis-incentivise the installation of net zero compatible heating technologies in that mains gas heating systems are likely to achieve a better EER than a zero emissions heating system in an equivalent building. Installing a zero emissions system could also lead to a worsening of the energy efficiency rating. As such, the current EPC framework is not compatible with incentivising the uptake of zero emissions heating.

Both of these changes will naturally impact the estimated costs of delivering a higher standard of energy efficiency across fuel poor homes. We will therefore publish an updated estimate of the cost required to achieve EPC B across fuel poor homes in 2022, following the conclusion of the Domestic EPC Reform consultation, which seeks to address the future of how we evaluate energy efficiency.

### Chapter 3 – Making homes warmer and cheaper to heat

While we need to take action to address all four drivers of fuel poverty, the vast majority of the welfare benefits system and the regulation of energy companies are reserved matters and overall energy/fuel prices are dictated by the market with powers over the energy supply market also reserved to the UK Government. Therefore, our main area of influence in tackling fuel poverty is through improving the energy efficiency of the home.

We are committed to raising the standard of energy efficiency of all homes across Scotland and eradicating poor energy efficiency as a driver of fuel poverty.

#### Aim

We recognise that any home that has an EPC rating below C as having poor energy efficiency which means fuel bills may be higher than they need to be but also those in fuel poverty may not have the means to address the issues in their homes.

#### What are we doing now?

The Scottish Government provides support to improve the energy efficiency of homes through its Heat in Buildings Programme. As part of this, our Warmer Homes Scotland and Area Based Schemes programmes prioritises fuel poor households for support.

Over the next five years, we will invest at least £465 million to support those in fuel poverty in the heat transition and to remove poor energy efficiency as a driver of fuel poverty. Our Heat in buildings Area Based Schemes will increase their reach to support higher numbers of households in or at risk of fuel poverty. We expect to deliver an increasing number of ‘whole house’ retrofits. The Warmer Homes Scotland contract is due to end in September 2022 and we propose to replace it with a new and enhanced 7- year national scheme.

Impartial free tailored advice on energy efficiency and eligibility for our schemes is provided by our award winning Home Energy Scotland (HES) and is available to all households in Scotland.

**SG Action – Those in fuel poverty will continue to be supported as one of the key priorities within appropriate schemes of our Heat in Buildings Programme**

#### **Warmer Homes Scotland**

Warmer Homes Scotland is the Scottish Government’s current National Fuel Poverty Scheme. It helps eligible households<sup>4</sup> by funding the installation of a range of heating (including renewable and micro-renewable heating measures) and insulation measures to improve the energy efficiency of the property, making homes warmer and cheaper to heat.

<sup>4</sup> It is targeted at those most at risk of the health impacts of living in a cold home – older people, people with disabilities, carers and families with children – with eligibility based on receipt of specific DWP benefits.

**WHS - Case Study**

Mrs B lives in an old, listed building and had been struggling to keep warm for quite some time. As Mrs B's home is a listed property, there were some restrictions on what could be installed. However, Mrs B knew that underfloor insulation would make a big difference to the level of warmth she experienced in her home. After an initial conversation with Home Energy Scotland, Mrs B was deemed to be eligible for help under Warmer Homes Scotland. An initial survey with Warmworks determined that Mrs B qualified to receive underfloor insulation under the scheme, which would be installed at no cost to her. Once the installation was completed, an inspector from Warmworks visited Mrs B to ensure that everything had been installed correctly and that she was happy with the installation. Mrs B has already noticed a difference in terms of the comfort of her home:

*“The floors aren't draughty at all and you can now sit on the floor – a noticeable difference. It's been totally worth it. I'm delighted to have it.”*

More than £156 million has been invested through Warmer Homes Scotland since its launch in September 2015 helping almost 25,000 households throughout Scotland.

**Area Based Schemes**

Area Based Schemes are delivered by local authorities targeting fuel poor areas and communities. In 2021-22 we updated the ABS allocation model to reflect the new definition of fuel poverty and added a new weighting to reflect different levels of extreme fuel poverty across Scotland. This has ensured that the average amount of ABS funding per fuel poor household has continued to increase across Scotland and for individual local authorities. Funding for Area Based Schemes targets the 'hardest to treat' properties requiring measures such as external wall or complex cavity wall insulation<sup>5</sup>.

**ABS Case Study****External Wall Insulation Project - South Ayrshire**

Mr & Mrs A felt the programme came at an opportune moment as they had recognised that improvements were needed to the property both in terms of the structure and the energy-efficiency.

The property was previously draughty and they also had some issues with dampness. Since the insulation upgrades, they described the property as being much warmer and no further issues with draughts or dampness.

They have been able to use their heating less.

*“You get up in the morning and the house is warm, even when heating is not on. It's never cold. It gives you peace of mind”*

<sup>5</sup> ABS projects provide the opportunity to combine investment by private and social landlords, ECO finance and owner occupiers.

Local authorities have the flexibility to propose ABS special projects that provide an opportunity to test the effectiveness of new technologies such as smart meters and battery storage technology in reducing fuel poverty.

Since 2013, the Scottish Government and local councils have delivered energy efficiency improvements to over 100,000 households through our ABS.

### **Home Energy Scotland**

Our award winning Home Energy Scotland (HES) service is the gateway to our Warmer Homes Scotland Scheme. To ensure that households receive holistic support, covering all 4 drivers of fuel poverty, HES also provide advice on how to use energy in the home more efficiently to reduce bills and they can provide information on switching energy supplier and make referrals for benefit checks. Where a household requires further support to be able to access the service, HES Energycarers can make home visits, obtain relevant information and assess eligibility for schemes such as Warmer Homes Scotland, and other grant funds and charitable trusts.

### **What we will do to tackle Fuel Poverty and Poor Energy Efficiency?**

Living in a home with poor energy efficiency means it costs more than average to heat it to an adequate temperature. For those in fuel poverty, this cost is often too high and therefore they have to find ways to cope with living in a cold, damp home. It is therefore crucial that we achieve our aim of removing poor energy efficiency as a driver of fuel poverty.

To be able to do this, we need to first understand who is most likely to be in fuel poverty and live in a home with poor energy efficiency. This will allow support to be well-targeted and also tailored to the needs of fuel poor households.

### **Which fuel poor households are more likely to live in a home with poor energy efficiency?**

Our analysis of fuel poverty in Scotland (set out in full in the Technical Annex) sets out the characteristics of households that are likely to be in fuel poverty.

In order to target energy efficiency interventions at fuel poor households, it is helpful to be aware of the differences in characteristics between fuel poor households living in homes below EPC band C (approximately 385,000 on average over 2017-19) compared to non-fuel poor households in similarly inefficient homes (approximately 987,000 on average over 2017-19). Some examples from our analysis include that fuel poor households are:

- More likely to have a low income (below £300 per week) and other associated indicators of low income.
- Less likely to live in the owner occupied sector (75% versus 45%), and more likely to be in the rental sectors (20% vs 11% private rental and 35% vs 14% social rented).
- More likely to live in the lowest council tax bands A and B (58% versus 27%).

- More likely to be a female headed household (51% vs 35%).
- More likely to have a prepayment meter (29% vs 14%).
- Less likely to live in a home heated by gas (64% versus 75%) and more likely to live in a home heated by electricity (22% versus 11%).
- More likely to have someone in the household with a long-term sickness or disability (56% versus 41%).
- Less likely to live in a detached dwelling or semi-detached dwelling (40% versus 52%) and more likely to live in a tenement (22% versus 14%).
- More likely to live in remote rural areas (13% versus 8%).
- Less likely to be families - (15% versus 23%).

As our annual survey is only able to capture energy efficiency information for properties which can be assessed using our current EPC methodology, our analysis does not capture the experience of those who live in other types of accommodation, such as members of the Gypsy/Traveller community. However, we received feedback as part of the consultation on the Draft Fuel Poverty Strategy that there are a lack of measures to reduce fuel poverty among the Gypsy/Traveller community living in caravans and mobile homes.

### **Local Heat & Energy Efficiency Strategies**

As we transform our homes and buildings by making them more energy efficient and installing low and zero emissions heating, we will need to consider our local surroundings and resources, whether in urban or suburban areas or smaller rural towns and villages or in our remote and island communities.

The transition to zero emissions buildings may look different in different communities and require approaches tailored to place. It will be important for local communities to shape and be involved in decisions about solutions that are most appropriate for their local area.

Local Heat & Energy Efficiency Strategies (LHEES) are at the heart of planning a place based, locally-led and tailored approach. Once in place, these local strategies will provide a framework for taking an area-based approach to heat and energy efficiency planning and delivery.

LHEES will set out the long-term plan for decarbonising heat in buildings and improving their energy efficiency across an entire local authority area. The process of developing Local Strategies and Delivery Plans will allow local authorities to identify where poor energy efficiency is a driver for fuel poverty. The Strategies will facilitate the strategic deployment of programmes, support and funding for energy efficiency measures and heat decarbonisation that will help to address poor energy efficiency as a driver for fuel poverty.

We want Local Heat & Energy Efficiency Strategies and Delivery Plans to be in place for all local authority areas by the end of 2023. . A consistent approach to LHEES for all parts of Scotland will help to ensure that collectively, LHEE Strategies act as a

national plan for reducing emissions from our buildings and removing poor energy efficiency as a driver of fuel poverty.

**SG Action – We will work with local authority partners and wider stakeholders to introduce LHEES for all local authority areas by the end of 2023**

### **Targeting action to make homes warmer for disabled people and people experiencing poor health**

Our analysis shows, fuel poor households with low levels of energy efficiency, are more likely to have at least one member who has a long-term illness or disability (56% of fuel poor households below EPC C compared to 41% of non-fuel poor households). This is particularly concerning, given those with long term health conditions are often more vulnerable to the impacts of living in a cold, damp home.

In our Lived Experience Research, those with chronic health conditions told us they felt particularly vulnerable to the impacts of poor energy efficiency and heating systems.

*“It's just really uncomfortable... I quite often have to go and get a hot water bottle... because of my disability I can't fully regulate my body temperature, so once I'm cold I'm freezing, and it takes me a long time to warm up.”*

*Maggie, 35+ no children, Owner occupier, Large urban, FP and EHR*

That is why eligibility for our current national fuel poverty scheme, Warmer Homes Scotland has a focus on those with a long term health condition (as well as carers, older people and families with children under 16 years of age). We will ensure that the replacement scheme for Warmer Homes Scotland continues to provide support to those fuel poor households who face the greatest health risks of staying in a cold home.

**SG Action - We will ensure that the replacement scheme for Warmer Homes Scotland continues to provide support to those fuel poor households who face the greatest health risks of staying in a cold home**

As well as providing support, we need to ensure that we continue to raise awareness of the help that is available. HES will continue to build partnerships with organisations working with those with a long-term health condition or disability. We set out further details of our approach to partnership working in Chapter 8.

### **Targeting action to make homes warmer – property type and age**

Our analysis also shows that there is a higher likelihood of fuel poor households with low levels of energy efficiency living in tenements. These types of properties can be complicated where the building is mixed-tenure or mixed-use.

For older buildings which are designated as listed or in conservation areas, we will work with Historic Environment Scotland to consider what further specific provisions

may be needed within regulations in meeting requirements for decarbonisation of their heat supply and reducing their demand for heat.

**SG Action - we will work with Historic Environment Scotland to consider what further specific provisions or exemptions may be needed within regulations in meeting requirements for decarbonisation of their heat supply and reducing their demand for heat**

Mixed-tenure or mixed-use buildings make up a significant share of Scotland's building stock. We recognise the challenges that common works present to mixed-use, tenement and mixed tenure buildings, and that this often presents a barrier to installing energy efficiency and zero emissions heating measures unless property owners act together.

To date, our Area Based Scheme projects have been particularly successful in delivering improvements for multi-occupancy properties such as flats and tenements, as well as whole streets of terraced and semi-detached housing.

We will seek further evidence in this area in 2022, before consulting on a regulatory approach for mixed-tenure buildings which, as with the wider building stock, would see them required to reach a good level of energy efficiency, equivalent to EPC C rating, where technically feasible and cost effective, and install a zero emissions heating supply.

We will also consider bringing forward primary legislation, if required, to facilitate the common works that will be essential for decarbonisation of these buildings, such as connection to heat networks or whole building insulation.

**SG Action - We will consult on a regulatory approach for mixed-tenure buildings which would see them required to reach a good level of energy efficiency, equivalent to EPC C rating, where technically feasible and cost effective, and install a zero emissions heating supply**

We are also aware that some existing Gypsy/Traveller accommodation can have poor levels of energy efficiency which can be difficult to improve.

The Scottish Government is investing in Gypsy/Traveller accommodation through the £20 million Gypsy/Traveller Accommodation Fund, available over five years from 2021/22. The fund is intended for both significant renovation and improvements of standards on existing sites and the building of new sites. This builds on the £2 million short term funding provided in 2020/21 and represents a sustained investment, working with local authorities to provide more and better accommodation for Gypsy/Travellers.

The early projects under the Fund will act as demonstration projects and provide opportunities for exploring issues around measuring and improving the energy efficiency of Gypsy/Traveller accommodation.

To drive a significant improvement in the quality of new sites, we are also developing a Site Design Guide for Gypsy/Traveller sites, in conjunction with residents and local

authorities. This will set the standard for new accommodation, including improved energy efficiency.

We are also encouraging local authorities to submit proposals which aim to improve the energy efficiency of Gypsy/Traveller accommodation through as ABS Special Projects. We will apply any learning from these projects to delivery of Warmer Homes Scotland and our Area Based Schemes, making them more inclusive and responsive to the needs of Scotland's Gypsy/Traveller communities.

**SG Action – We will apply the learnings from projects funded by the Gypsy Traveller Accommodation Fund or undertaken as part of ABS Special Projects that seek to improve the energy efficiency of Gypsy Traveller accommodation to Warmer Homes Scotland, the scheme that replaces it, and our Area Based Schemes**

In our action plan for the Gypsy Traveller community, “Improving the Lives of Gypsy Travellers” we committed to speak to Gypsy/Travellers with lived experience of fuel poverty to understand how the Fuel Poverty Strategy and our programmes may need to be adapted to reflect the particular needs of the community. Due to the impact of COVID-19 restrictions, we have had to delay this work and we will aim to carry this research out in 2022. The outcomes of this research will feed into the first review of the Fuel Poverty Strategy which should be completed before 2027.

**SG Action – In 2022, we will undertake research with members of the Gypsy Traveller community who have lived experience of fuel poverty to better understand how we can reflect their needs in Warmer Homes Scotland, the scheme that replaces it, and our Area Based Schemes (ABS)**

#### **Targeting action to make homes warmer – tenure**

Our analysis of fuel poverty in Scotland shows that there is a higher likelihood of fuel poor households with low levels of energy efficiency in their homes being tenants (55% versus 25% of those non-fuel poor living in homes with low energy efficiency) and lower likelihood of being owner occupiers (45% versus 75% of those non-fuel poor households in homes with low levels of energy efficiency).

To tackle poor energy efficiency in the private rented sector we have been committed to the introduction of regulations to ensure properties in the private rented sector reach an EPC D by 2025 and have trailed this standard for the past 3 years. However, we recognise that the private rented sector has been significantly affected by the ongoing COVID-19 pandemic, with emergency legislation needed to prevent evictions, support tenants and landlords and protect the broader sector. As a result, and to reflect the need to reduce pressure on the sector, the formal process to bring these regulations forward was halted.

Our commitment to improving the energy efficiency of this sector remains. In line with the direction provided by the Climate Change Committee, we will introduce regulations requiring private rented sector properties to meet a minimum standard equivalent to EPC C, where technically feasible and cost-effective, by 2028.

**SG Action - we will introduce regulations requiring private rented sector properties to meet a minimum standard equivalent to EPC C, where technically feasible and cost-effective, by 2028**

To tackle poor energy efficiency in the social rented sector, the Energy Efficiency Standard for Social Housing (ESSH) was launched in March 2014. Its aim was to encourage social landlords to improve the energy efficiency of the social housing stock in Scotland. The first ESSH milestone set for December 2020 is based on minimum Energy Performance Certificate (EPC) Energy Efficiency (EE) ratings which vary depending on the type of property and the fuel used to heat it.

In June 2019, the then Minister for Local Government, Housing and Planning agreed a second ESSH2 milestone for all social housing to meet, or be treated as meeting, EPC B, or be as energy efficient as practically possible, by the end of December 2032.

In March 2021, the independent short-life working group, Net Zero Social Housing Taskforce (ZEST), was convened by the then Minister for Local Government, Housing and Planning. Ministers set out specific framing questions to inform the work of ZEST, and to focus on actions that will make a difference to the pace of decarbonisation across Scotland whilst ensuring fuel poverty is not exacerbated. ZEST submitted its report to Ministers at the end of August, who will respond to its recommendations in due course.

**SG Action - We will work with social housing stakeholders to respond to the Zero Emissions Social Housing Taskforce report and recommendations in bringing forward the review of ESSH2 as quickly as possible**

In the second half of 2020, we launched the Social Housing Net Zero Heat Fund, to support social housing landlords across Scotland to install zero emissions heating systems or take a fabric first approach to energy efficiency measures across their existing stock. We have committed to making £200 million available during the current parliament. Applicants are required to demonstrate that the improvements have led to a reduction in energy bills for their tenants. We propose to extend this funding until 2026 and will work with the sector to assess impact of funding to date. Where improvements have met the aim of reducing energy bills for tenants, we will ensure that we share these learnings with the social housing sector as well as applying them to our Warmer Homes Scotland and Area Based Schemes.

