

June 2014



## **Friends of the Earth Cymru response to the Environment and Sustainability Committee's Inquiry into energy efficiency and fuel poverty in Wales**

### **Introduction**

Friends of the Earth Cymru was set up in 1984, is part of Friends of the Earth England, Wales and Northern Ireland, and support a unique network of local campaigning groups working in communities throughout Wales. Friends of the Earth Cymru inspires the local and national action needed to protect the environment for current and future generations, and believe that the wellbeing of people and planet go hand in hand.

As an environmental justice organisation, it is a key part of our remit to ensure that people don't suffer in cold homes because of the high prices set by energy companies and poor quality housing with low energy efficiency.

We are members of the Fuel Poverty Coalition Cymru's steering group and fully support their five key calls for action.

We welcome the opportunity to take part in this inquiry and are pleased that the committee has taken the initiative of looking into this crucial cross-cutting issue.

### **Fuel Poverty**

Housing produces about a fifth of greenhouse gas emissions in Wales, and fuel poverty blights 30% of households<sup>1</sup>. We would recommend the NEA's "UK Fuel Poverty Monitor" for a fuller picture of the current challenges<sup>2</sup>.

Living in fuel poverty can affect people's health, increasing the risk and impact of a range of ailments such as heart attack, stroke, circulatory illness, respiratory conditions including bronchitis, weakened immune system and allergies. This has resulted in more than 1,900 excess winter deaths in Wales in 2012/13, with older people particularly susceptible. There

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<sup>1</sup> Wales Fuel Poverty Projection Tool statistics for 2012 <http://wales.gov.uk/docs/caecd/research/130430-wales-fuelpoverty-projection-tool-2011-12-report-en.pdf>

<sup>2</sup> UK Fuel Poverty Monitor 2013-2014, Country report – Wales p.54-63  
[http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20\(WEBSITE%20COPY\).pdf](http://www.nea.org.uk/Resources/NEA/Publications/2013/Fuel%20poverty%20monitor%202014%20(WEBSITE%20COPY).pdf)

are indirect effects; stress in children and adults, long-term depression and anxiety, social exclusion, ill health and lower educational attainment. The estimated cost to the NHS of cold housing in the rental sector alone in Wales is £2 million per annum<sup>3</sup>. Moreover there are broader economic implications for education, employment and health services in Wales.

We congratulate the Welsh Government for taking an area based approach to housing refurbishment through the Arbed scheme, and a targeted programme to tackle fuel poverty through Nest.

## The Welsh Government's statutory targets

Under the UK Warm Homes and Energy Conservation Act 2000 the Welsh Government has a legal duty to ensure "*that as far as reasonably practical persons in Wales do not live in fuel poverty*", and the Welsh strategies that followed set targets for achieving this aim by 2018.

It has been acknowledged that with increases in energy bills, fuel poverty is increasing not decreasing, and it is very unlikely that this target will be met

However the duty to do all that is "*reasonably practical*" remains, and in addition to the funding programmes Nest and Arbed which have had an impact, there are opportunities in policy and legislation to meet this duty.

Paragraph 11 of Part 1 of Schedule 7 of the Government of Wales Act 2006 confers powers on the Assembly in relation to home energy efficiency, and also sets restrictions:

*"Housing finance except schemes supported from central or local funds which provide assistance for social security purposes to or in respect of individuals by way of benefits. Encouragement of home energy efficiency and conservation, otherwise than by prohibition or regulation. Regulation of rent. Homelessness. Residential caravans and mobile homes."* (emphasis added)

The wording "*prohibition or regulation*" has not been tested in this area and we believe that there remains substantial scope for the Welsh Government to bring in measures through legislation which would have an impact on the energy efficiency of homes.

The Housing (Wales) Bill, currently at Stage 3, is a clear legislative opportunity to drive up energy efficiency standards. We support the Welsh Government's proposals to register and licence private landlords and letting agents, and believe that other measures have the potential to influence the private rented sector, which is the tenure most likely to suffer fuel poverty and have the worst average energy efficiency ratings<sup>3</sup>.

We support the amendments drafted by the Fuel Poverty Coalition Cymru to strengthen the Housing Bill<sup>4</sup> and urge the committee to consider the Code of Practice that will follow this Bill to ensure that standards for home energy efficiency are included.

The UK Energy Act 2012 made limited progress in stating that domestic energy efficiency regulations should set minimum standards for the private rented sector to reach by 2018. These draft regulations are yet to be published. This Bill also required that the standards must be met in Scotland no later than 1 April 2015.

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<sup>3</sup> Living in Wales 2008, published 2010 <http://wales.gov.uk/docs/statistics/2010/101126sdr2052010en.pdf>

<sup>4</sup> Submitted by the Fuel Poverty Coalition Cymru

As the regulation to enact these provisions have yet to be published, we strongly recommends that the Assembly and Welsh Government should engage with the UK Government and ensure that standards can be set sooner in Wales (by 2016), and that they are robust and require all rented homes to meet an EPC rating E.

