



## Consultation Response

### Inquiry into Fuel Poverty and Energy Efficiency in Wales

June 2014

#### 1. Introduction

- 1.1 Age Cymru is the leading national charity working to improve the lives of all older people in Wales. We believe older people should be able to lead healthy and fulfilled lives, have adequate income, access to high quality services and the opportunity to shape their own future. We seek to provide a strong voice for all older people in Wales and to raise awareness of the issues of importance to them.
- 1.2 We are pleased to respond to the Environment and Sustainability Committee's inquiry into fuel poverty and energy efficiency in Wales.

#### 2. Context

- 2.1 Fuel poverty is a significant problem for many older people in Wales. Around 386,000 households were estimated to be in fuel poverty in 2012, equivalent to around 30% of all households in Wales.<sup>1</sup> Older people are most likely to suffer fuel poverty. The latest detailed figures published show that 42% of pensioner households were in fuel poverty compared with an average of 26% of all households in Wales.<sup>2</sup> The static and persistently low incomes of older people who are reliant on the State Pension or other state benefits is a factor, as is the fact that older people tend to live in older, energy inefficient properties and are more likely to live in rural areas or off of the main gas network.
- 2.2 Fuel poverty is a significant cause of excess winter deaths and in winter 2012/13 there were 1,900 excess winter deaths in Wales. This was a 32% fall from the previous winter, which had seen the highest number since 1999/2000, but still above the 10 year average. 89% of these deaths involved people aged 65 or over, with the highest rate amongst those over 85 who constituted nearly 60% of the total.<sup>3</sup>

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<sup>1</sup> Wales Fuel Poverty Projection Tool, Welsh Government, <http://wales.gov.uk/topics/environmentcountryside/energy/fuelpoverty/researchreports/?lang=en> (accessed 9<sup>th</sup> June 2014)

<sup>2</sup> Living in Wales 2008: Fuel Poverty, Welsh Government, November 2010

<sup>3</sup> Excess Winter Deaths in England and Wales 2012/13 (provisional), Office for National Statistics, 2013

2.3 A recent report by Age Cymru into poverty in later life, *Life on a low income*,<sup>4</sup> found that energy bills were the aspect of household finances of greatest concern to older people. 57% of respondents stated that they were worried about how to afford gas and electricity bills. In addition, 35% of retired households reported cutting back on the amount of heating or electricity they use over recent years as a result of their financial circumstances. Major concerns over energy bills were shared across all age groups, indicating that this is a significant issue for many in society.<sup>5</sup>

### 3. Welsh Government strategy

3.1 The Welsh Government has targets to eradicate fuel poverty which were set out in the first Welsh Fuel Poverty Strategy in 2003 and reiterated by the Fuel Poverty Strategy 2010. Unfortunately the first two targets – to eradicate fuel poverty amongst all vulnerable households in Wales by 2010 and in social housing by 2012 – were missed and there is no realistic prospect of achieving the final target of eradicating fuel poverty completely by 2018.

3.2 In addition, many of the mechanisms and measures contained within the 2010 Fuel Poverty Strategy are out of date or no longer applicable. The Welsh Government's more recent Tackling Poverty Action Plan simply states that it intends to “build on complementary strategies such as the Fuel Poverty Strategy” but is not intended to take its place. In light of changes since 2010 and the increasing numbers of households in fuel poverty, we believe that the Welsh Government needs to set out a credible evidence base and clear programme describing how and when it intends to reduce levels of fuel poverty, supported by reasonable timescales. We note that the UK Government is due to deliver its own refreshed Fuel Poverty Strategy by November 2014, as required by the Energy Bill 2013.

3.3 Despite good intentions and some positive action in Wales, most notably through the fuel poverty schemes Nest and Arbed, progress to tackle the issue remains slow overall. In fact, despite the existence of these schemes, the impact of rising energy prices (which are out of the control of the Welsh Government) mean that fuel poverty is very likely to still be rising in Wales. Unfortunately it is not easily possible to quantify this because of a lack of up-to-date Wales-specific data, while the data which is available is only based on estimates and is not detailed enough to enable specific targeting of schemes or measures.