**SG Action – We will seek to identify Social Housing Net Zero Fund projects which have been successful in reducing energy bills for those in fuel poverty and share learning with the wider social housing sector as well as applying to Warmer Homes Scotland, the scheme that replaces it and our Area Based Schemes**

### **Targeting action to make homes warmer – remote rural properties**

Fuel poor households in properties with low levels of energy efficiency are more likely to live in our remote rural communities (13%) than non-fuel poor households in

similarly low energy efficient properties (8%). We know from our engagement with these communities that the reasons for this are varied and include:

- Higher costs being applied for energy efficiency works due to remoteness
- A lack of qualified tradespeople based locally
- A greater number of hard to treat properties which require bespoke measures, cost more to improve and are often isolated making them potentially less suited to an area-based approach
- A greater number of off-gas grid properties, some of which cannot benefit from a switch to cheaper fuel types or tariffs

We have already taken action to make Warmer Homes Scotland and our Area Based Schemes more flexible and responsive to the needs of our remote rural communities. Warmer Homes Scotland operates a 'National Customer Price' mechanism. This is designed to take into account the additional costs of delivering energy efficiency measures in the islands and other remote regions but ensures that households in these areas get access to the same quality of service and the same amount of measures as households in more accessible regions do.

Through our ABS programme, more funding is available to reflect extreme fuel poverty and to reflect higher costs of delivery, for example in remote rural and island communities. In 2020-21 the maximum grant available to households in very remote rural areas (including all island communities) rose to £14,000 compared to a maximum of £12,000 in other parts of Scotland. Furthermore, local authorities can take action to target isolated properties or communities as special projects, reflecting the needs of our remote rural communities.

The managing agent for Warmer Homes Scotland, Warmworks, is helping to ensure there are qualified tradespeople that can deliver in our remote rural communities. It has procured a supply chain of 24 installers, with 6 based in the Islands, to deliver the scheme, 23 of which are SMEs and all of which are based in Scotland.

Through Warmer Homes Scotland we have also made renewable heat measures available which are particularly beneficial to our remote rural and island communities not served by the gas grid. These include renewable heating systems such as ground source heat pumps, micro-wind, micro hydro systems. An increasing number of low carbon heating systems are now installed in properties that traditionally have relied on domestic oil and LPG heating systems. Low carbon heating systems are encouraged to help meet Scotland's Net Zero targets. The successor to Warmer Homes Scotland will provide measures appropriate to each property, taking into account current and potential energy efficiency levels. The new scheme will have a flexible design to allow inclusion of innovative new technologies as they become established. This will ensure that properties in remote or rural areas will receive the same standard of service from the scheme as other areas.

We believe developing Scottish specific skill requirements for retrofit work will help professionalise the sector and provide pathways for young people to enter it. That is why we published alongside our draft Heat in Building Strategy a Consultation on

Scottish skills requirements for energy efficiency, zero emissions and low carbon heating systems, microgeneration and heat networks for homes setting out our proposals for retrofit installers, energy assessors, designers, advisors, evaluators and retrofit coordinators.

This consultation also sought views on the impact these proposals will have including on remote rural and island areas and we plan to publish our response to this consultation as part of a wider policy statement covering quality assurance for our Heat in Buildings Strategy later in 2021.

### **Targeting action to make homes warmer – Fuel Type**

Our analysis of fuel poverty in Scotland also shows that fuel poor households living in homes with low energy efficiency are more likely to live in a home heated by electricity (22%) when compared to non-fuel poor households living in similarly inefficient homes (11%). However fuel poor households living in homes heated by gas constitute the largest percentage of low energy efficient properties.

#### Which fuel poor households are least likely to be able to improve the energy efficiency of their home?

While it is important to understand which fuel poor households are most likely to live in a home with poor energy efficiency, we also need to understand the factors that can make it more difficult for households to take action.

Our Lived Experience Research showed that fuel poor households face a variety of barriers to improving the energy efficiency of their home. Tenants, whether private or social, told us they have little control over replacing or changing their heating system as decisions are made by their landlord. These barriers were more likely to be present for households in extreme fuel poverty and echo findings in the Evidence Review.

Our Evidence Review highlighted further reasons why fuel poor households may be put off making energy efficiency improvements. These included fears about damage, uncertainty about the extent of physical disruption and concerns about hidden costs such as redecoration. We recognise that help also needs to be available for improvements and repairs that will enable the installation of energy efficiency measures.

Across all fuel poor households whether renters or owner-occupiers that we spoke to as part of our Lived Experience Research, awareness of the support available from Warmer Homes Scotland or our Area Based Schemes to improve homes was low. This also mirrored the findings in the Evidence Review which showed that households found it difficult to know where to go for energy efficiency information, and where different sources existed found it difficult to know which sources to trust. This highlights why our approach must include support to improve energy literacy and continue to raise awareness of the support available.

## Tackling barriers to warm homes – funding for improvements

To ensure we are able to meet our ambitious targets, we will continue to provide funded support to households in fuel poverty, helping them to install energy efficiency measures through our Warmer Homes Scotland and Area Based Schemes.

**SG Action - we will continue to provide funded support to households in fuel poverty, helping them to install energy efficiency measures through Warmer Homes Scotland, the scheme that replaces it, and our Area Based Schemes**

Funding for improvements is also available via the Energy Company Obligation (ECO), a UK Government programme to deliver energy efficiency measures across Great Britain. The legislation obliges eligible energy providers to deliver energy efficiency improvements to help fuel poor households to reduce the cost of heating their homes.

ECO is funded through a charge on the energy bills of all customers of regulated energy companies with over 250,000 customers. As of December 2020, BEIS report that 287,996 households in Scotland have received ECO finance (13.4% of GB); or an average of 118 measures per 1000 households (compared to 81 in Wales and 77 in England).

We do not believe the current levy schemes are fair or effective in reducing fuel poverty in Scotland. We have urged the UK Government to review levy funding for the Energy Company Obligation and the Warm Homes Discount. As levy funding is a reserved matter for the UK Government, the Scottish Government will nevertheless continue to seek to maximise the impact of this funding on removing poor energy efficiency as a driver of fuel poverty.

We believe that with greater flexibility we could achieve more in Scotland. Scottish Ministers have proposed that the two existing schemes are combined as a single, flexible Scottish Fuel Poverty scheme, as provided for in the Scotland Act. This would provide a fairer basis for targeted rebates and additional investment in energy efficiency measures that reflect the needs and circumstances of Scottish households. However we cannot make any changes to these fuel poverty schemes without the consent of the UK Government.

**UKG Action – we urge the UK Government to review levy funding for the Energy Company Obligation and the Warm Homes Discount and work with Scottish Ministers to replace these with a single, flexible Scottish Fuel Poverty scheme, as provided for in the Scotland Act**

## Tackling barriers to warm homes – an all tenure approach

In our Lived Experience Research, fuel poor households that rent their homes told us that they lack the ability to make decisions about changes to their property, including energy efficiency measures. Among some private renters there was a tendency to not want to bother their landlord with requests for insulation

*“[The surveyor] said the house could have better insulation... But... I'm not going to my landlord for the time that I'll be here complaining.”  
Eilidh, 35+ no children, Private renter, Remote rural/small towns, EFP*

Private renters also queried whether they or their landlord would be eligible for support to improve the energy efficiency of their home. This echoed the findings of the Evidence Review which noted that private renters in particular tended to hold the perception that they were not eligible for energy efficiency interventions due to not owning their home.

In our Lived Experience Research, those renting from councils or housing associations, felt more comfortable raising issues with their landlords. However they also felt that decisions around energy efficiency were out of their control and gave accounts of councils and housing associations not responding to requests for improvements or stating that work would take place but which did not happen.

*“The [housing association] kept on saying they are going to be putting new windows in last year... I just don't know if they are going to bother... that is actually wooden windows, they're not plastic. I think they have been there since the word dot, since they were built.”  
Isabel, 35+ no children, Social renter, Other urban/non-remote rural, EFP and EHR*

Our Evidence Review found that there could also be frustrations for households in the social rented sector at the lack of autonomy over choice of fuel type and that tenancy relations in general were an important factor in obtaining energy efficiency improvements.

As part of our vision for Housing to 2040, we want to ensure that all homes, no matter their tenure, are required to meet the same standards. To achieve this we are developing a new tenure-neutral Housing Standard which will be aligned to the proposed regulatory standards for energy efficiency and heating. This will ensure a clear minimum standard setting out what people are entitled to expect, and what they are expected to do.

**SG Action – We will introduce a new tenure-neutral housing standard which will ensure that our homes both new and existing achieve the same levels of minimum energy standards so that fuel poor household can live in a warm, comfortable energy efficient home**

Following consultation, we aim to publish a draft Standard in 2023 and progress legislation in 2024/25, for phased introduction from 2025 to 2030. In the meantime, we will continue to take action to address the specific issues faced by those in the rented sector.

### **Tackling barriers to warm homes – providing enabling measures**

As part of our Lived Experience Research, we asked fuel poor households how helpful it would be to have support to make home improvements that facilitate energy

efficiency measures, for example loft clearances, moving furniture or lifting flooring. They generally thought this was a good idea, and a few had personal experience of the difficulties that come with getting this type of work done:

*“When they approached me about that, I said that I didn't want a new boiler because all of the upheaval, because I've got a wooden floor in the kitchen, and it's my responsibility then to get the slats uplifted, and I just don't want to be bothered with it.”*

*Lorraine, 35+ no children, Social renter, Large urban, EFP and EHR*

Households told us that making further support available with home improvements to enable energy efficiency measures to be installed, e.g. help to clear loft space prior to insulation, would be helpful. The need to carry out these improvements first often put people off installing measures. This echoed findings of the Evidence Review which highlighted various concerns that could put households off having energy efficiency work completed, including uncertainty about hidden costs such as redecoration, uncertainty about the extent of physical disruption, or being asked for information that was difficult to collect.

Through Warmer Homes Scotland we already provide assistance with loft clearances and have introduced additional enabling measures, including asbestos removal, the installation of fuel storage tanks and the removal of failed Cavity Wall Insulation prior to infill as the costs of these were seen as a potential barrier for customers who wished to benefit from Warmer Homes Scotland. The successor scheme will be flexible and able to introduce new measures over time.

**SG Action - We will continue to provide enabling measures such as assistance with loft clearances, asbestos removal, the installation of fuel storage tanks and the removal of failed cavity wall insulation to help facilitate energy efficiency improvements**

HES Energycarers can also provide support to vulnerable households who require enabling measures. This includes helping them to deal with structural dampness, condensation and disrepair, including seeking funding for repair and improvement work and contacting and engaging other support agencies.

Through our Housing to 2040 consultation, Island communities told us that there is little point attempting to improve the energy efficiency of a home if it isn't maintained to a certain level of repair (wind and water tight). In response, we will develop a new 'Help to Improve' policy approach. We will work with stakeholders to design new support for repairs and improvements which work alongside Warmer Homes Scotland and our Area Based Schemes, allowing us to take a whole-house approach where possible.

### **Tackling barriers to warm homes – accessible support and advice**

Fuel poor households that we spoke with as part of our Lived Experience Research had low awareness of sources of advice and support on home heating. They also often did not see themselves as needing to seek out support or advice or were cynical about the extent to which they would personally benefit from it. These findings were echoed in our Evidence Review which highlighted that some

households find it difficult to know where to go for energy efficiency information and also to know which sources to trust.

We have continued to fund Energy Saving Trust to carry out promotional activity, specifically targeted at low income and single parent families, to promote Home Energy Scotland and referrals to Warmer Homes Scotland. We will also develop a bespoke Public Engagement Strategy for heat in buildings.

### **Making Homes Warmer For Everyone In Fuel Poverty – Warmer Homes Scotland and Area Based Schemes**

Working with national and local delivery partners, we are continuing to improve and extend our existing programmes, Warmer Homes Scotland and our Area Based Schemes.

We want to ensure that we reach as many fuel poor households as possible through our delivery schemes. In the Draft Fuel Poverty Strategy, we committed to reviewing eligibility criteria for Warmer Homes Scotland, taking account of the new fuel poverty definition, to help target support to those who need it most.

Eligibility for WHS is currently based on receipt of specific DWP benefits. Due to the impact of COVID-19, we have not been able to review eligibility for WHS. In our Lived Experience Research, some of the households that we spoke to felt that more support was required for those in work but not in receipt of social security payments.

The Evidence Review also provided examples of households on low incomes who did not qualify for support due to not receiving social security payments that would allow them to meet eligibility criteria. This included disabled people who have not been able to access the disability benefits used as eligibility criteria and elderly people with small occupational pensions. We know that actual income information allows better targeting of fuel poor households than using receipt of benefits as a proxy for low income. However, we need to ensure assessment is simple and easy and not too intrusive as some people may not be comfortable with sharing their information. We will work with the Scottish Fuel Poverty Advisory Panel to consider how our targeting of schemes can be further streamlined and improved.

**SG Action - Working with the Scottish Fuel Poverty Advisory Panel, we will seek to ensure that eligibility criteria for our Area Based Schemes and the new scheme to replace WHS, are aligned with the updated fuel poverty definition and continue to target assistance to those that need it most**

**SG Action – we will explore the development of a fuel poverty assessment tool**

£50m funding has been allocated for Warmer Homes Scotland for 2021/22 an increase from £32m in 2020/21. New measures have also been introduced in 2021 including electrical energy storage, a smart ventilation system and the extraction of failed Cavity Wall insulation in advance of infill of Cavity Wall Insulation.

Over the next five years, it is our intention that as well as prioritising insulation measures, our Area Based Schemes will deliver an increasing number of 'whole house' retrofits to fuel poor households and will adopt a 'zero emissions first' approach.

**SG Action – over the next five years, we will deliver an increasing number of ‘whole house’ retrofits to fuel poor households and will adopt a ‘zero emissions first’ approach**

We have increased our annual investment in local ABS projects to £64m in 2021-22 (from £55m in 2020-21). This has allowed us to increase the scope of ABS projects to provide more whole house retrofits that include zero/low carbon heating and microgeneration (solar PV etc.), where this is technically feasible and will help to reduce fuel poverty.

We are also currently exploring how to better identify potential projects and increase take-up by households through better identification of fuel poverty.

**SG Action – we will explore how to better identify potential projects and increase take up by fuel poor households for our ABS projects**

Our Lived Experience Research showed that while most households who had energy efficiency measures installed felt that these had improved the warmth of their home, there was a minority who felt that there had been little difference.

*“I must admit I didn't really [notice a difference in heat retention], our loft is not a very large loft, but there must be some difference... before...the roof used to clear quite quickly [of snow], but since the insulation it tends to stay there, that's the only difference I could see.”*  
Dean, 35+ no children, Owner occupier, Large urban, EFP and EHR

Furthermore, our Lived Experience Research showed that the household's views on the efficiency of their property often did not match its EPC rating (the indicator of the energy efficiency of a property). Our Evidence Review revealed similar findings, with households often uncertain and in some cases sceptical about the actual impact of the installed measures on the warmth of their homes and on their fuel bills. Warmer Homes Scotland, its replacement scheme and our Area Based Schemes will continue monitor the impact of measures upon indoor temperatures and take account of the experience of households to better understand how we can improve warmth and comfort.

**SG Action - We will continue to monitor whether our investment helps households to maintain an adequate indoor temperature and will supplement this with increased qualitative feedback from the households we support.**

To ensure that all households in Scotland can access free and impartial advice on how to make reduce energy bills and make homes warmer and cheaper to heat, we will continue to fund the Home Energy Scotland service.

**SG Action - We will continue to fund Home Energy Scotland to provide advice and support on how to reduce energy bills and make homes warmer and cheaper to heat**

## Evaluation

Annual progress on the delivery of Warmer Homes Scotland is reported on by both the Scottish Government and Warmworks.

## **Making Homes Warmer For Everyone In Fuel Poverty – regulation and standards**

To underpin our investment and provide long-term certainty to home owners, landlords, and tenants, we will introduce new regulations to set standards for energy efficiency and also zero emissions heating, where it is within our legal competence. Together, these regulations will cover the full range of Scotland's homes and address both their energy efficiency and their direct emissions from heating. We will introduce regulation fairly and in a way that considers the health and wellbeing of Scotland's people, including continuing to target the eradication of poor energy efficiency as a driver of fuel poverty and ensuring our actions have no detrimental impact on fuel poverty, unless additional mitigating measures can also be put in place.

Proposals for improvement to current energy standards for new homes are set out in a Scottish Government consultation published on 26 July 2021. This review proposes further improvements to the energy and emissions standard set for new home, including an option to incorporate some of the elements associated with the delivery of new homes to the recognised PassivHaus standard. A further review of energy standards set through Scottish building regulations is planned to align with the introduction of the New Build Heat Standard in 2024.