The Future Generation Bill and Planning Bill also have a relevance to fuel poverty and ensuring that we plan to avoid fuel poverty in future, and linking up with this legislation across government departments is a key role for the Environment and Sustainability Committee.

## **Energy efficiency programmes and initiatives**

### Arbed

We have long advocated an area-based approach to housing refurbishment<sup>5</sup> and have strongly support the Welsh Government's Arbed scheme since its introduction. The Welsh Government is to be congratulated on taking a pro-active approach to home energy efficiency and realising the win-win situation of investing in a measure that delivers on carbon reductions, warm homes and local jobs.

However the scale of the programmes and funding available are insufficient to tackle the scale and urgency of the problem. In order to meet the agreed target of cutting Wales' emissions by 40% by 2020, research shows that one third of the current housing stock, or 400,000 houses, will need to be refurbished to a level that cuts their carbon emissions by over 60%.

This research, commissioned by Stop Climate Chaos Cymru and carried out by Cardiff Business School, assessed that improving the standard of our homes has many other benefits for local job creation, saving money for householders and bringing people out of fuel poverty. Such a project would inject £3bn to Welsh GVA over 10 years and create 20,000 jobs<sup>6</sup>.

We recommend that the Welsh Government assess the potential of using the new borrowing powers to lever-in substantial additional funding for Arbed and scale up progress in order to meet the targets of 40% reductions in greenhouse gas emissions by 2020, to save money for consumers and bring them out of fuel poverty, and to create good quality local jobs in Wales.

There are some good examples of cooperation between Local Authorities and housing authorities in delivering these programmes. We urge the Welsh Government to discuss whether finance mechanisms available to Local Authorities could be utilised to support their own programmes and other funding streams such as the Green Deal.

### Nest

We also strongly support having a specific fuel poverty scheme in Nest. However there are issues around its targeting and implementation – the first Nest annual report showed that

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<sup>5</sup> Brenda Boardman, 'Home Truths' 2007 <http://www.eci.ox.ac.uk/research/energy/downloads/boardman07-hometruths.pdf>

<sup>6</sup> Stop Climate Chaos Cymru, 'Cutting Carbon: Creating Jobs' report, 2011 <http://stopclimatechaoscymru.org/wp-content/uploads/2013/07/SCC+-Cutting+Carbon+Report+final1.pdf>

Calculated from BRE, April 2011 'The health costs of cold dwellings'

despite it being the fuel poverty support scheme, 45% of those helped were not in fuel poverty. This suggests a problem with targeting the scheme at the appropriate, and often hard to reach, audience and the qualification criteria.

In the 2013 annual report the data is only available for the households inquiring rather than those that received measures, with only 13% of those not in fuel poverty, suggesting that targeting and marketing had improved but not providing an answer as to whether the qualification criteria remains a problem.

We remain fully supportive of the Nest scheme but believe that there could be improvements to its implementation.

#### Other schemes and funding streams

Friends of the Earth supports the Energy Bill Revolution<sup>7</sup> campaign which believe that the carbon taxes received by the UK Government should be used to help insulate homes and make them more energy efficient. We would encourage the committee to put pressure on the Welsh Government to lobby for this change at a UK level and for Wales to get its fair share of those taxes.

The Green Deal introduced by the UK Government may help some people to fund energy efficiency improvements to their own homes, but it will only ever be a limited solution. The prospect of taking on additional debt will certainly not be attractive for the fuel poor and the high interest rates make it unappealing to many others. It has not been widely taken up and offers further proof that a market based mechanism is not sufficient to address the problems of energy efficient homes or fuel poverty. However the potential of using it in conjunction with other funding streams to generate economies of scale for delivering energy efficiency measures in Wales should be considered.

#### **Recommendations to the committee**

1. We recommend that the committee consider the Code of Practice that will follow the Housing Bill to ensure that standards for home energy efficiency are included.
2. We strongly recommends that the Assembly and Welsh Government should engage with the UK Government in relation to the domestic energy efficiency regulation under the UK Energy Act to ensure that standards can be set sooner in Wales (by 2016), and that they are robust and require all rented homes to meet EPC rating E.
3. We urge the committee to ensure that fuel poverty and energy efficiency is taken into account across relevant government legislation, including the forthcoming Future Generations Bill and Planning Bill.
4. We recommend that the Welsh Government assess the potential of using the new borrowing powers to lever in substantial additional funding for Arbed and scale up progress in order to meet the targets of 40% reductions in greenhouse gas emissions by 2020, to save money for consumers and bring them out of fuel poverty and to create good quality local jobs in Wales.
5. We urge the Welsh Government to discuss whether finance mechanisms available to Local Authorities could be utilised to support other funding streams.

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<sup>7</sup> <http://www.energybillrevolution.org/>

6. We would encourage the committee to put pressure on the Welsh Government to support the Energy Bill Revolution campaign, to lobby for this change at a UK level and for Wales to get its fair share of those taxes.