3.4 Given the weaknesses in Welsh data on fuel poverty it is regrettable that the Welsh Government decided to disband the Ministerial Advisory Group on Fuel Poverty, which provided a forum for issues to be discussed and possible interventions to be targeted. It also enabled the Welsh Government to receive advice from a range of sectors, including energy providers, household representatives and local government. A broader Tackling Poverty Expert Advisory Group has been set up but it is not in a position to provide the kind of detailed and specific advice which could help the Welsh Government to target its interventions in this area.

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<sup>4</sup> *Life on a low income*, Age Cymru, 2014

<sup>5</sup> ICM Opinion Poll for Age Cymru, February 2014 (sample: 1000 adults 18+ in Wales).

## 4. Energy efficiency programmes

- 4.1 Of the main factors which determine whether or not a household will be in fuel poverty, the Welsh Government only exerts control over one: the energy efficiency of homes. The other areas, household income and energy prices, remain Westminster's domain. Nevertheless, improving energy efficiency is an important remedy so the Welsh Government can have an impact on the scale and severity of fuel poverty.
- 4.2 Nest is the Welsh Government's flagship fuel poverty programme. Following criticism of the targeting of the predecessor Home Energy Efficiency Scheme (HEES), Nest operates a tight eligibility criteria with improvement measures available only to households in receipt of certain means-tested benefits and living in very inefficient homes (equivalent to an EPC rating of F or G). Non-qualifying households are able to access advice, information and referrals to other schemes and organisations. Nest statistics show that 44% of householders receiving an energy improvement package through Nest in 2012/13 were aged 60 and above, with half of those over 75.<sup>6</sup> Over 3000 households have also been referred for benefits entitlement checks from other organisations, such as local Age Cymru organisations, following an initial enquiry to Nest.
- 4.3 Nest also appears to be relatively successful in materially improving the energy efficiency of the homes in which measures are installed. In 2013/14, 47% of households had a SAP rating of G and 53% had a SAP rating of F prior to measures being installed, with the majority being improved to D (49%) or C (31%) afterwards.<sup>7</sup>
- 4.4 The Welsh Government estimates that the impact of energy efficiency measures installed between 2010 and 2012 has reduced the number of households in fuel poverty by 3 percentage points, equivalent to 36,000 households.<sup>8</sup>
- 4.5 The Welsh Government should be commended for continuing to fund and promote an energy efficiency scheme which is specifically targeted towards reducing fuel poverty. This stands in contrast to the situation in England where the Green Deal, which is inappropriate for many households in fuel poverty due to its reliance on loans repaid through future energy bills, is the only scheme currently running. However, the relatively small size of the Nest annual budget (£18m in 2013-14) means that the overall reach of the scheme is small. The Energy Saving Trust has estimated that taking 95% of fuel poor households out of fuel poverty by improving the energy efficiency of their homes (and not tackling income or energy prices) would cost £2.4bn at 2008 prices.<sup>9</sup>
- 4.6 Age Cymru has supported calls from the Energy Bill Revolution campaign for the UK Government to invest the new receipts it will receive from carbon taxes (estimated to be worth £63bn between 2011 and 2027) in a major programme to improve the energy

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<sup>6</sup> Nest Annual Report April 2012 – March 2013, <http://www.nestwales.org.uk/Resources>

<sup>7</sup> UK Fuel Poverty Monitor 2013-14, NEA, Consumer Futures and Energy Action Scotland, 2014

<sup>8</sup> Wales Fuel Poverty Projection Tool, Welsh Government, <http://wales.gov.uk/topics/environmentcountryside/energy/fuelpoverty/researchreports/?lang=en> (accessed 9<sup>th</sup> June 2014)

<sup>9</sup> Costs and benefits of tackling fuel poverty by improving energy efficiency in Wales in 2008, Energy Saving Trust, 2013

efficiency of homes. This would likely result in significant new money being available to the Welsh Government for it to expand the scope and scale of its own energy efficiency improvements. Overall however, progress will only be made if basic incomes are improved and energy prices are controlled at the same time as energy efficiency improvements are realised.