### **SG Action – We will introduce new energy standards for new homes in 2021 and 2024, taking into account the responses to our consultation**

As set out in our Heat in Buildings Strategy, the New Build Heat Standard will ensure that, from 2024, where there is an installed heating system contained within a new building, it will be required to produce zero direct greenhouse gas emissions at the point of use. We envisage that at present, electrical heating or heat supplied by heat networks would produce no direct greenhouse gas emissions at point of use, but we recognise that there are other technologies which could produce a similar outcome and are seeking evidence on this.

For affordable homes, it is essential that the fabric of the homes is sufficiently energy efficient to avoid worsening fuel poverty. Offsite construction offers the prospect of improved construction quality which will potentially enhance the energy efficiency of the home. In the longer term, we aim to build affordable homes that are net zero carbon across their full life cycle. This too will need to be done in a way that helps to tackle – and not worsen – fuel poverty.

For existing homes, in addition to the standards set out earlier in this chapter for both socially and privately rented homes, we will regulate for all buildings across all tenures achieve a good level of energy efficiency by 2033 and (subject to devolved competence, technological developments and action from the UK Government in

reserved areas), to use zero emissions heating (and cooling) by 2045. This brings forward the target end date for energy efficiency standards by 7 years and proposes to introduce standards for heating, not previously included in the Energy Efficient Scotland Route Map.

**SG Action - we will regulate for all buildings across all tenures achieve a good level of energy efficiency by 2033 and use zero emissions heating (and cooling) by 2045, where within competence.**

Due to the depth of fuel poverty experienced in some households we know that reaching EPC C will not be enough to lift all households out of fuel poverty. That is why we are setting a higher ambition for fuel poor households, regardless of tenure. We will continue to invest in Warmer Homes Scotland and our Area Based Schemes to maximise the number of households in fuel poverty achieving a level of energy efficiency equivalent to EPC C by 2030 and EPC B by 2040

**SG Action - We will continue to invest in Warmer Homes Scotland and our Area Based Schemes to maximise the number of households in fuel poverty achieving a level of energy efficiency equivalent to EPC C by 2030 and EPC B by 2040**

We want our regulations and standards to deliver homes that are warmer and cheaper to heat and which also produce zero emissions from heating. This will help us to ensure that we meet both our climate change and fuel poverty targets. Energy Performance Certificates (EPCs) and the methodology behind these are the backbone of our existing standards. To be a useful tool for property owners, EPCs need to set out clear, tailored recommendations on the measures needed to make homes cheaper to heat and power as well as to reduce emissions to zero.

EPCs for homes currently include two ratings: an Energy Efficiency Rating (EER) and an Environmental Impact Rating (EIR). The EER is currently a rating of the cost of energy based on energy demand. The EIR is based on carbon emissions. The EER is the primary rating in use and is currently the basis of our energy efficiency standards. The current EER can be improved by installing a cheaper to run fossil fuel heating system, such as replacing electric storage heaters with a gas or oil boiler. Conversely, installing a zero emissions system could lead to a worsening of the rating where it will lead to higher running costs.

The current system helps to prevent running costs increasing for the householder and therefore provides some protection for those in fuel poverty. However, it is not compatible with our zero emissions objectives. We will therefore reform the existing EPC so that it includes three indicators as a basis for future standards:

- an indicator for energy efficiency which will recommend to building owners the measures needed to reduce demand for heat and will also show the measures needed to remove poor energy efficiency
- an indicator for heating emissions which will recommend to building owners the most appropriate form(s) of heating system to reduce emissions to zero

- an indicator for cost of heating which will inform building owners and tenants of the impact of the energy efficiency and heat emissions measures on their energy bills.

**SG Action - We will reform the existing EPC assessment process so that it includes three indicators so that it is compatible with both our fuel poverty and our climate change targets**

As we reform the EPC system we will ensure that it continues to fulfil its original intentions, including as a regulatory tool, on fuel poverty.

## **Chapter 4 – Improving Access to Affordable Energy**

While the amount of energy used in the home can be reduced as a result of energy efficiency improvements, concerted action is also needed to lower the unit price of energy. Powers related to the energy market are reserved to the UK Government with the electricity and gas markets regulated in Great Britain by Ofgem. Within the rules set by the regulator individual energy suppliers are able to set their own tariff structures and pricing according to their own business models.

There are a number of factors which impact on the price that people pay for their energy supply. These include fuel type, heating system, tariff and energy supplier. Furthermore, when people want or need to obtain a better price, they can often face barriers depending on their personal circumstances.

We want to ensure that everyone has access to affordable energy. We will do this by targeting support at those in fuel poverty who are most likely to face high energy prices and taking action to tackle the barriers that prevent householders in obtaining better energy prices while also taking wider action to reduce overall energy costs for all households in fuel poverty.

### **Reducing energy costs for all households in fuel poverty**

Our analysis of fuel poverty in Scotland shows that there is a strong relationship between fuel prices and overall levels of fuel poverty.

Action to reduce the price people pay for energy makes it easier for fuel poor households to afford their energy bills without having to seek further financial support or cut back on other essential items therefore reducing stigma and promoting wellbeing. As part of our Lived Experience Research, we asked households in fuel poverty what would they do if their fuel bills reduced by £10 a week, some households told us it would allow them to spend more on the things they had cut back on including food, clothing, or socialising with family and friends. In order to eradicate fuel poverty, targeted action is needed to support those most impacted by high energy prices and those who are least able to reduce their exposure to them, but also to take actions that will reduce energy prices for all households in fuel poverty.

### Targeting Action To Reduce Energy Prices

While all households in fuel poverty would benefit from a reduction to fuel prices, households reliant on electricity, LPG or bottled gas for heating currently face higher energy prices than those who use gas and therefore stand to benefit most from actions to reduce energy prices.

We will work with the UK Government as it progresses its call for evidence on affordability and fairness to urge it that any reforms do not disadvantage Scottish consumers.

## Targeting Action To Reduce Energy Prices - Electricity Consumers

Over 280,000 households in Scotland have electric heating. As part of our Lived Experience Research, we spoke to a small number of households in fuel poverty who use electric storage heaters. While they had a range of views, including those with no problems with storage heaters, the costs of operating them were a significant issue to some, leading them to drastically limit their use.

*“The heating was electric, I was spending all my money, [I had] no money left for food, believe me... [It cost] around the £12, £15 every day... Otherwise it was very cold, it was freezing inside, but now it's okay... gas is good now. Costs me £50-£60 a month.”*

*Yusuf, 35+ no children, Social renter, Large urban, FP and EHR*

The high costs of electric storage heaters echo findings in the Evidence Review, which found that the high cost of electric heating was one of the most pressing concerns of households that relied on it. In our Lived Experience Research, electricity costs were also a concern for those using gas as their main heating source, with those in under heated homes citing the cost of electricity as a reason for not using portable electrical heaters.

As set out in our Heat in Buildings Strategy, we urge the UK Government to take action to rebalance energy costs to reduce the difference in unit prices between gas and electricity. Taking such action would also help incentivise the move to decarbonised heat, helping us to meet our climate change targets as well.

**UKG action - Urge UKG to rebalance environmental and social obligation costs (levies) on energy bills to reduce the premium that is paid for by customers who use electric heating.**

Our Evidence Review highlighted further issues with electric heating:

- Lack of knowledge in how to use heating controls
- Complex and confusing tariffs
- Difficulties making price comparisons
- Problems around dispute resolution

The research found that these factors can lead to households with electric heating disengaging from the energy market and a perception that high costs are unavoidable and inevitable. Citizens Advice Scotland have also published a report<sup>6</sup> which showed that households with electric heating face specific challenges in getting advice, information and a choice of supplier, and need tailored support to overcome this.

Households with restricted meters can face greater barriers to accessing affordable energy as their choice of tariff is more limited. A case study from recent research by Citizens Advice Scotland illustrates this:

<sup>6</sup> [Hard-Wired Problems | Citizens Advice Scotland \(cas.org.uk\)](https://cas.org.uk)

One Citizen's Advice Bureau reports of a client who owns a very cold three-bedroom bungalow where she lives with her family. She has a restricted electric meter and there are limited options for switching that would save her money. Her supplier refuses to offer an appropriate tariff for her heating system so she is paying between £350-£450 a month and has debt of £1,900.

Around 4 million out of a total of 29 million domestic electricity customers in Great Britain have restricted (or "profile class 2") meters. However, as electric heating (which is often linked to restricted meter tariffs) is significantly more common in Scotland it has a significant share of this figure. While the installation of smart meters may allow these households greater choice, it is still unclear when restricted meter users will be able to fully access the benefits of smart meters.

Given the significantly higher number of Scottish households with restricted meters compared with the rest of Great Britain, the Scottish Government have engaged with Energy UK to ensure continuity of the radio signal that allows these meters to function. The Scottish Government has also raised concerns regarding restricted meters with Ofgem and BEIS especially considering the slower pace of the smart meter rollout in Scotland. Ofgem have since committed to extending the current protections in place for non-Economy 7 restricted meters until 2025. In addition they recognised that stakeholders had highlighted a greater need for understanding of the required protections among suppliers themselves in addition to customers and that there were concerns about compliance with these rules amongst suppliers. We will continue to work with BEIS, Energy UK and Smart Energy GB to ensure restricted meter users in Scotland are represented in ongoing decisions on the smart meter roll out. We will also continue to work with energy retailers to ensure that households have access to tariffs suitable for their individual circumstances.

We are aware that the higher percentage of restricted meters in island communities presents a significant challenge to addressing fuel poverty. The Energy Consumers Commission, established in 2020, includes membership from the islands and through this the concerns of those living in these areas as fed into high level decision making in Scotland.

### **Targeting Action To Reduce Energy Prices - Prepayment meter users**

Prepayment meter users incur higher energy costs than those that pay by direct debit. Our Lived Experience Research showed that fuel poor prepayment meter users are more likely to be in extreme fuel poverty as well as being more likely to be in income poverty. This is supported by additional analysis carried out on the SHCS data which shows that 36% of households with prepayment meters are in fuel poverty in 2019, significantly higher than the fuel poverty rate of 22% for those households without a pre-payment meter. Similarly 18% of households with prepayment meters were in extreme fuel poverty compared to 11% of those households without<sup>7</sup>.

<sup>7</sup> [Scottish House Condition Survey: 2019 Key Findings \(www.gov.scot\)](https://www.gov.scot/publications/scottish-house-condition-survey-2019-key-findings/pages/100/)

Our Lived Experience Research also found that the majority of fuel poor households with prepayment meters were reluctant to consider changing their payment method to direct debit. While they knew that paying by direct debit would be cheaper, there were significant concerns that direct debit would make it more difficult for them to manage their money. Households using prepayment meters explained that they provide a sense of control, allowing users to decide how much money to put their account and to manage their use of energy accordingly. Instability of income and unexpected bills was more of a concern for some than the actual level of income or bill.

*“You pay what you use and you don't get stung by a big bill at the end of the month or the end of the quarter. Apparently, it's a bit higher, but...people can monitor better what they are actually spending. You've got more control of your bills that way.”*  
*Darren, 35+ no children, Social renter, Other urban/non-remote rural, FP and HER*

These findings were echoed by our Evidence Review which highlighted that instability of income and unexpected bills is more of a concern for some fuel poor households than the actual level of income or bill, hence a preference for pre-payments meters which provide immediate and transparent feedback about energy usage in an easy-to-understand way.

We need to ensure that those who want to use prepayment meters are not disadvantaged because of their financial situation. Therefore we will continue to press for customers with pre-payment meters to access similar tariffs to direct debit customers.

**SG Action - we will continue to press for customers with pre-payment meters to access similar tariffs to direct debit customers.**

### **Targeting Action To Reduce Energy Prices - Standard credit**

It is not only consumers using prepayment meters who face higher energy costs, but also those paying by standard credit who miss out on the discount applied to bills paid by direct debit.

In our Lived Experience research, there was little appetite for switching to direct debit from other payment methods. In part this was due to the “fixed” nature of direct debits. One self-employed participant had a variable and unpredictable income, and therefore felt she couldn't commit to a monthly direct debit as she could not guarantee that she would have enough money every month to cover it. She preferred instead to be billed quarterly for what she used and have more time between bills to plan ahead.

### **Targeting Action To Reduce Energy Prices - Changing heating systems**

Households with high running costs can see reductions in their bills by changing their heating system to one that uses less energy or uses lower cost fuel. However, to do this households first need to have access to funding and/or the authority to change their system.

We spoke to owner occupiers in fuel poverty as part of our Lived Experience Research and some of them told us that the cost of improvements mean they cannot afford to have them carried out. Similar findings were reported in our Evidence Review for both low income families and households with disabled members. The tenants that we spoke with, as part of our Lived Experience Research, told us they felt they had limited ability to make changes due to their tenure. Fuel poor households in the private rented sector told us they were reluctant to request improvements to their heating system as they felt this may damage their relationship with their landlord. They would therefore like to see more regulation of private landlords to ensure that they provide decent heating systems.

The social renters we spoke to were more willing to contact their landlord about issues with their heating system, however some told us that they felt their concerns were not listened to, leading to feelings of frustration that improvements had not been made. This echoes the sense of frustration among social renters about their lack of autonomy with regards to these decisions, as noted in the Evidence Review. As set out in the previous chapter, we plan to introduce a new tenure-neutral Housing Standard which will be aligned to the proposed regulatory standards for energy efficiency and heating. This will ensure a clear minimum standard setting out what people are entitled to expect, and what they are expected to do. Furthermore, we will update the Repairing Standard to amend the existing duty to ensure that installations for the supply of heating are in a reasonable state of repair and in proper working order so that there must be a fixed heating system in a private rented house. This will be supported by Scottish Government guidance. Because it is a new element in the repairing standard it will come into force from 1 March 2024.

#### Tackling Barriers to Affordable Energy - Ability to reduce prices

How households pay for their energy can also impact the price that they pay. In order to eradicate fuel poverty we also need targeted action to address this imbalance.

#### **Tackling Barriers To Affordable Energy - Unregulated Fuel Users**

As part of our Lived Experience Research, we spoke to fuel poor households who used liquid or solid fuels. All of these households lived in remote rural locations. They told us that there were limited options when it came to where they bought their fuel. There are also currently no switching services for these consumers to make it easier to find cheaper deals.

*“With oil, you pay the going price or you don't get it, as simple as that. You take what they are offering or you [go without], you have very little option. There are only two or three suppliers here. I have always stuck with the same one, because I feel it is better the devil you know.”*  
*John, 35+ no children, Owner occupier, Remote rural, EFP and EHR*

Unregulated fuel users face the risks of self- disconnection if they cannot afford to arrange for delivery and payment for fuel before their current supply runs out. In some cases, they may need to pay for the fuel they upfront and the cost of purchase required can be prohibitive to households in fuel poverty.

## **Tackling Barriers To Affordable Energy - Prepayment meter users**

Those that use prepayment meters, not only face higher energy costs in general, they also have more limited options than households with credit meters when it comes to switching tariff. That is why we will continue to press energy suppliers, Ofgem and other industry decision-makers for customers with pre-payment meters to access a similar range of tariffs to direct debit customers

Furthermore, our Evidence Review also highlighted that some households with pre-payment meters tend to regard changing provider as a 'hassle' because it would require buying and activating new keys for their meter. This situation will be simplified by the continued smart meter rollout which will make switching between suppliers more straightforward for consumers using pre-payment meters who are able to do so and we therefore continue to press for the roll-out of smart meters to be done in a fair way that reflects the needs of Scottish consumers.

**SG Action – we will continue to engage with Smart Energy GB, Energy UK, BEIS and the wider energy market to push for more households to be able to benefit from smart meters in order to switch supplier and access the best tariffs**

### **Smart meters**

In our Lived Experience Research, some of the fuel poor households that we spoke to had a smart meter installed already. They were said to be useful in understanding how much energy was being used, particularly for those on prepayment meters who found it an easier way to identify how much credit was left.

However, only a few had noticed any reduction in their bills as a result of their use and around half reported problems with the operation of their smart meter meaning they still had to submit meter readings manually. Issues with connectivity and perceptions of inaccuracy had led to In-Home Displays being turned off by users, sometimes completely. Others had turned off the In-Home Display simply because they felt it made no difference to their energy use. Our Rapid Evidence Review also highlighted that older people can find them to be confusing and many households report finding it difficult to adjust their energy use to maximise savings.

Among those fuel poor households without a smart meter, there was little appetite to get one. Concerns were raised about their perceived inaccuracy as well as concerns about data privacy and security. These concerns tended to be driven by word of mouth and media coverage.

The smart meter programme is owned and led by the UK Government who have responsibility for the policy, regulatory and commercial framework. Energy suppliers in turn are responsible for planning and delivering the rollout of smart meters on the ground, working within the framework established by the UK Government.

The Scottish Government funds Home Energy Scotland to deliver a forward looking Smart Meter Advice service, this innovative system aims to use the real time data

from smart meters to provide individually tailored help and advice to consumers, particularly vulnerable consumers, on energy efficiency.

We will continue to work with BEIS, Ofgem, Smart Energy GB, Energy UK and the wider energy market, while highlighting findings and concerns to the UK Government, to ensure Scottish consumers are considered and can access the benefits as the smart meter roll out continues.

