

Nuclear Free Local Authorities

briefing



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No.110

Subject: **Fuel poverty, energy efficiency and the role of Local Authorities**

1. Introduction

This report has been developed by the NFLA Secretary at the request of the NFLA Steering Committee. It seeks to provide an overview of the levels of, and issues around, fuel poverty in the UK and Ireland, strategies for reducing it and the benefits to the poorest households of energy efficiency. It focuses as well on the positive role Local Authorities can play in supporting vulnerable communities affected by fuel poverty and in the development of energy efficiency programmes. The report strongly encourages the UK and Republic of Ireland Governments, and the Scottish, Welsh and Northern Ireland Government to prioritise policies which assist those most affected by fuel poverty and to provide greater funds to local government to develop comprehensive energy efficiency programmes.

A significant ramping up of energy efficiency measures is a key part of the NFLA's preferred energy policy in the UK and Ireland and it should also be seen as a core strategy in the eradication of fuel poverty. In this report the NFLA make the point that there has not been enough policy development or central funding in energy demand management area as there has been in comparison with the supply side, such as with the proposed development of new nuclear power stations. NFLA Policy Briefing 111 on the 'Green Deal' considers some of the newer policy ideas in this area and should be read in conjunction with this report.

2. The scale of fuel poverty around the UK and Ireland

A household is defined as being in fuel poverty if it needs to spend more than 10% of its income on fuel in order to heat its home to an adequate standard, and also have hot water and run lights and appliances (1). During the current deep recession affecting the UK and Ireland some families need to spend as much as 25% of household income on heating, creating an urgent imperative to find public policy solutions for such households.

Across the UK, a statutory duty exists under the Warm Homes and Conservation Act 2000 to eradicate fuel poverty, as far as is reasonably practical, by 2016. Under the Act, an interim target also exists to eliminate fuel poverty among vulnerable low income households (pensioners, disabled people and families with children) by 2010. The 2010 target has clearly not been met, and recent fuel poverty statistics suggest it remains highly unlikely that the 2016 target will be met either (2).

In the Republic of Ireland the Sustainable Energy Authority of Ireland has been established to develop strategies to increase energy efficiency, renewable energy and microgeneration projects as part of a national policy that will also encourage a reduction in fuel poverty (3). It has been estimated that the Irish Government has directly spent €2.5 billion between 2004 and 2011 on policy interventions aimed at alleviating energy poverty. (4)

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Despite implementing a wide range of policy measures, fuel poverty across the UK and Ireland remain stubbornly high.

Most recent figures on fuel poor households: (5)

Nation	Amount of fuel poor households (2010 figures)
England*	3.2 million households (16% of total households)
Scotland	677,000 households (29% of total households)
Wales	355,000 households (26% of total households)
Northern Ireland	310,000 households (44% of total households)
Republic of Ireland	60,000 (4.3% of total households) in persistent fuel poverty 160,000 (11.5% of total households) in intermittent fuel poverty

* The figures for England are for 2011, following a DECC press release on the 16th May 2013, which saw a noticeable drop of fuel poor households from 3.5 million in 2010. (See http://www.decc.gov.uk/en/content/cms/statistics/fuelpov_stats/fuelpov_stats.aspx)

Figures may see a slight improvement for 2011 due to cuts in fuel bills in that year. However, fuel bills rose sharply again in 2012, so it is not clear if such a downward trend will continue. For example, it is now estimated that Scotland's fuel poor may have increased to as much as 40% of households (6). According to Consumer Focus, the recent increases in 2012 in energy prices are expected to push fuel poverty in UK homes to as many as 6.4 million households in 2013, with similar increases likely in the Republic of Ireland (7).

The most alarming aspect to these figures is the effect such fuel poverty can have on excess deaths in the winter months. Taking the island of Ireland alone as an example, where fuel poverty figures in Northern Ireland are particularly high, the Public Health Policy Centre has calculated that the Republic of Ireland and Northern Ireland have among the highest levels of excess winter mortality in Europe, with an estimated 2,800 excess deaths on the island over the winter months (8).