- 4.7 Nest is currently supplemented by the Arbed programme in Wales, which uses an area-based approach to target multiple households for energy efficiency improvements. Phase 2 of Arbed is currently running and will invest £45m by 2015 to install improvements in a minimum of 4800 homes. This is in addition to 7500 homes which received funded measures under phase 1 of the programme.<sup>10</sup> In a statement, the Minister envisaged that 8000 households would be helped through Nest and Arbed in 2013/14, though the published target for each year is 6,000 homes in 2013/14 and 2014/15.<sup>11</sup>
- 4.8 The UK Government's main programme is currently the Green Deal which can provide funding for householders to improve the energy efficiency of their properties in the form of loans, which are subsequently repaid through energy bills. Loans are available over long terms (up to 25 years) but the level of the loan is limited to ensure the repayment of the loan is no greater than the savings on the energy bill that will come from installing the measures. This means it is unlikely that people living in hard to heat homes, particularly those with solid walls will qualify for Green Deal because the measures for these types of home are considerably more expensive than this criteria allows for. Recently announced changes by the UK Government are seeking to address this, as well as improve take-up of the Green Deal overall. Overall, however, the Green Deal has struggled to gather support from householders, with only 626 finance packages taken out across the UK during 2013.<sup>12</sup>

## **5. The Energy Company Obligation (ECO)**

- 5.1 Support is also available from energy suppliers as a result of the Energy Company Obligation (ECO). This includes an Affordable Warmth element which can provide heating and insulation improvements for low-income and vulnerable households, subject to eligibility criteria. This is arguably the only UK Government-sanctioned scheme targeted specifically at those in fuel poverty. Regrettably it is this element of ECO which has been reduced in scope by UK Government attempts to limit the impact of increases on energy bills following public and media pressure.
- 5.2 The Welsh Government has sought to maximise the amount of ECO money invested in Wales. In October 2013, the Minister announced £70m funding (£35m for 2014/15 and £35m for 2015/16) for this, which should make Wales an attractive place for energy companies to spend their ECO money and achieve targets, though it is not yet known how many households will receive measures through this route.

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<sup>10</sup> <http://wales.gov.uk/topics/environmentcountryside/energy/efficiency/arbed/?lang=en> (accessed 9<sup>th</sup> June 2014)

<sup>11</sup> Building Resilient Communities: Taking Forward the Tackling Poverty Action Plan, Welsh Government, 2013.

<sup>12</sup> House of Commons Library note on The Green Deal, 6<sup>th</sup> February 2014 <http://www.parliament.uk/briefing-papers/SN05763/the-green-deal>

5.3 It remains to be seen what impact the changes to the ECO programme made by the UK Government have on the number of households helped, and the success that the Welsh Government will therefore have in seeking to attract ECO money to Wales.

## **6. Other issues**

6.1 Overall, none of the energy efficiency programmes currently in existence is designed to react quickly in the event of a household experiencing a heating breakdown. Some energy suppliers have the facility to provide emergency electric heaters, and support can sometimes also be provided by third sector organisations, but this is variable dependent upon demand and geography.

6.2 We believe that the Welsh Government could help tackle excess winter deaths and cold related illness by developing a Cold Weather Plan to deliver crisis support and funding for emergency heating during severe weather. As part of this we believe that it should give consideration to establishing a separate emergency crisis fund, or building such provision into the future re-tendering of the Nest scheme, to help people in situations where a breakdown of heating risks damaging their health.

6.3 We hope this information is helpful to the Committee in its consideration of this important issue and would be happy to provide further information as required.