**SG Action - We will continue to work with BEIS, Ofgem, Smart Energy GB and the wider energy market to ensure Scottish consumers are considered and can access the benefits of smart meters as the roll out continues, particularly representing the interests of those at highest risk of FP**

### **Tackling Barriers To Affordable Energy - Sub-metering**

Some households do not have their own energy account due to being sub-metered. This normally means that their landlord is the account holder and they pay their energy costs to their landlord instead of the energy supplier. This means they cannot switch supplier or tariff and therefore are unable to reduce the price that they pay for their energy.

While we do not know the full extent of sub-metering in Scotland, we do know that they are often used on Gypsy/Traveller sites. As part of our consultation with members of the community on the development of a Site Design Guide for Gypsy/Traveller sites, residents told us their preference would be to have their own energy account. We will incorporate this feedback into our final Site Design Guide to encourage new sites not to use private metering.

Furthermore, as part of our planned lived experience research with fuel poor Gypsy/Travellers we will discuss this issue further with the community as well as examining energy prices on some local authority sites to develop a greater understanding of the barriers to affordable energy faced by Gypsy/Travellers.

**SG Action – Ensure our lived experience research with fuel poor Gypsy/Travellers includes examination of energy prices on some local authority sites with a view to better understanding the particular challenges that would be needed to support Gypsy/Traveller communities**

### **Tackling Barriers To Affordable Energy – Energy debt**

Households may be unable to switch supplier to reduce their energy prices if they already owe money to their existing energy supplier. If a household using a credit meter has owed money to their supplier for more than 28 days then they cannot switch supplier until they have repaid what they owe. Households using prepayment meters can switch to another supplier as long as they do not owe more than £500 on their account (limits apply separately to gas and electricity meters).

It is therefore important that energy advice and money advice services are able to work in partnership so that energy debt does not lead to households in fuel poverty being locked into higher energy prices or costs. HES already work closely with many financial inclusion services, something we discuss further in Chapter 9.

### **Tackling Barriers To Affordable Energy - Access to switching services**

The households that we spoke to as part of our Lived Experience Research had mixed views on the benefits of switching supplier, with negative views outweighing positive ones. Negative views were linked to a general mistrust of energy suppliers. Households were concerned they might not receive the savings promised and knew of other households who had faced unexpectedly high bills after switching. As with prepayment meter users, the risk of receiving an unaffordable bill was more important than the risk that households might be paying more than they need to.

*“I just can’t think I will get anything less than £20 a week for heating and electricity, I can’t see it. As I say, I think you’re always frightened you may be worse off with another supplier. I had a friend she was in Wales actually and she changed suppliers, and she said it’s a nightmare, I was much worse off.”*  
*Eilidh, 35+ no children, Private renter, Remote rural, EFP*

Those aged 75 or over told us that they were typically content with their supplier as they had used them for a very long time and therefore did not see a need to change. In some instances. There was also a lack of awareness among some of the households that we spoke to that they could change tariff rather than supplier and still potentially receive savings. Ensuring that there is greater awareness of the ability to stay with your existing supplier but still reduce your bills could encourage more households to look into switching, including those who prefer to remain loyal to their existing supplier.

Our Evidence Review revealed similar mixed view on switching, with some households believing they were now paying more due to unanticipated fees associated with the changeover.

As part of our Lived Experience Research, we spoke to households in fuel poverty about whether they saw benefits in a support service to help people switch. Most households did not see this as particularly relevant to them because they knew how to switch or were not interested in switching. This echoes the findings of the Evidence Review which highlighted that households that have the greatest need for support are often those who are not accessing it. However, where there were good relationships established, people valued advice related support. The Evidence Review found that this type of support would be welcomed by those in fuel poverty.

#### Action to reduce energy prices for all fuel poor households

As mentioned at the start of this chapter, taking action to bring down energy prices has the greatest impact on reducing fuel poverty. However, the regulation of energy markets is reserved to the UK Government and overall energy prices are dictated by wholesale energy costs with a price cap set by Ofgem based on these. Despite this cap however, additional action is required to reduce fuel poverty and therefore we must see the UK Government and suppliers take action to make energy more affordable.

We will continue to do what we can within our existing powers. Our actions in this area will include, exploring how new technologies can bring down bills, ensuring all fuel poor households can access information on how to switch supplier

### **Switching Supplier**

Home Energy Scotland can provide information on switching supplier as part of the advice and support they offer.

### **Renewables & Storage Technologies**

There are also secondary technologies that may be able to help reduce energy prices further such as flexible tariffs and storage technologies.

Flexible tariffs are another route to helping to keep costs of heat down and are also likely to have an important role in enabling the energy transition. These tariffs can offer lower per unit prices during periods where supply outstrips demand, with higher prices in times of peak demand. However, households differ in their ability to be flexible with when they use energy. As we discuss further in Chapter 7, some households in fuel poverty require to heat their house for long periods due to ill health, disability or age. The use of storage technologies may help these households access flexible tariffs by allowing energy to be stored when unit prices are lower and used when it is required by the household. We will work with energy retailers and encourage them to introduce tariffs compatible with zero emission heating systems, which help consumers maximise the benefits.

Small-scale renewable generation and storage, including solar thermal and photovoltaic (PVs), thermal and battery storage could potentially provide a source of energy and flexibility for consumers, helping to reduce bills and tackle fuel poverty. Storage technologies not only have the potential to reduce energy bills, they can also improve the efficiency of renewable energy technologies and offer consumers the opportunity to become more engaged in the energy market.

We are currently monitoring the use of these technologies in several demonstration projects, including through our ABS Special Projects program where we are providing funding to test the effectiveness of new technologies such as smart meters and battery storage technology in reducing energy costs. We will incorporate the learning from these projects into our delivery schemes.

**SG Action – we will continue to monitor the effectiveness of new technologies in demonstration projects and incorporate the learning into our delivery schemes to maximise benefit for fuel poor households to ensure they are delivering the intended benefits and what changes are required.**

We have also begun research to understand the cost effectiveness of thermal, electrical storage and rooftop solar PV to support households to reduce bills. Where the evidence shows that introducing these technologies is effective we will consider support for them through Warmer Homes Scotland and our Area Based Schemes.

**SG Action – we will act on the evidence from current research to understand the cost effectiveness of thermal, electrical storage and rooftop solar PV to support households to reduce bills. Where this proves effective we will consider support for them through Warmer Homes Scotland, the scheme that replaces it, and our Area Based Schemes.**

The energy price cap set by Ofgem sets the maximum price suppliers can charge customers on a standard tariff, which was increased in October. This is predicted to increase energy bills by approximately £139 per annum (to around £1,277) and is the second consecutive increase of the cap (which is reviewed biannually). Given the reluctance among the fuel poor households we spoke with to switch and the high number of prepayment meter users who are also in fuel poverty, increases in this cap have the potential to particularly impact on them.

### Promoting Consumer Engagement

As well as ensuring that we take actions to reduce energy prices, we need to ensure that all energy consumers, including those in fuel poverty, are able to engage in the energy market. Increasing consumer engagement in this way will allow us to improve our understanding of the barriers that fuel poor households face as well as learning more about what they want and need from their energy system. This, in turn, will allow us to work towards ensuring that the energy market provides accessible and affordable options for those in fuel poverty.

### **Consumer Scotland**

The Consumer (Scotland) Act 2020 established Consumer Scotland, a non-ministerial body which will have the general function of providing consumer advocacy and advice with a view to:

- reducing harm to consumers in Scotland
- increasing confidence among consumers in Scotland in dealing with businesses that supply goods and services to consumers
- increasing the extent to which consumer matters are taken into account by public authorities in Scotland
- promoting
- sustainable consumption of natural resources, and
- other environmentally sustainable practices in relation to the acquisition, use and disposal of goods by consumers in Scotland
- otherwise advancing inclusion, fairness, prosperity and other aspects of wellbeing in Scotland.

Consumer Scotland will also work with existing consumer organisations, conducting investigations into the most serious issues of consumer harm in Scotland and providing leadership across a fragmented landscape.

### **Energy Consumers Commission**

The Scottish Government established an independent Energy Consumers Commission in July 2020 with a varied membership made up of academics,

grassroots organisations and national level bodies. The Commission will transition into Consumer Scotland once that body has been launched.

We have worked extensively with the Energy Consumers Commission and other key stakeholders to explore how to best build consumer engagement with the energy market whilst ensuring that people see value for money in their energy bills. This has included research into the key facets of energy consumers' relationship with decarbonisation which found an increasing concern regarding the climate crisis alongside perceptions that the transition is challenging, expensive and in some cases inequitable – community level engagement was found to be key to mitigating these issues.

The Commission has also engaged in focused advocacy to the UK Government, Ofgem and others to explore these issues.

<p><b>SG Action - We will ask Consumer Scotland to consider tracking the impact of decarbonisation on households as part of their future workplan</b></p>
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Ensuring a fair and just approach to decarbonising home heating

We need to address our climate objectives and our commitment to ending fuel poverty together. There are examples of projects delivered through our existing energy efficiency and heat schemes that have provided zero emission heating systems and improved insulation that reduced both carbon emissions and fuel bills however many zero emissions heating systems are more costly to install and they can be more expensive to run than high emissions alternatives. We are clear that this must be overcome and remain steadfast in our commitment to supporting those least able to pay in this transition, and in protecting those who are most vulnerable to any increase in costs.

While we want to ensure that those in or at risk of fuel poverty don't face higher running costs as a result of the transition to zero emissions heating, we also need to ensure that those in fuel poverty are not left behind in the transition. We must therefore ensure that the approach we take is informed by the differing needs of those in fuel poverty.

The 2019 Climate Change Act enshrined in law our commitment to a just transition to net zero, one in which wellbeing, fair work and social justice are prioritised and no-one is left behind. Our commitment to these principles is unwavering.

In our Heat and Buildings Strategy we published the following guiding principles to underpin our commitment that no one is left behind in the heat transition, ensuring our approach neither increases the fuel poverty rate nor increases the depth of existing fuel poverty and ensures that those on lower incomes or in or at risk of fuel poverty are protected from any negative impacts.

### **Heat in Buildings Strategy – Fuel Poverty Principles**

1. We are committed to ensuring that poor energy efficiency is removed as a driver of fuel poverty. As such, a focus on improving the fabric of buildings will be central to how we decarbonise heat.
2. We recognise that heat decarbonisation is essential to address the climate emergency, and that in decarbonising our homes we must not make fuel poverty worse. We commit to delivering measures to help those in fuel poverty to manage their running costs. As such, it is essential that, whenever possible, measures that both promote decarbonisation and lower fuel costs are supported.
3. We will assess our heat in buildings capital delivery programmes for their impact on those households experiencing fuel poverty– both at installation and throughout their lifespan. This assessment should be proportionate to the expected impacts.
4. Where an intervention can lower running costs, fuel poor consumers should be targeted for support as soon as possible, including support for the up-front installation costs of these measures. Factors affecting the ability of consumers experiencing fuel poverty to take up these measures should be considered as part of this process, as should the provision of advice and support to ensure that households in fuel poverty derive the maximum benefit from new measures.
5. We will develop mitigation measures to be deployed across our capital funding programmes where there are demonstrable cost increases on those in or at risk of fuel poverty. Success of these measures should be regularly assessed and, if appropriate, these measures should be adjusted to better meet the needs of these households.
6. In cases when zero emissions heat interventions are assessed as likely to increase energy costs even after mitigation measures are put in place, government supported measures should be focused on consumers who are not at risk of fuel poverty.
7. In some cases, wider change will be needed for decarbonisation measures to become suitable for those in fuel poverty, including areas that are reserved to the UK Government. We will continue to urge the UKG to take necessary action in reserved areas and will use the research and practical experience gained through our decarbonisation schemes to support us in building appropriate evidence and pushing for systemic improvements.
8. Communications should be presented in formats accessible to a wide range of consumers, taking into account differing circumstances and accessibility needs.

To ensure our approach is in line with these principles we are conducting analysis to consider the distributional impacts of decarbonising our homes and buildings and to further quantify the impact of making our homes and buildings warmer, greener and more efficient for those on lower incomes and those in or at risk of fuel poverty. This work is also considering options to mitigate any negative impacts which can be implemented over the longer term.

As part of its role in overseeing the Scottish Government's progress in reaching the fuel poverty targets, the newly appointed Scottish Fuel Poverty Advisory Panel will provide expert advice on how to ensure those in or at risk of fuel poverty are not adversely impacted by our decarbonisation efforts.

We are stepping up our investment over the next five years and have allocated at least £1.8 billion to support the accelerated deployment of heat and energy efficiency

measures in homes and buildings across Scotland. This investment will support the removal of emissions from heating and the removal of poor energy efficiency as a driver of fuel poverty with at least £465 million to support those least able to pay through our programmes targeted at those in fuel poverty

We are also committed to ensuring adequate financial support is available, as a last resort, for those who may be in fuel poverty as a result of the transition. However, we will maximise opportunities to ensure this financial support is not required, by taking action to improve energy efficiency and reduce energy costs, so that households are able to power and heat their homes without the need to rely on social security.

### **Rolling Out Zero Emissions Heating**

To ensure that those in fuel poverty are able to take part in the transition to decarbonised heating, we will take a zero emissions first approach in our delivery programmes and will phase out funding for fossil fuel heating systems by 2024, where it is not detrimental to our fuel poverty objectives.

There are examples of projects delivered through Warmer Homes Scotland and our Area Based Schemes, that have provided zero emission heating systems and improved insulation that reduced both carbon emissions and fuel bills. For example, for some properties, heat pumps can help reduce bills where they are replacing older, more inefficient oil and gas heating systems. Increasingly there is also the option to deploy heat pumps alongside other measures such as solar PV or battery storage to help further reduce electricity bills.

An increasing number of heat pumps are being installed to address fuel poverty through our Warmer Homes Scotland programme. Feedback received from households suggests many are benefiting from consistently warmer homes, and in some cases cheaper bills, when switching from predominantly old electric storage heaters to air source heat pumps

Mr S, a householder from Inverness, contacted HES to find out about support for replacing his heating system with something more energy efficient. HES determined that he would be eligible for support towards an air source heat pump, from Warmer Homes Scotland, with a small contribution to be paid by the customer.

Mr S's home is now more energy efficient with the SAP rating having gone from 32 to 45, which will undoubtedly result in a warmer home. Speaking about his experience of the Warmer Homes Scotland scheme, Mr S said:

*"We have lived in this house for 13 years with electric storage heaters and the house was always cold, even when the heating was on full blast. It was so expensive every month and the electricity bill was extortionate. We also never had hot water and would have to manually switch it on an hour before. Now to turn the tap on and have hot water is amazing. I am thrilled to bits as I have young children and they have noticed the difference."*

However, when a heat pump replaces a modern, efficient gas boiler, the greater efficiency of the heat pump may be insufficient to offset the higher price of electricity and the household's running costs may therefore increase<sup>8</sup>.

We take a low-carbon first approach, where households will be initially assessed for suitability of a low or zero emissions heating systems accompanied by insulation and fabric measures. Under the current Warmer Homes Scotland scheme, we look to install enabling measures such as home energy storage batteries to help reduce running costs in order to further support the deployment of low and zero emissions heating systems. Where a low or zero-emissions system would have a negative effect on fuel poverty, we will support the installation of a replacement fossil fuel system accompanied by improved insulation measures.

The successor to Warmer Homes Scotland will look to new energy efficiency technologies to maximise opportunities to provide low-carbon heating to people in fuel poverty.

We will also bring forward primary legislation in this term of Parliament which will provide the regulatory framework for zero emissions heat (and energy efficiency), as well as the powers needed to underpin this. It is proposed that compliance with a new zero emissions heat standard be phased in with all buildings needing to meet this standard no later than 2045.

### **Levies**

Both gas and electricity prices will rise as we decarbonise heat. It is therefore vital that the UK Government takes steps to ensure that decarbonisation is not funded in a way that falls disproportionately on those least able to pay while also ensuring that low carbon technologies are not further disincentivised.

We urge the UK Government to act on the UK Climate Change Committee's recommendation to rebalance environmental and social obligation costs (levies) on energy bills to reduce the difference in unit costs between gas and electricity, and help to unlock the deployment of low and zero emissions heating.

**UKG action - rebalance environmental and social obligation costs (levies) on energy bills to reduce the difference in unit costs between gas and electricity**

We published research alongside our Heat in Buildings Strategy on the balance of levies between electricity and gas supplies, to support understanding of how changing this balance might impact the deployment of low and zero emissions heat in Scotland.

<sup>8</sup> A typical modern condensing gas boiler has an efficiency of 0.9, compared to 2.4 for an air source heat pump and 3.4 for a ground source heat pump.

**SG Action –**

**We published our research into the impacts of rebalancing levies and charges on electricity and gas supplies alongside our Heat in Buildings Strategy and we will further consider the potential options for reviewing levies and the impacts these may have on fuel poor households.**

**Heat as a service**

In the Heat and Buildings Strategy we have committed to explore the concept of Heat as a Service and commissioned research into how this model might support our heat decarbonisation agenda by enabling consumers to purchase or run low or zero emission heating systems, while delivering the energy outcomes consumers want.

Heat as a Service provides heat to homes for an agreed monthly fee, often including installation, maintenance and energy efficiency upgrades. Consumers could have their homes heated to a set temperature, or pay a set price for the heat provided. The research suggests that Heat as a Service could help overcome the two main barriers that put people off installing low-carbon heating systems: concerns about cost and comfort, and could provide opportunities to switch to a low or zero emissions heating system for a predictable set monthly price. This could be attractive to some fuel poor households who are currently put off paying by direct debit (and therefore have higher bills) due to the risk that payment levels will change.

We will continue to undertake market and consumer research while working with industry and the regulator to understand whether Heat as a Service can help fuel poor households, when and where this could be used in Scotland, while consider different routes for bringing this concept to market.

**Heat Networks**

The overall aim of the recently passed Heat Networks Act is to accelerate the development of heat networks in Scotland, in turn, driving down emissions and tackling fuel poverty.

The Competition and Markets Authority found that up to 90% of heat network customers enjoy similar, or lower, bills than those with standard gas boilers<sup>9</sup>[i] and heat networks can cut both emissions and bills.

The Scottish Fuel Poverty Advisory Panel will be a statutory consultee for guidance on reviews, designation and variations of heat network zones by local authorities and for any regulations relating to determining heat network consent applications or modifying heat network consents.

<sup>9</sup> Competition and Markets Authority. (2018), Heat Networks Market Study: Final Report, (Competition and Markets Authority), URL: [https://assets.publishing.service.gov.uk/media/5b55965740f0b6338218d6a4/heat\\_networks\\_final\\_report.pdf](https://assets.publishing.service.gov.uk/media/5b55965740f0b6338218d6a4/heat_networks_final_report.pdf) (last accessed: 20/01/2021)

## **Chapter 5 - Making it easier to use energy effectively**

Every home will use energy differently, for households in fuel poverty, concerns about the affordability of energy will affect how they use energy. The way that energy is used not only impacts energy bills but also can have significant consequences for health, wellbeing and comfort.

It is important that we support people to change their behaviours so they can make optimal use of the energy. However, we must also be mindful that those in fuel poverty often face limited choices about how they use energy. Some households require more energy due to household circumstances and, due to affordability, fuel poor households are often not able to access the level of energy that they need. They can therefore face difficult choices about how they use energy in their home leading them to develop coping strategies to keep warm.

Our lived experience provided insight into the impact of being unable to access enough energy to meet a household's reasonable needs.

We also carried out a Rapid Evidence Review to better understand how those with protected characteristics in Scotland use their heating systems. While available evidence was limited, it highlighted that heating behaviours are often complex and influenced by a range of factors such as income and tenure, as well as individual factors such as habit and energy literacy. It also highlighted a lack of longitudinal research to understand how peoples' heating behaviours change and adapt over time and circumstance.

### **Perceptions of warmth**

Fuel poor households and extreme fuel poor households are more likely to have difficulties staying warm in winter and to report affordability problems. 23% of all fuel poor and 28% of extreme fuel poor say that their heating keeps them warm enough in winter 'only sometimes' or 'never' compared to 15% of all other households. 9% of all fuel poor and 10% of extreme fuel poor households report that they cannot afford to heat their home.

This variation between levels of fuel poverty and perceptions of warmth and affordability was also seen in our Lived Experience Research. Although all the households involved were categorised as fuel poor or extreme fuel poor, some reported no issues with warmth in the home while around half struggled to keep most or any of their rooms as warm as they would have liked. Those with chronic health conditions often had greater sensitivity to cold and families with children under 5 were sensitive to inadequate heating because of the need to ensure children were comfortable at specific times.

Overall, what households considered to be a comfortable level of warmth was found to be subjective, with different participants finding different temperatures to be comfortable – even within the same household.

Experiences of warmth were also found to be occasionally gendered. This is mirrored in research by Citizens Advice Scotland which notes the gendered experiences of warmth between men and women. Experiences of warmth in our

Lived Experience Research also varied by preference for employing ‘coping’ strategies – i.e. some participants preferred wearing warmer clothing in the home and therefore found a cooler temperature to be comfortable. The Evidence Review highlighted that cultural and social factors were also considered as influencing decisions to heat the home to a particular temperature or adopt coping strategies, especially for some older households who were simultaneously found to value warmth, but living frugally and putting on a jumper rather than turning up the heat was perceived as virtuous.

In short, perceptions of comfort and warmth are complex and situated within the social and cultural experiences of individuals and households. We therefore must seek to improve our understanding of how different households in fuel poverty use energy in the home.

#### How do those in fuel poverty use energy in the home?

Through our research we have tried to understand more about the factors which influence how energy is used in the home, recognising that those in fuel poverty will have a range of experiences. Improving our understanding will further help to ensure that the advice and support we provide is targeted effectively in supporting fuel poor households.

Unfortunately, research that explores the interaction between heating system use and protected characteristics in Scotland is limited. Improving data collection on household lifestyles, energy use, and conservation behaviours would help us to better understand the behaviours of those with protected characteristics so that we can empower people to make the best use of interventions. There is also little longitudinal research on heating behaviours. So our understanding of how moving into or out of fuel poverty impacts heating behaviours is limited.

Working with the newly appointed Scottish Fuel Poverty Advisory Panel, we will seek to fill these gaps in the evidence by carrying out further research into how people in fuel poverty with different protected characteristics use energy in the home.

**SG Action –We will explore with the Fuel Poverty Advisory Panel opportunities to carry out further research to understand how people in fuel poverty with different protected characteristics use energy in the home to ensure our approach promotes equality of outcomes.**

#### How do fuel poor households cope when they can’t afford the energy they need?

Households in fuel poverty often have to make difficult decisions about how to meet their energy needs. This can include prioritising energy bills over other household bills or essentials, using less energy than required, and/or using coping strategies to stay warm in a cold home.

#### **Prioritising energy bills**

In our Lived Experience Research, households struggling to pay bills often prioritise energy bills over other expenses such as rent or council tax. This suggests that perception of what constitutes “managing” may be a factor in low self-reporting

amongst older households Due to the importance of energy to health and wellbeing, these type of sacrifices were seen as unavoidable. Households struggling to pay bills may also have to access credit or borrow money from friends or family to meet them or to reduce expenditure on household essentials, such as food.

### **Self-rationing and self-disconnection**

On the other hand, those aged 65 and over and on a low pension were often responding to affordability issues by limiting their heating. This practice of limiting energy use to less than a household requires is often referred to as self-rationing. When a household stops using energy entirely due to affordability, it is called self-disconnection. When households self-ration or self-disconnect, the impacts for the household can be significant. It can mean not being able to have a warm shower, wash clothes, cook a hot meal, watch television or access online services. It can therefore seriously affect both mental and physical health. The Fuel Bank Foundation provides same-day support to prepayment meter users who are at risk of self-disconnection. Households receiving support sometimes report how the way that they use energy in the home is shaped by their expectation that they will self-disconnect at some point:

*'I will always know that my meter will disconnect because I need to top it up with around £30 per week in the winter. If I only have £20 I know for certain that for a couple of days I'll have to do without so I work out when living without heat and gas would work best for me: I make sure I time when I can have a shower so I don't feel bad going to work knowing that I'm not clean. I make sure that I cook the food in the fridge that would go off and so I can have it cold on a sandwich. If I know the grandbairns are coming at the weekend I'll make sure that I've had my time without heat before they come so they don't need to suffer. I'd be really embarrassed if they said they were cold and I'd worry that they wouldn't want to see me.'*

Self-disconnection can also make it more difficult to maintain social connections. Our Evidence Review showed that this was a specific concern for young adults who saw electricity bills as a priority due to the risk of being unable to charge mobile phones and access the internet.

Research carried out by Citizens Advice Scotland highlighted the increased risks of self-disconnection for disabled people and the need to consider the suitability of prepayment meters as a result.

### **Coping Strategies to stay warm**

Households that we spoke to told us about the strategies that they use to stay warm when they are unable to heat their homes to the temperature that they require. The most common strategies, such as wearing more layers of clothes, using blankets and hot water bottles, were seen as common sense and did not appear to cause a great deal of concern. Further measures participants took to stay warm included:

- taping card over vents to keep out draughts
- lining windows and doors with towels to keep out draughts

- lining furniture with extra layers to provide additional warmth
- using a sleeping bag during the day
- wearing outdoor coats indoors
- keeping the family in one room and heating just that room
- spending evenings in warmer rooms upstairs or going to bed early
- parents co-sleeping with children.

Many of these coping strategies were regarded as normal and they usually formed part of routines that participants had become used to

*“I just put the sleeping bag here and then I can just sit inside it which is nice and toasty when you do that, so you don't need heating when you do that.”*

*Stuart, 35+ no children, Private renter, Other urban/non-remote rural, EFP and EHR*

The coping strategies used and the tendency to downplay the impact of having to use them, mirroring findings referenced in the Evidence Review which suggested this may be down to a sense of shame or embarrassment. In contrast to the findings in the Evidence Review however, no participants explicitly said they enjoyed having to take some of these measures.

Those who described living in particularly cold homes felt that these coping strategies were not always enough for them to reach an adequate level of warmth.

*“Regardless of how many layers I wear [I'm not comfortable], I've got thermal tights on under these... but where the base of your back is... the cold comes up and hits me right there, so I get sciatica... my back can sometimes swell right up, and that's where the cold is hitting it... it gets to the point where you can't walk or you can't sit or I can't get out the chair. It makes me feel horrendous.”*

*Catherine, 35+ no children, Social renter, Large urban, FP and EHR*

### **Targeted support for those who need greater warmth**

The experiences of the fuel poor households that we spoke to highlight the limited flexibility some households have when it comes to when they use their energy. In some instances households may require access to affordable warmth 24/7, emphasising the importance of achieving high energy efficiency standards for households in fuel poverty and ensuring that those most exposed to the health risks of living in a cold home are prioritised for support. The need for longer heating hours may also make it more difficult for certain households to benefit from new technologies such as flexible tariffs which can help households use energy when it is cheaper.

The current Winter Fuel Payment and Cold Weather Payment as well as our Child Winter Heating Assistance provide targeted financial support to households who are likely to have a greater need for heat due to the need for either longer heating hours or higher temperatures.

Through Warmer Homes Scotland we also target funding for energy efficiency improvements at households who are most at risk of staying in a cold home – due to age, disability or caring responsibilities. By achieving higher EPC Standards through Warmer Homes Scotland and our Area Based Schemes we also hope to help make energy more affordable for households who require greater levels of warmth.

We will continue to ensure that we take account of the needs of those who are likely to have a greater need for heat as we develop policy to eradicate fuel poverty.

### **Targeted support for those unable to afford the energy that they need**

As highlighted above, the pressure of energy bills can lead to households prioritising them over other household bills or essentials. As a result, households may require advice and support to manage debts or meet essential needs.

We will continue to strengthen partnerships so that more households are made aware of the help that is available, both from Home Energy Scotland and also from the wide range of support organisations across Scotland.

However, for some fuel poor households, prioritising their energy bills is not possible or not enough. These households limit their energy use or self-disconnect rather than use what they require. Due to the need to pay for energy in advance, those who use prepayment meters or rely on deliveries of unregulated fuels, such as oil or coal, are most at risk of self-disconnection.

We also welcome the announcement by Ofgem in December 2020 of the requirement for suppliers to offer emergency credit to customers struggling to top up their prepayment meter, many of whom are likely to be in fuel poverty. Suppliers will also have to offer extra prepayment credit for households in vulnerable circumstances to provide more breathing space while working out alternative arrangements to pay.

Around half of the households that we spoke to as part of our Lived Experience Research, used coping strategies to try to stay warm due to being unable to heat their home to an adequate temperature. However, as noted above, households tend to view these actions as normal and downplay any negative impacts of having to take them.

### **Support for fuel poor households**

#### **Tackling barriers to using energy efficiently in the home – Heating systems**

The varying experiences of fuel poor households with differing heating systems highlights the importance that advice and support is available across a range of issues in relation to home energy use and that it is tailored to the households needs. It also suggests that improvements in heating system design which make it easier for households to operate them, could help households heat their homes more efficiently.

As part of the support that they provide, Home Energy Scotland can provide specialist advice that is tailored to the needs of the household on how to operate heating systems effectively.

As we ramp up our activity to meet our climate objectives, we also need to improve our understanding of how well new technologies can meet the needs of those in fuel poverty.

For example, we know that Air Source Heat Pumps operate less efficiently when used intermittently and it will therefore be important that the household does not feel the need to self-disconnect. The Heat as a Service model may be one way of preventing this and we will consider the potential to use this model to support fuel poor households.

## **Chapter 6 – Raising household incomes**

Fuel poverty is also about the amount of income a household has available to pay for energy.

Our Lived Experience Research showed that fuel poor households on a low income were more likely than other fuel poor households to be struggling to pay for heating costs, leading to feelings of stress, worry and anxiety as well as the coping strategies discussed in Chapter 5.

These findings were echoed in our Evidence Review which found low financial resilience among fuel poor households.

While the majority of households in fuel poverty are on a low income, it is those households who are also in income poverty that are most likely to face difficulties paying for their essential needs. According to the official poverty definition, individuals are considered to be in relative (income) poverty if their equivalent net household income is below 60 per cent of the median income in the same year. In the Technical Annex, we have set out the details of who is more likely to be in relative poverty.

The Scottish Government is already taking a range of actions to tackle poverty and build a fairer Scotland for all. Due to the significant overlap between fuel poverty and relative poverty, these actions are also expected to raise household incomes for those in fuel poverty.

### **Building a Fairer Scotland for All**

Making Scotland more equal and socially just is one of the key priorities of the Scottish Government. Our ultimate aim is to break the intergenerational cycles of poverty, inequality and deprivation.

We will continue to seek to raise household incomes through a range of policies and programmes.

Tackling Fuel Poverty is inextricably linked to our national mission to eradicate child poverty. The Child Poverty (Scotland) Act 2017 sets ambitious targets across four different measures and the first Tackling Child Poverty Delivery Plan 2018-2022 identifies that 90% of children in poverty live in one of the six priority family types. These groups are likely to face specific barriers to accessing services and employment. Therefore, if we effectively tackle poverty for these households, we will be able to deliver considerable progress on our child poverty ambitions. We will continue to explore all opportunities to align action we take to tackle both fuel and child poverty and recognise the ways in which these experiences overlap for low income households.

### **Improving the Social Security system**

As part of our efforts to improve the social security system, we will consider whether targeted financial support may be required to address fuel poverty, including for those who may be in fuel poverty as a result of the transition to decarbonised heat,

as per the recommendations of the Just Transition Commission. This includes delivering new benefits like Child Winter Heating Assistance and the Scottish Child Payment as well as improved versions of existing benefits, like our planned replacement for Cold Weather Payments.

### **Ensuring access to entitlements**

Our Lived Experience Research found that many felt that it was a good idea for HES to share clients' data with a partner organisation to enable an assessment of benefit entitlement checks as the benefits system can be difficult to navigate leading many to be unaware of their entitlement. There were no significant concerns about data sharing, as long as this was done securely and with consent.

Home Energy Scotland are already able to refer clients to have a benefit check completed. We will explore how data sharing arrangements might enhance this service further.

**SG Action – we will explore how data sharing could enhance HES support to offer fuel poor households with a benefits check**

A key principle enshrined in the Social Security Act is that social security is an investment in the people of Scotland. Scottish social security will support over half a million people and we want all who are eligible to take-up the financial support available to them.

Advice services play a critical role across Scotland's communities in helping citizens to understand their rights and to seek solutions in a range of areas such as money and debt, housing and homelessness, social security and consumer issues. Our Evidence Review highlighted how changes in UK benefits and sanctions can be associated with periods of extreme financial hardship and intense stress for households.

In 2021-22, the Scottish Government is investing more than £12 million in welfare and debt advice services.

Between 2018 to 2020 £500,000 of funding was provided to Health Boards to strengthen income maximisation referral pathways in health settings. The Financial Inclusion Universal Pathway Quality Improvement Collaborative launched in November 2019 with the aim of creating more formal income maximisation routes between maternity & health visiting services and local money/welfare advice services.

**SG Action – we will share the learning of the Financial Inclusion Universal Pathway Quality Improvement Collaborative to strengthen partnership working between income maximisation services and health settings**

In addition to extending partnerships between advice agencies and primary health care settings, in 2021-22 we will make funding available to create new partnerships between advice agencies and schools – to help ensure that families who need it are able to access whole family person-centred advice and support via a single access point.

We continue to work with local authorities, NHS boards, third sector organisations and a range of advice and support services to ensure we take every reasonable step to encourage people to receive their full entitlement.

### **Opposing Social Security Cuts**

We have also consistently opposed the UK Government's cuts to social security, including the two-child limit, the benefit freeze, the bedroom tax and most recently their decision to cut Universal Credit by £20-per-week from the start of October 2021.

The Joseph Rowntree Foundation conducted analysis indicating that cutting Universal Credit at the end of September will pull 500,000 people across the UK, including 200,000 children, into poverty<sup>10</sup>.

This will reduce the ability of families across the UK to be able to meet basic living costs, including fuel costs, and we therefore urge the UK Government to reconsider its decision.

**UKG Action – we urge the UK Government to reconsider its decision to cut Universal credit by £20-per-week**

### **Minimum Income Guarantee**

A Minimum Income Guarantee (MIG) is a guarantee that everyone will receive a minimum level of income this can be met through employment, tax relief, and social security benefits.

The Scottish Government is committed to commencing work in the current Parliament to provide a MIG for all, which could be an important step to raising the incomes of households in fuel poverty. We will consider step changes through the social security system over the next parliament so that everyone in Scotland has enough money to live a dignified life. We have established a steering group to progress the delivery of a MIG and have engaged with those supportive of a MIG to invite their views on how this could be delivered in practice.

**SG Action – we will explore how a Minimum Income Guarantee could offer those on low incomes safety, security and dignity which will impact on fuel poverty by raising the levels of income for the household to meet their essential needs for energy**

### Providing Financial Support

#### **Winter Benefits**

Winter Benefits are designed to help those who have an increased need for heat during the coldest months and who are therefore more exposed to the health risks of living in a cold home. Those benefits are the Winter Fuel Payment (WFP) and Cold Weather Payment (CWP) – currently provided throughout the UK by DWP – and Child Winter Heating Assistance, introduced by the Scottish Government in November 2020.

<sup>10</sup> [#KeepTheLifeline: urging the Government not to cut Universal Credit | JRF](#)

In our Lived Experience Research, benefits such as the Winter Fuel Payment and Cold Weather Payment as well as the Warm Home Discount were seen as particularly important among those in lower income households in receipt of pensions or benefits, who commonly said they would otherwise be unable to afford their heating bills. Some participants who were currently in work and struggling financially felt they were worse off than those on benefits, as they received no financial support towards the costs of heating their homes.

*Because you are not on benefits, you're paying full price for everything [...] give the ones that are paying everything a helping hand as well"*  
*Kimberley, Family with children 5 and under, Social renter, Large urban, FP and EHR*

### **Winter Fuel Payment**

The Winter Fuel Payment (WFP) provides an annual, tax free payment of between £100 and £300 to people above the women's state pension age to help them cope with higher heating costs during the winter months. It is currently delivered by the DWP but is being devolved to the Scottish Government. We intend to deliver our replacement benefit on a like-for-like basis, providing continued support to around 1 million eligible Scottish people who have reached the state pension age.

**SG Action – we will deliver our replacement benefit for Winter Fuel Payment on a like-for-like basis**

### **Cold Weather Payment**

The Cold Weather Payment (CWP) is a payment of £25 paid by the DWP to eligible clients each time a 'cold spell' is recorded in their local area during the winter months.

We intend to replace the CWP with a new annual payment of £50 for low income households who are currently eligible to receive CWP during cold spells. The payment will be provided regardless of local temperatures or weather conditions providing greater certainty to recipients.

By removing the weather aspect of eligibility for the current CWP, we may be able to provide more predictable support to around 400,000 individuals each year who are in receipt of a qualifying low income benefit (e.g. older people, disabled people, and families with a child under five or a disabled child).

**SG Action – We will replace Cold Weather Payment with a new annual payment of £50 for all low income households who are currently eligible to receive the Cold Weather Payment during cold spells, providing greater certainty and consistency for around 400,000 people in Scotland**

## Child Winter Heating Assistance

Child Winter Heating Assistance is an automatic, annual payment of £202 to eligible children and young people under 18 who get the highest rate of the care component of Disability Living Allowance for children, on any one day during the week commencing with the third Monday in September each year. The assistance has been developed to address the increased costs that disabled children, young people and their families incur as a result of:

- heating their homes to a higher temperature in winter; and
- the need to heat their homes through the night, or for periods of the night, because another person is required to provide care and support to the child or young person during the night.

Social Security Scotland began making payments of Child Winter Heating Assistance to eligible children and young people in November 2020, with 14,015 payments made totalling £2.8 million. Of the 13,175 payments made to a parent, guardian or an appointee, 690 recipients receive payment on behalf of more than one child (5% of these recipients).

This form of social security assistance is not available anywhere else in the UK and is entirely funded by the Scottish Government. The payment does not need to be spent on winter fuel bills, but is intended to help ease the overall financial pressures on households with a disabled child or young person.

## Warm Home Discount

The Warm Home Discount is an annual one-off rebate on electricity bills paid by energy companies between September and March. Currently the Discount is worth £140 and scheme costs are applied to all household bills.

We spoke to households who received the Warm Home Discount, as part of our Lived Experience Research. They generally viewed it as being very helpful and were appreciative of this.

*I couldn't be without it... if I was running a bath every night normally [like I should be] I don't know how I could afford it."*  
*Catherine, 35+ no children, Social renter, Large urban, FP, EHR*

Eligibility for the Discount is automatic for households in the Core Group where the household receives the Guarantee Credit element of Pension Credit. Eligibility for a second "Broader" group is set by energy suppliers but must include households on a low income and/or in receipt of certain social security benefits. Currently these households have to apply for a Discount each year on a 'first come, first serve basis'. Typically these households receive a rebate from March onwards, if their application was successful.

The UK Government launched a public consultation in June 2021 seeking views on the proposed reforms to the Warm Home Discount. This would replace the current Broader Group with a new Core Group 2 with automatic eligibility and payments.

This proposed reform would only affect England and Wales. BEIS are proposing a separate scheme for Scotland because this information is collected in a different way by the Scottish Assessors Association (SAA).

As set out in Chapter 5, The Scottish Government is urging the UK Government to review levy funding for the Warm Homes Discount and the Energy Company Obligation and work with Scottish Ministers so that these can be brought together into a single, flexible Scottish Fuel Poverty scheme, as provided for in the Scotland Act. This will support low-income households with higher energy costs, and help fund necessary energy efficiency improvements and the switch to zero emissions heating.

**UKG Action – we urge the UK Government to review levy funding for the Energy Company Obligation and the Warm Homes Discount and work with Scottish Ministers so that these can be brought together into a single flexible Scottish Fuel Poverty scheme, as provided for in the Scotland Act**

### **Scottish Child Payment**

The Scottish Child Payment is another new benefit, unique to Scotland. This is paid to families with children under the age of six and is worth £40 per child every 4 weeks. We are delivering bridging payments for older children and young people worth the equivalent of the Scottish Child Payment until it is fully rolled out to under 16s by the end of 2022. We have also committed to doubling the value of the Payment to £80 every four weeks in this parliament.

**SG Action – we will double the value of the Scottish Child Payment to £80 every four weeks during this parliament**

We have also committed to support children and young people who are not yet eligible for the Scottish Child Payment, with £520 to be paid in both 2021 and 2022 through bridging payments for those receiving Free School Meals due to low income. Together with Best Start Grant and Best Start Foods, SCP will provide over £5,300 of financial support for families by the time their first child turns six. For second and subsequent children this will provide over £5,000.

### **Carers Allowance Supplement**

The Carer's Allowance Supplement was introduced in 2018 to raise the incomes of carers in Scotland. It is an extra payment of £231.40 paid two times a year for individuals who are in receipt of Carers Allowance on the qualifying dates.

In recognition of the extra pressures faced by carers as a result of the Covid-19 pandemic we made an extra payment of £230.10 to Carer's Allowance recipients in June 2020, on top of Carer's Allowance Supplement (CAS). The Coronavirus CAS payment supported around 83,000 carers at a cost of £19.2 million.

We have introduced the Carer's Allowance Supplement (Scotland) Bill to make provision for another extra Coronavirus payment with the December 2021 Carer's Allowance Supplement.

If passed, this would mean more than 91,000 carers will receive a double payment increasing their December payment to £462.80, an extra investment by the Scottish Government of around £21 million to help increase the incomes of unpaid carers.

### **Scottish Welfare Fund**

The Scottish Welfare Fund is a national discretionary fund that helps families and people in Scotland who are on low incomes. It is delivered by local authorities and provides support to applicants in the form of Community Care Grants and Crisis Grants. A Community Care Grant is available to individuals who require help to establish or maintain their home and can also be provided to families facing exceptional pressure. A Crisis Grant is available to individuals who are in crisis because of a disaster (like a fire or flood), or an emergency (like losing their money or facing an unexpected expense). Eligible applicants can be provided with support in-kind or in cash and in certain circumstances an award can include support for fuel costs.

### **Maximising household incomes**

We are committed to ensuring that support is available to help low income households increase their incomes and reduce their household costs.

The National Bus Travel Concession Scheme for Young Persons (Scotland) Order 2021 came into force on 1 April. This enables the creation of a new scheme to provide free bus travel to all Scottish residents aged under 19. On [23 August], draft legislation was laid to extend the new scheme to include 19-21 year olds. Subject to Parliamentary approval of the extension, the new scheme will cover young people up to the age of 21 when it goes live, which is scheduled for 31 January 2022. Free bus travel for young people is expected to reduce household outgoings which will aid children and families, particularly those living in poverty.

<p><b>SG Action – we will provide free bus travel to all under 21s which will impact on fuel poverty by ensuring households incomes can be used to meet reasonable energy needs</b></p>
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As part of our plans to tackle child poverty, we are committed to making an unprecedented level of investment in early learning and childcare (ELC). From August 2021, we have almost doubled the funded entitlement from up to 600 hours per year to up to 1140 hours per year for all 3 and 4 year olds, and eligible 2 year olds. The expansion will provide more flexibility for families with parents having greater choice of providers and a child's ELC provision hours being more aligned to working patterns, whilst being delivered in a manner that provides a high quality experience for the child.

The Scottish Government has provided funding for free school meals to all children in the first three years of primary school, at all publicly-funded schools in Scotland since January 2015.

In 2020-21 we invested over £56 million in the continuation of Free School Meal provision for low income families during school closures, periods of online learning and school holidays and delivered two £100 hardship payments benefitting around 145,000 children and young people from low income households receiving Free School Meals.

We are now commencing the expansion of universal Free School Meal provision in primary schools and special schools and delivering alternate Free School Meal support for all eligible children in holiday periods starting with P4s this year. In addition to this, we have committed to provide free breakfast and lunch provision year round to primary and special school pupils.

**SG Action – we will expand universal Free School Meal provision in primary schools and special schools and deliver alternate Free School Meal support for all eligible children in holiday periods**

### **Ensuring access to affordable housing**

The cost of housing can be a significant pressure on household budgets for those on a low income and can therefore contribute to fuel poverty. Making sure everyone in Scotland has access to good quality housing is a vital part of the Scottish Government's drive to secure economic growth, promote social justice, strengthen communities and tackle inequality. Housing to 2040, our first long term housing strategy, sets out a vision for what we want homes and communities to look and feel like for the people of Scotland, no matter where they live and what point in their life they are in.

Housing to 2040 includes an ambition to deliver a further 100,000 affordable homes up to 2032, with at least 70% of these for social rent, once the previous 50,000 affordable homes target has been delivered. We will deliver 50,000 of these homes by 2026-27 and a further 50,000 homes by the end of 2031-32.

**SG Action - We will deliver 110,000 energy efficient, affordable homes by 2032 – at least 70% of which will be in the social rented sector and 10% in our remote, rural and island communities – which will ensure homes are warmer and cheaper to heat.**

### **Rented Sector Strategy**

We will improve accessibility, affordability and standards across the whole rented sector, publishing a new Rented Sector Strategy, informed by tenants, and bringing forward a new Housing Bill early in this Parliament to strengthen tenants' rights and improve the housing rights of people experiencing domestic abuse. The strategy will benefit from a phased approach, with a first iteration published by December 2021 which will be consulted on in early 2022. The final version would be published in the second half of 2022. A Housing Bill in the current Parliament will pick up on any legislative aspects identified in the Strategy.

**SG Action - We will produce a Rented Sector Strategy and include any legislative aspects in a Housing Bill in this parliamentary term– which will support renters in ensuring their energy needs are fully considered and levels of Fuel Poverty in the rented sector are reduced**

### **Discretionary Housing Payments**

Discretionary Housing Payments (DHPs) support tenants struggling with their housing costs where Universal Credit or Housing Benefit does not cover the cost of their rent. Those in receipt of Housing Benefit or the housing element of Universal

Credit who require further financial assistance in order to meet housing costs are eligible to apply.

We are continuing to push the UK Government to reverse its damaging welfare changes, which put people at risk of homelessness and at risk of being pushed into poverty.

We have pushed the UK Government to ensure Local Housing Allowance (LHA) rates must not go back to the pre pandemic cuts which saw the private sector become completely unaffordable for people in receipt of benefits in some areas. The UK Government decision to maintain LHA rates in cash terms in 2021/22 is a further freeze for private renters and places additional pressure on tenants which in turn adds to the pressure on the DHP funding pot.

We are continuing to provide the necessary funding in this area because it is the right thing to do, providing a lifeline for families and individuals already struggling to meet housing costs.

**SG Action - We will continue to mitigate the bedroom tax until such times where we are able to abolish it which will impact on fuel poverty by ensuring households incomes can be used to meet reasonable energy needs**

### **Promoting Fair Work First**

Fair Work is central to our economic recovery and must be a hallmark of our wellbeing economy. We must make sure that new jobs are good jobs - complying with high workplace standards and paying fair wages.

Through the Scottish Government's Fair Work First (FWF) approach, employers are being asked to commit to adopting fair work practice.

We will continue to roll out FWF approach across the public sector, aiming to drive fair work practices across the wider labour market to support economic recovery and renewal and in doing so, support tackling poverty interventions.

**SG Action – we will continue to roll out a Fair Work First approach across the public sector which will help ensure households have an adequate levels of income to meet their reasonable energy needs**

### **Real Living Wage**

As part of the FWF approach, the Scottish Government wants to see more workers being paid at least the real Living Wage (rLW). The rLW, like the definition of fuel poverty, is based on the Minimum Income Standard which establishes the minimum income needed for an acceptable standard of living.

**SG Action - We will continue to encourage more employers in Scotland to pay the real Living Wage which will help ensure households have an adequate levels of income to meet their reasonable energy needs**

## Living Hours

We recognise that paying the real Living Wage alone will not give workers a decent weekly wage. That is why we have launched a new Living Hours Accreditation Scheme for Scotland. The new scheme recognises that the number, frequency and stability of hours of work are also critical to tackling in-work poverty. As well as payment of the real Living Wage, criteria for Living Hours Accreditation includes

- A contract reflecting accurate hours worked and a guaranteed minimum of 16 hours a week (unless the worker requests otherwise);
- At least 4 weeks' notice of shifts and guaranteed payment if shifts are cancelled within the 4 week period.

**SG Action - We will continue to encourage more employers in Scotland to achieve Living Hours Accreditation which will help ensure households have an adequate levels of income to meet their reasonable energy needs**

## Improving access to employment

Unemployment is at historically low levels but there are still many who struggle to find and keep a job. We want to do as much as we can to ensure that as many people as possible benefit from work.

We are seeking to deliver a fairer recovery providing just transitions to the labour market. We recognise that the employability landscape is complex and are working with partners to simplify this whilst addressing existing social and economic inequalities and preventing those who are most vulnerable from being further disadvantaged by the impacts of Covid-19.

## No One Left Behind

Through our No One Left Behind approach, we will deliver an all age approach to employability that is flexible, person-centred and integrated and aligned with other wrap around services including health, justice, housing provision and advice services.

## Parental Employability Support Fund

In 2021/22 we will invest £8.65 million in Parental Employability Support Fund putting in place interventions that support employability and in-work progression for low income parents. It helps low income families identified as being most at risk of experiencing poverty to increase their earnings through employment, by gaining and progressing in Fair Work.

## Building Inclusive and Sustainable Local Economies

As well as developing a culture of fair work in Scotland, we aim to create the right environment for more inclusive and sustainable employment opportunities to flourish.

We will achieve this by continuing to fund, develop and deliver City Region Deals and Regional Growth Deals to attract investment and create jobs while also developing, promoting and implementing community wealth building as an approach to deliver inclusive growth.

### **Community Wealth Building**

Community Wealth Building (CWB) is a practical and outcomes focussed approach to local economic development that supports the delivery of a wellbeing economy in Scotland.

By redirecting wealth back into the local economy, CWB can help increase local economic activity, as well as driving greater community ownership. It could therefore contribute to higher household incomes and, potentially, greater community involvement in local energy projects.

## **Chapter 7 – Advice and Support**

As described in previous chapters, we fund Home Energy Scotland to provide impartial advice and support to fuel poor households covering all four drivers of fuel poverty. However, we need to continue our efforts in ensuring those in fuel poverty are aware of the support available and able to access it easily.

### **Who do households in fuel poverty contact for advice and support?**

Our Lived Experience research found awareness of sources of advice and support on home heating was low amongst fuel poor households, including of Home Energy Scotland, the Energy Savings Trust, Energy Action Scotland and local energy advice centres. Awareness of Citizens' Advice Scotland was higher, although participants did not typically associate it with advice on heating or energy costs. This low level of awareness was reflected in the low number of households who had used these services. This echoed the findings of the Evidence Review which showed that households that have the greatest need for support are often those who are not accessing it.

Rather than using advice services, households tended to access the information they needed online, or via word of mouth. Tenants, whether in the private or social sector, were more likely than owner occupiers to say that they would look for information online. For those who did not use the internet, support networks took on even greater importance. There were similar findings in the Evidence Review which highlighted how friends and neighbours can make difficult living conditions feel more tolerable, there are times when even support networks are unable to provide the help required – because they don't have the technical knowledge necessary or because the householder does not want to talk about the issue with others. In these situations, it could take extraordinary hardship before a householder sought professional help, with long periods during which they did not have the support to which they were entitled.

### **What advice and support do fuel poor households need?**

Our Lived Experience Research highlighted that households found it difficult to think of the kind of advice that would help them the most unprompted, as their starting point was one of low awareness about what support was available or a perception that they did not need any help or advice. The few suggestions that were made related to heating systems, specifically how best to use electric storage heaters efficiently, and information on how to budget effectively.

It was also highlighted by fuel poor households in our Lived Experience Research that measures such as sending letters to remind people when to apply for the Warm Homes Discount Scheme would also help ensure they could claim the support they were entitled to.

Our Evidence Review highlighted that there can be difficulties for fuel poor households with accessing and making sense of energy-related information. Improving energy literacy through building a greater understanding of bills and heating systems with the support of advisors in some instances had a dramatic positive impact on the participants' confidence and being able to cope with future problems

The Evidence Review also highlighted the links between fuel poverty and energy debt and noted the various reasons why energy debt occurs. Further to this it noted that in rural communities, supplier mistakes and inaccurate billing were found to be a considerable part of energy advice service workloads.

Our Evidence Review also suggests that some households, especially those in vulnerable circumstances, prefer face-to-face advice.

Our Evidence Review also noted specific advice and support needs for refugees in relation to energy bills. It highlighted that asylum seekers receive lower levels of benefits than the general population and once they have leave to remain, they have only 28 days to vacate UKBA accommodation and access mainstream benefits and services. This meant there was a short time between having utility bills covered by the UKBA support package to having responsibility for utility bills in their new accommodation.

### **What barriers prevent households in fuel poverty from accessing advice and support?**

Our Lived Experience Research highlighted three main reasons why participants had not sought advice and support with their heating.

Firstly, also noted in the Evidence Review, participants did not necessarily consider themselves in need of support and advice. Some showed a tendency to downplay and normalise the impacts of fuel poverty, meaning they did not perceive themselves as needing help. There was a perception that their situations were normal or acceptable, or that they were in a better position than others. Some also felt they would not qualify for financial support, because of their income level or the fact that they were not in receipt of benefits.

Secondly, there were low levels of awareness of what support and advice was available or how to access it. Households were open to seeking advice on their heating but were concerned about which organisations they could trust. Our Evidence Review also found that awareness of support services was low, particularly amongst those who were having the greatest difficulty in affording their bills.

Thirdly, there was also a degree of scepticism about whether support and advice would have any significant impact on them, unless the cost of fuel was reduced or they received financial support towards paying for their heating.

Our Lived Experience Research also noted that communication issues can also be a barrier.

The Health Impact Assessment carried out on this Strategy also highlighted a number of reasons why individuals in fuel poverty might not seek the support that is available to them:

- difficulties using digital technology
- the stigma of friends or family knowing they are unable to heat their homes
- in smaller communities, not wanting neighbours to know

- language and/or cultural barriers

Households that we spoke to as part of our Lived Experience Research told us that existing support organisations could be made more visible to help raise awareness of their potential benefits, for example by advertising on television or online. It was also suggested that any communications from Home Energy Scotland or Energy Savings Trust should emphasise their relationship with the Scottish Government, making clear that they are impartial and independent of energy companies, which would help gaining peoples' trust.

## Chapter 8 – Partnership Working

While many households in fuel poverty may not seek advice directly from HES, they may present themselves to and be identified in a number of settings in health, social care and community sectors. We will ensure that we work closely with individuals and organisations that are already trusted by individuals in fuel poverty.

Home Energy Scotland already work with a range of partners to raise awareness of their service and ensure households in fuel poverty can be easily referred for further support. HES provide a secure online portal by which partners can quickly and easily make referrals and track the outcomes for their clients. This has been especially important during the Covid-19 pandemic when they have received unprecedented volumes of referrals by this route.

### **Working in partnership with health**

The links between long term health conditions, poor health and wellbeing, and living in a cold, damp home are well recognised. Cold homes are more likely to be damp and this encourages the growth of mould which can cause and aggravate respiratory illnesses.

While the evidence base related to fuel poverty and health is still emerging, studies suggest that living in poorly heated homes may be linked to both mental and physical health impacts. It can also lead to delayed recovery from illness and delayed discharge from hospital. The stigma associated with living in a cold home may also lead to social isolation. Evidence also suggests that those most vulnerable to the effects of low indoor temperatures include young children, the elderly, and people with existing physical and mental health conditions.

While the evidence base on health benefits of energy efficiency and fuel poverty interventions is still emerging, there is some evidence to suggest that interventions improving domestic conditions related to warmth and damp may help improve both physical and mental health outcomes for those vulnerable groups.

However, there remain a number of gaps in the evidence around energy efficiency interventions and health. As noted in our Health Impact Assessment, there is the potential for energy efficiency improvements to have negative impacts on homes. Some energy efficiency improvements can lead to poor ventilation, which can have a negative impact on the air quality in the home. This, and associated issues of condensation and damp, can have adverse effects on health, particularly for those with existing respiratory health conditions.

Problems with damp, condensation or mould growth were more prevalent among social renters compared to private renters and homeowners, and among those on the lowest incomes compared with those on higher incomes.

*“Behind that couch there will be damp spores. When I turn the mattress every week it's damp underneath, and I scrub it with Domestos, and if you put anything on the bed you guarantee once you take it out you have to throw it away, everything is covered in mould. Even the side of the wardrobe there is mould growing up the side of the wall, we can't stop it.”*

*Darren, 35+ no children, Social renter, Other urban/non-remote rural, FP and EHR*

The Evidence Review highlighted that, in relation to condensation specifically, households often have little knowledge of how to reduce condensation using their heating and ventilation.

Additional research is required to better understand the mechanism through which the health benefits of energy efficiency improvements are realised.

Research by Citizens Advice Scotland, recommended that those working in areas such as health and care need to be involved in tackling fuel poverty. Building strong partnerships with the health and social care sector is therefore crucial to tackling fuel poverty. At a national level we will undertake further engagement with NHS Health Scotland to establish links to the most appropriate contacts within the NHS to take forward the fuel poverty agenda within the wider health and social care sector to help us identify and sign post individuals that are vulnerable to the effects of living in a cold home and experiencing fuel poverty.

### **Community Link Workers**

The Scottish Government has a commitment to deliver 250 CLWs over the life of the Parliament. A Community Link Worker (CLW) is a generalist practitioner based in or aligned to a GP practice or Cluster who works directly with patients to help them navigate and engage with wider services, including energy advice services. Their purpose is to improve patient health and well-being, reduce pressure on general practice and tackle health inequalities.

During the Covid-19 pandemic, CLWs have continued to provide a vital role in supporting patients with mental health, emotional support, benefits and housing information, social isolation and anxiety.

### **Welfare Advice and Health Partnerships**

We are also providing £3.17 million to fund dedicated welfare rights advisors in GP practices in some of the most deprived communities. These advisors will help to address growing mental health concerns caused by money and housing insecurity. 150 GP Practices will be able to refer patients directly to an in-house welfare rights officer for advice on increasing income, social security eligibility, debt resolution, housing, and employability issues as well as helping with representation at tribunals. Home Energy Scotland are working closely with the Improvement Service to ensure that advisers are able to refer patients for further support to reduce energy bills and make homes warmer and cheaper to heat.

HES advice centres also regularly partner with GP practices, clinics and child vaccination clinics to raise awareness of the advice that they provide. Due to COVID-19 restrictions, HES were unable to do this as normal in 2020, and in an effort to adapt their approach, partnered with NHS Lothian to provide energy advice at the pilot 'drive-through' flu vaccination clinics in Edinburgh.

### **Working in partnership with local authorities**

Local Authorities are also key partners in our efforts to eradicate fuel poverty. As set out in Chapter 4, local authorities are responsible for identifying how fuel poverty will be tackled at a local level and are required to set out the nature and scale of fuel poverty in their area and the particular causes of this fuel poverty within their Local Housing Strategies, which must be produced every 3 years.

Home Energy Scotland already work in partnership with many local authorities services in Scotland. This ensures that HES advisors are able to refer households directly for support from services in their local area.

Local Authorities are encouraged to adopt a holistic approach in their administration of the Scottish Welfare Fund.

In 2020-21, in response to the COVID-19 pandemic, we allocated considerable additional resource to local authorities to tackle both fuel and food insecurity through a cash-first approach, including:

- an additional £22 million for the Scottish Welfare Fund
- £8 million for Discretionary Housing Payments
- £30 million to tackle food insecurity
- £40 million to tackle financial insecurity.

### **Working in partnership with housing providers**

Housing providers can play a pivotal role in helping to identify and tackle fuel poverty. Households in the rented sector are more likely to be in fuel poverty with similar rates across housing association (39%), local authority (36%) and private rented sectors (36%). In comparison, 12% of those with a mortgage are assessed to be fuel poor.

We need to ensure that tenants can access advice on the other drivers of fuel poverty: low household incomes, high energy prices and how energy is used in the home. Many social landlords already offer advice services to their tenants on welfare benefits and money management and some also provide energy advice.

A recent report by the Scottish Housing Regulator, highlighted that, among social renters, the cost of heating the home was the most commonly cited reason for difficulties affording their rent.

As part of our efforts to support households struggling with their energy costs during the COVID-19 pandemic, we provided £2.1 in 2020-21 to the Scottish Federation of Housing Associations (SFHA) to set up the Social Housing Fuel Support Fund. This provided practical support to social housing tenants to manage or reduce their energy costs. In total, over 25 RSLs received funding delivering a range of activities

including providing fuel vouchers, direct payments, energy efficient appliances, and winter assistance packs.

Through the Winter Support Fund, we will provide a further £2.1 to SFHA in 2021-22 so that the Social Housing Fuel Support Fund is able to operate again this winter.

### **Working in partnership with the third sector**

There are a variety of organisations across the third sector who provide support and advice to those in fuel poverty. Some of these organisations are focused on the needs of particular groups, such as lone parents or refugees. Working with organisations with this type of expert knowledge will allow us to better understand, the challenges facing specific communities. This will ensure that we can provide more tailored advice and information that is relevant to people's lives.

Both our Lived Experience Research and our Evidence Review highlighted the interactions between fuel poverty and poor housing, debt and low incomes. We therefore need to ensure that we work with national and local organisations that provide housing, money, and welfare advice.

We also need to ensure that our partnership working with the third sector includes organisations which provide material support, such as food banks, fuel banks and school uniform banks, so that households can access support targeted at reducing bills in the longer term.

Through their partnership with CFINE (Community Food Initiative North East), as part of the Covid-19 response agreed with the Scottish Government, HES advisers contacted CFINE clients to arrange food parcel deliveries and offer them HES support, along with access to a range of local services such as money and benefits advice.

#### **Case Study – HES Energycarers**

HES has built partnerships with community-based and third sector organisations to support them to apply for funding from the Scottish Government's Climate Challenge Fund and Ofgem's Energy Redress Fund.

These projects are often centred on advice to households to reduce energy use, transition to renewable sources of energy and address fuel poverty. By working with community led organisations to inform the design and delivery of their projects, HES builds partnerships that enable direct referral of householders to and from HES and ensures that the advice provided to householders is consistent and joined-up.

Examples include Greener Kirkcaldy (who lead the cohort of community energy advice projects) and regional equalities councils and other BAME community organisations to support energy advice in community languages to households who don't speak or read English fluently. In 2020-21, these partnerships led to £2.9 million of funding from the Ofgem Redress fund going to a variety Scottish projects.

In response to COVID-19, we provided funding to both the Fuel Bank Foundation and Advice Direct Scotland which allowed them to expand their partner networks in Scotland. This has not only enabled more households at risk of self-disconnection or self-rationing to receive support but has also helped to enhance the level of support that advice providers are able to offer to their clients.

### **Working in partnership with Trade Unions**

*“Just because somebody is working doesn’t mean they can afford everything. Especially families with children and there is only one parent that’s working out of the two, it’s a lot more difficult. I think the council should think about that as well, help people that need that bit of support.”*

*Lisa, Family with children 5 and under, Owner occupier, Other urban, EFP and EHR*

This echoes the findings of the Evidence Review which noted that households in low paid work often assumed that support for energy efficiency measures was only targeted at people not in work.

We need to ensure that those in work but in fuel poverty are aware of the support that is available to them and how to access it. We are aware that as well as providing employment advice and representation, the support that Trade Unions provide to their members can often include welfare support. Working in partnership with Trade Unions could therefore help us to better promote the support that is available to those in work and in fuel poverty. We will therefore explore how we can take more targeted awareness raising action by working in partnership with Trade Unions.

### **Working in partnership with Social Security Scotland**

We recognise that households applying for benefits from Social Security Scotland are likely to be on a low income or have a long term health condition or disability, factors which increase the likelihood that the household will be in fuel poverty. We therefore want to ensure that we work closely with Social Security Scotland so that when people apply for benefits they are not only made aware of further benefit entitlements but also of the support available to make homes warmer and reduce energy bills.

As part of this approach, we included details of the support available from Home Energy Scotland in the award letters for Child Winter Heating Assistance (paid to household with a severely disabled child).

Home Energy Scotland are also working with Social Security Scotland as part of the roll out of Child Disability Assistance to ensure advisors are able to identify clients likely to be in fuel poverty and refer on to Home Energy Scotland for further assistance. Taking a pilot approach, HES will seek to develop a strong partnership approach that can then be scaled up as further benefits are delivered by Social Security Scotland.

**SG Action - We will continue to work together to develop effective referral routes between HES and Social Security Scotland and share best practice to ensure fuel poor households are getting full access to the support which they may be entitled to**

### **Scottish Fuel Poverty Advisory Panel & Partnership Forum**

The Fuel Poverty Act established a statutory Scottish Fuel Poverty Advisory Panel which will replace the current Scottish Fuel Poverty Advisory Panel. This new body will provide independent scrutiny of the progress we make towards our targets.

The role of the statutory Scottish Fuel Poverty Advisory Panel also includes encouraging and fostering a partnership approach to tackling fuel poverty across the public, private and third sectors, including all of the types of organisations referenced above. It will also include working collaboratively with the Poverty and Inequality Commission to inform advice to the Scottish Government on implementation of the Tackling Child Poverty Delivery Plan.

### **Data Sharing**

The Health Impact Assessment we carried out on the Draft Fuel Poverty Strategy, identified a range of data sources that could be used by local partnerships to better identify those in fuel poverty:

- Council tax rebate data includes details of income, housing costs and council tax band. This could be linked to EPC data for a more complete picture of the household and property;
- Housing benefit data (soon to be housing element of Universal Credit);
- Scottish Welfare Fund grants, free school meals take up, clothing grants and discretionary housing payment claims;
- Energy use data held by the supplier which can highlight unusual patterns of bills. This information could be used to trigger a fuel poverty assessment. Smart meters may play a useful part in identifying those likely to be experiencing fuel poverty;
- Department of Work and Pensions (and in the future, the new Scottish Social Security Agency) hold data on households dependent on benefits; and
- Health data could be used to target those frequently using health services for conditions that could be aggravated by living in a cold home (e.g. respiratory problem), allergies and asthma.

## Chapter 9 – Monitoring and Reporting

To ensure that we meet our ambitious targets, we will continue to monitor rates of fuel poverty and to ensure that we are addressing the barriers to accessing affordable energy, we will assess the impact of our work by measuring outcomes. We have established a statutory Scottish Fuel Poverty Advisory Panel which will provide robust independent scrutiny of our progress.

### Monitoring Progress

We currently monitor rates of fuel poverty and extreme fuel poverty via the Scottish House Condition Survey (SHCS) which we publish annually. More information on the SHCS is provided in the Technical Annex.

### Data development

Reporting fuel poverty rates fully aligned with the new definition requires a number of additions to the data we collect:

- From 2018 we have collected data in the SHS social interview on childcare costs and the income of other adults beyond the highest income householder and their spouse.
- From 2020 we have made changes to the data collected in the social interview about the times of the day and week households are regularly at home in order to apply the correct heating regime as set out in the Fuel Poverty (Enhanced Heating) (Scotland) Regulations 2020.
- We have undertaken work to analyse the impact of moving from taking account of regional weather in fuel poverty energy modelling, to using postcode district information, and will move to this approach going forward making the modelling as localised as possible.
- We have commissioned work to impute the housing costs for those households in the survey where this information is missing.
- We have commissioned research studying the additional costs (relevant to the fuel poverty definition) of living in remote rural, remote small town and island Scotland. This research determines the uplifts which will apply to the Minimum Income Standard for households in these areas in 2021 and will be updated annually.

These data developments are not currently included in the best estimates presented since they are not available in all of the previous 3 years required for local authority analysis. Rather than incrementally making changes to the data provided, all of the improvements will be made when we have the full set of information required to monitor the definition and this will be for the SHCS 2021 data at the earliest.

### Measuring Outcomes

As part of our consultation on the Draft Strategy which closed on 1 February 2018 we sought views on our intention to take an outcomes-focused approach and included a draft outcomes framework. We received responses from a range of stakeholders, including local authorities, energy suppliers, third sector organisations,

as well as representatives from health and social care. Only a small number of respondents did not agree with an outcomes-focused approach and we received a wide range of comments that have helped us to develop our outcomes framework further. Working with the Scottish Fuel Poverty Advisory Panel we have developed this further and a copy is contained at Annex C. This framework will help to demonstrate effectively the activity being taken forward by Local Authorities, their partners and other stakeholders.

**SG Action - We will work with key stakeholders, including Local Authorities, COSLA and the Scottish Fuel Poverty Advisory Panel to develop an outcomes framework that we will publish in spring 2022**

### **Reporting**

As well as monitoring our progress and measuring the outcomes of our work, it is important that we regularly publish a fuller analysis of the progress we are making towards our targets. This will provide transparency and allow us to reassess our action plan to consider whether further or new actions are required.

We will work with key partners and stakeholders, including Local Authorities, to develop a reporting format that will set out the progress we have made towards reaching our ambitious targets, reflect on our achievements to date and identify new activity that we consider is required if we are to meet our targets. We will consider including qualitative reporting within the reports and, where appropriate, we will ensure that our reporting is aligned with that of the Heat in Buildings Programme.

We will publish our reports every three years, with our first report due in early 2025 and (as the rates of fuel poverty for 2040 will not be available until December 2041 at the earliest) our final report no later than 2042.

**SG Action – Working with key partners, including the Scottish Fuel Poverty Advisory Panel, we will develop a reporting format that will set out the progress we have made in reaching the fuel poverty targets. We will report every three years, with the final report being published no later than 2042**

### **Review**

We will keep this Strategy under review so that we are able to respond to changing circumstances and ensure progress towards meeting our statutory targets. We will revise this Strategy at a date no later than 2026. At this time, we will assess progress towards meeting the 2040 target and interim milestones and recommend further necessary action that may be required. If for any reason we do not believe a revised Strategy is necessary by 2026 we will publish an explanation of our decision.

**SG Action - We will keep this Strategy under review and will revise it at least every 5 years, with the first review taking place no later than 2026**

## Annex A – Action Plan

### Table of Actions

<b>Approach</b>	
<b>Theme: Research</b>	
New Action	1. Working with the Scottish Fuel Poverty Advisory Panel, we will explore the opportunities to carry out further lived experience research and build on our existing evidence base
<b>Poor Energy Efficiency</b>	
<b>Theme: Delivery Schemes</b>	
Actions	<ol style="list-style-type: none"> <li>1. We will continue to invest in Warmer Homes Scotland and our Area Based Schemes to maximise the number of households in fuel poverty achieving a level of energy efficiency equivalent to EPC C by 2030 and EPC B by 2040.</li> <li>2. Over the next five years, we will deliver an increasing number of 'whole house' retrofits to fuel poor households and will adopt a 'zero emissions first' approach</li> <li>3. We will explore how to better identify potential projects and increase take up by fuel poor households for our ABS projects</li> <li>4. We will continue to provide funded support to households in fuel poverty, helping them to install energy efficiency measures through Warmer Homes Scotland, the scheme that replaces it, and our Area Based Schemes</li> <li>5. Those in fuel poverty will continue to be supported as one of the key priorities within appropriate schemes of our Heat in Buildings Programme</li> </ol>
New Actions	<ol style="list-style-type: none"> <li>1. In 2022, we will undertake research with members of the Gypsy Traveller community who have lived experience of fuel poverty to better understand how we can reflect their needs in Warmer Homes Scotland (WHS), the scheme that replaces it, and our Area Based Schemes (ABS).</li> <li>2. We will ensure that the replacement scheme for Warmer Homes Scotland continues to provide support to those fuel poor households who face the greatest health risks of staying in a cold home.</li> <li>3. We will continue to provide enabling measures such as assistance with loft clearances, asbestos removal, the installation of fuel storage tanks and the removal of failed cavity wall insulation to help facilitate energy efficiency improvements.</li> <li>4. Working with the Scottish Fuel Poverty Advisory Panel, we will seek to ensure that eligibility criteria for our Area Based Schemes and the new scheme to replace WHS, are aligned with the updated fuel poverty definition and continue to target assistance to those that need it most.</li> <li>5. We will explore the development of a fuel poverty assessment tool.</li> </ol>

	<ol style="list-style-type: none"> <li>6. We will apply the learnings from projects funded by the Gypsy Traveller Accommodation Fund or undertaken as part of ABS Special Projects that seek to improve the energy efficiency of Gypsy Traveller accommodation to Warmer Homes Scotland, the scheme that replaces it, and our Area Based Schemes.</li> <li>7. We will continue to monitor whether our investment helps households to maintain an adequate indoor temperature and will supplement this with increased qualitative feedback from the households we support.</li> <li>8. We will seek to identify Social Housing Net Zero Fund projects which have been successful in reducing energy bills for those in fuel poverty and share learning with the wider social housing sector as well as applying to Warmer Homes Scotland, the scheme that replaces it and our Area Based Schemes</li> </ol>
<b>Theme: Regulations and Standards</b>	
Actions	<ol style="list-style-type: none"> <li>1. We will work with Historic Environment Scotland to consider what further specific provisions or exemptions may be needed within regulations in meeting requirements for decarbonisation of their heat supply and reducing their demand for heat.</li> <li>2. We will consult on a regulatory approach for mixed-tenure buildings which would see them required to reach a good level of energy efficiency, equivalent to EPC C rating, where technically feasible and cost effective, and install a zero emissions heating supply.</li> <li>3. We will introduce regulations requiring private rented sector properties to meet a minimum standard equivalent to EPC C, where technically feasible and cost-effective, by 2028.</li> <li>4. We will regulate for all buildings across all tenures to achieve a good level of energy efficiency by 2033 and use zero emissions heating (and cooling) by 2045, where within competence.</li> <li>5. We will reform the existing EPC assessment process so that it includes three indicators so that it is compatible with both our fuel poverty and our climate change targets.</li> <li>6. We will introduce a new tenure-neutral housing standard which will ensure that our homes both new and existing achieve the same levels of minimum energy standards so that fuel poor household can live in a warm, comfortable energy efficient home.</li> </ol>
New Actions	<ol style="list-style-type: none"> <li>1. We will work with social housing stakeholders to respond to the Zero Emissions Social Housing Taskforce report and recommendations in bringing forward the review of EESSH2 as quickly as possible.</li> <li>2. We will introduce new energy standards for new homes in 2021 and 2024, taking into account the responses to our consultation.</li> </ol>
<b>Theme: Strategic Approach</b>	
Actions	<ol style="list-style-type: none"> <li>1. We will work with local authority partners and wider stakeholders to introduce LHEES for all local authority areas by the end of 2023.</li> <li>2. We urge the UK Government to review levy funding for the Energy Company Obligation and the Warm Homes Discount and work with Scottish Ministers so that these can be combined as a single,</li> </ol>

	flexible Scottish Fuel Poverty scheme, as provided for in the Scotland Act.
<b>High Household Energy Prices</b>	
<b>Theme: Levies</b>	
Actions	1. Urge UKG to rebalance environmental and social obligation costs (levies) on energy bills to reduce the difference in unit prices between gas and electricity.
New Actions	2. We published our research into the impacts of rebalancing levies and charges on electricity and gas supplies alongside our Heat in Buildings Strategy and we will further consider the potential options for reviewing levies and the impacts these may have on fuel poor households.
<b>Theme: Tariffs</b>	
Actions	<ol style="list-style-type: none"> <li>1. We will continue to press for customers with pre-payment meters to access similar tariffs to direct debit customers.</li> <li>2. We will continue to fund Home Energy Scotland to provide advice and support on how to reduce energy bills and make homes warmer and cheaper to heat.</li> </ol>
New Actions	<ol style="list-style-type: none"> <li>1. We will work with Consumer Scotland to consider tracking the impact of decarbonisation on households as part of their future workplan</li> <li>2. Ensure our lived experience research with fuel poor Gypsy/Travellers includes examination of energy prices on some local authority sites with a view to better understanding the particular challenges that would be needed to support Gypsy/Traveller communities</li> <li>3. We will continue to work with BEIS, Ofgem, Smart Energy GB and the wider energy market to ensure Scottish consumers are considered and can access the benefits of smart meter as the roll out continues, particularly representing the interests of those at highest risk of FP.</li> </ol>
<b>Theme: Secondary Technologies</b>	
New Actions	<ol style="list-style-type: none"> <li>1. We will continue to monitor the effectiveness of new technologies in demonstration projects and incorporate the learning into our delivery schemes to maximise benefit for fuel poor households to ensure they are delivering the intended benefits and what changes are required.</li> <li>2. We will act on the evidence from current research to understand the cost effectiveness of thermal, electrical storage and rooftop solar PV to support households to reduce bills. Where this proves effective we will consider support for them through Warmer Homes Scotland, the scheme that replaces it, and our Area Based Schemes.</li> </ol>
<b>Low Household Income</b>	
<b>Theme: Improving access to income maximisation</b>	
Actions	1. We will share the learning of the Financial Inclusion Universal Pathway Quality Improvement Collaborative to strengthen partnership working between income maximisation services and health settings.

New Actions	1. We will explore how data sharing could enhance HES support to provide fuel poor households with a benefits check.
<b>Theme: Financial Support</b>	
Actions	<ol style="list-style-type: none"> <li>1. We urge the UK Government to reconsider its decision to cut Universal credit by £20-per-week.</li> <li>2. We urge the UK Government to review levy funding for the Energy Company Obligation and the Warm Homes Discount and work with Scottish Ministers so that these can be brought together into a single flexible Scottish Fuel Poverty scheme, as provided for in the Scotland Act. [Also covered under Strategic Approach theme of Poor Energy Efficiency]</li> <li>3. We will deliver our replacement benefit for Winter Fuel Payment on a like-for-like basis.</li> <li>4. We will replace Cold Weather Payment with a new annual payment of £50 for all low income households who are currently eligible to receive the Cold Weather Payment during cold spells, providing greater certainty and consistency for around 400,000 people in Scotland.</li> <li>5. We will double the value of the Scottish Child Payment to £80 every four weeks in this parliament</li> </ol>
New Actions	1. We will explore how a Minimum Income Guarantee could offer those on low incomes safety, security and dignity which will impact on fuel poverty by raising the levels of income for the household to meet their essential needs for energy.
<b>Theme: Reducing Household Costs</b>	
Actions	<ol style="list-style-type: none"> <li>1. We will expand universal Free School Meal provision in primary schools and special schools and deliver alternate Free School Meal support for all eligible children in holiday periods.</li> <li>2. We will deliver 110,000 energy efficient, affordable homes by 2032 – at least 70% of which will be in the social rented sector and 10% in our remote, rural and island communities – which will ensure homes are warmer and cheaper to heat.</li> <li>3. We will produce a Rented Sector Strategy and include any legislative aspects in a Housing Bill in this parliamentary term – which will support renters in ensuring their energy needs are fully considered and levels of Fuel Poverty in the rented sector are reduced.</li> </ol>
New Actions	<ol style="list-style-type: none"> <li>1. We will provide free bus travel to all under 21s which will impact on fuel poverty by ensuring households incomes can be used to meet reasonable energy needs.</li> <li>2. We will continue to mitigate the bedroom tax until such times where we are able to abolish it which will impact on fuel poverty by ensuring households incomes can be used to meet reasonable energy needs.</li> </ol>
<b>Theme: Increasing Income from Employment</b>	
Actions	1. We will continue to roll out a Fair Work First approach across the public sector which will help ensure households have an adequate levels of income to meet their reasonable energy needs.

	<ol style="list-style-type: none"> <li>2. We will continue to encourage more employers in Scotland to pay the real Living Wage which will help ensure households have an adequate levels of income to meet their reasonable energy needs.</li> <li>3. We will continue to encourage more employers in Scotland to achieve Living Hours Accreditation which will help ensure households have an adequate levels of income to meet their reasonable energy needs.</li> </ol>
<b>Partnership Working</b>	
<b>Theme: Lived Experience</b>	
Actions	<ol style="list-style-type: none"> <li>1. We will consult with people with lived experience of fuel poverty when making any new regulations under the Fuel Poverty Act.</li> </ol>
<b>Theme: Social Security</b>	
New Actions	<ol style="list-style-type: none"> <li>1. We will continue to work together to develop effective referral routes between HES and Social Security Scotland and share best practice to ensure fuel poor households are getting full access to the support which they may be entitled to.</li> </ol>
<b>Monitoring and Reporting</b>	
<b>Theme: Reporting</b>	
Actions	<ol style="list-style-type: none"> <li>1. Working with key partners, including the Scottish Fuel Poverty Advisory Panel, we will develop a reporting format that will set out the progress we have made in reaching the fuel poverty targets. We will report every three years, with the final report being published no later than 2042.</li> </ol>
<b>Theme: Review</b>	
New Actions	<ol style="list-style-type: none"> <li>1. We will keep this Strategy under review and will revise it at least every 5 years, with the first formal review taking place no later than 2026</li> </ol>
<b>Theme: Outcomes Framework</b>	
New Action	<ol style="list-style-type: none"> <li>1. We will work with key stakeholders, including Local Authorities, COSLA and the Scottish Fuel Poverty Advisory Panel to develop an outcomes framework that we will publish in 2022.</li> </ol>
<b>How Energy is Used in the Home</b>	
<b>Theme: Research</b>	
New Action	<ol style="list-style-type: none"> <li>1. We will explore with the Fuel Poverty Advisory Panel opportunities to carry out further research to understand how people in fuel poverty with different protected characteristics use energy in the home to ensure our approach promotes equality of outcomes.</li> </ol>



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Any enquiries regarding this publication should be sent to us at  
The Scottish Government  
St Andrew's House  
Edinburgh  
EH1 3DG

ISBN: 978-1-80201-614-7 (web only)

Published by The Scottish Government, November 2021

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA  
PPDAS968266 (11/21)

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Our ref: A35217834

9 November 2021

Dear Dean,

I am writing to advise the Committee that the draft of the proposed final Fuel Poverty Strategy will be laid in the Scottish Parliament on 9 November.

Work on the development of the final fuel poverty strategy resumed earlier this year following the pause in March 2020 due to the reprioritisation of resources to support the government wide efforts on tackling the pandemic.

As set out in Section 7 of the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019, the proposed final Fuel Poverty Strategy has to be laid before Parliament for a period of 40 days in order to allow Parliament to consider the Strategy before it is finalised and published. Subject to the outcome of Parliament's consideration of the proposed fuel poverty strategy, it is my intention that the Fuel Poverty Strategy will be published in late December 2021.

Your sincerely,

**MICHAEL MATHESON**

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24 November 2021

Dear Neil,

Thank you for your letter of 17 November and for advising me of the stakeholder evidence session on the proposed Fuel Poverty Strategy that the Committee intends to hold on 25 November.

You asked about the engagement and consultation that has been undertaken to support the development of the Fuel Poverty Strategy. The proposed final Fuel Poverty Strategy builds on the draft strategy that was published in 2018. The Scottish Government consulted extensively on the previous draft of the strategy and this informed the development of the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019 (the 2019 Act) and the current proposed strategy.

Early this year the formal consultation on our Heat in Buildings Strategy sought views from stakeholders on the plans set out in the strategy in the context of tackling fuel poverty.

Additionally, in September my officials held a number of interactive, virtual consultation events on the strategy themes and potential actions. These events were attended by a wide range of stakeholders including organisations that provide advice and support to households in fuel poverty including in rural and island communities, local authorities and social landlords and individuals with lived experience. Those attending the sessions were also encouraged to provide written comments.

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The attached **Annex A** to this letter sets out the range of organisations that have contributed to our understanding of fuel poverty matters from the September 2021 engagement events. That together with those who responded to the Heat in Buildings Strategy consultation ([Heat in Buildings Strategy - achieving net zero emissions in Scotland's buildings - gov.scot \(www.gov.scot\)](#)) as well as those who contributed to the 2018 consultation ([Fuel Poverty Strategy for Scotland: consultation analysis - gov.scot \(www.gov.scot\)](#)) have helped us take the rich information into account across these consultation events over the years in the production of the proposed final Fuel Poverty Strategy. We will publish a report setting out the consultation process and how the views expressed during that process have been taken into account as required by the 2019 Act. We intend to lay this in Parliament in 2022.

I will also take this opportunity to confirm that work continues to conclude the public appointments process for the statutory Scottish Fuel Poverty Advisory Panel. I look forward to working with the Panel, once appointed, to create a fairer Scotland for all, and one where every household lives in a warm home they can afford to heat.

I look forward to hearing from you on the findings from the evidence session.

Yours sincerely

**MICHAEL MATHESON**

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## Fuel Poverty Strategy Development Contributors

### September 2021 Consultation

- Advice Direct Scotland
- Existing Homes Alliance
- Health and Social Care Alliance Scotland
- Hjaltland Housing Association
- St Andrews Environmental Network
- Connected Response
- Changeworks
- Voice of Carers Across Lothian
- Scottish Commission for People with Learning Disabilities
- Energy Action Scotland
- Poverty and Inequality Commission
- Central Regional Tenants Network
- Aberdeenshire Council
- Fuel Poverty Consultant
- Living Rent
- Christians Against Poverty
- Church of Scotland
- Citizens Advice Scotland
- Energy Saving Trust
- Fife Council
- South Seeds
- ALACHO
- Child Poverty Action Group
- Cunninghame Housing Association
- Tighean Innse Gall
- WISE Group
- Scottish Fuel Poverty Advisory Panel
- Scottish Power Energy Networks
- Scottish Islands Federation
- One Parent Family Scotland
- Scottish Power
- SFHA
- Highlands and Islands Housing Associations Affordable Warmth
- THAW Orkney

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