A clear policy imperative exists on how to tackle the causes of fuel poverty across all levels of government.

3. UK Government policy responses to fuel poverty - England

Up to January 2013, the main policy driver of UK Government policy to alleviate fuel poverty was the 'Warm Front Scheme'. The Warm Front scheme, which was only available in England (similar schemes were available in the rest of the UK, as noted in Section 4), gave grants of up to £3,500 to homeowners or tenants of private landlord in receipt of income-related benefits, which could be spent on heating and insulation improvements. Department of Energy and Climate Change (DECC) argued the scheme could help households cut their energy bill costs by an average of £650 per year. (9)

The Association for the Conservation of Energy (ACE) analysed the policies for supporting the fuel poor in England and found that the money available had been cut by 26% between 2009 and 2013. It also found that the budget for energy efficiency measures for the fuel poor had been cut by 44% in the same period. It calculated that the number of fuel poor households receiving energy efficiency measures in England will fall from 150,000 in 2009 to 100,000 in 2013. (10)

In the view of Consumer Focus and National Energy Action, the lower take-up of the energy grants was due to stricter eligibility rules and poor advertising. Applications have steadily declined from over 130,000 applications in 2010, when it was oversubscribed, to 40,000 in 2011. The budget was also significantly reduced from £366 million in 2010/11 to £143 million in 2011/12 as part of the widespread cut in public spending.

DECC also provides support to vulnerable communities through the Warm Home Discount Scheme (which it claims supports two million homes in the UK), the provision of winter fuel payments to pensioners and emergency payments for the most vulnerable on benefits when temperatures go particularly cold. (11).

From January 2013 the Warm Front Scheme was replaced by the Energy Companies Obligation (ECO). DECC claim the ECO will provide £1.3 billion of energy efficiency improvements to the housing stock. The ECO will run until March 2015 and will focus on supporting the installation of energy efficiency measures in low-income households and areas, and in properties that are harder to treat. The UK Government plans to use the ECO as a part of its wider 'Green Deal' to particularly focus on energy efficiency improvements.

There are 3 obligations under the ECO:

- Carbon Saving Community Obligation - provides insulation measures to households in specified areas of low income. It also makes sure that 15% of each dual fuel supplier's obligation is used to upgrade more hard-to-reach low-income households in rural areas.
- Affordable Warmth Obligation - provides heating and insulation measures to consumers living in private tenanted properties that receive particular means-tested benefits.
- Carbon Saving Obligation - covers the installation of measures like solid wall and hard-to-treat cavity wall insulation, which ordinarily can't be financed solely through the Green Deal.

The ECO is to be funded by the energy suppliers under the auspices of the Electricity and Gas (Energy Company Obligation) Order 2012. Energy suppliers determine how much subsidy they can provide to consumers depending on individual circumstances and the amount of Green Deal finance being used. According to DECC, of the £1.3 billion raised by the ECO, £540 million will be targeted to the Carbon Safety Community Obligation and Affordable Warmth Obligation and £760 million will be provided to fund the Carbon Saving Obligation. (12)

The ECO also replaces the Carbon Emissions Reduction Target (CERT) and the Community Energy Saving Programme (CESP), which provided more specific targeted energy efficiency improvements by placing specific challenges on energy suppliers to develop such measures.

Ofgem has been given the authority to monitor and enforce the ECO scheme. In mid March it published guidance to energy suppliers on how to administer the ECO and this will come into full effect on 1st May 2013 (13). The NFLA Secretariat will monitor progress with this new scheme to see if it is more effective than the last year of the Warm Front Scheme.

The NFLA Policy Briefing 111 on the 'Green Deal' and 'Green Investment Bank' focuses on the ECO and other recent policy developments and it should be read in conjunction with this Policy Briefing.

4. Policy responses in Scotland, Wales and Northern Ireland

The promotion of policies to tackle fuel poverty and increase energy efficiency is a devolved matter for the Governments of Scotland, Wales and Northern Ireland, though most schemes are similar to those developed in England.

a) Scotland -

In Scotland, the Scottish Government allocated over £68 million to energy efficiency schemes and fuel poverty programmes in 2012/13. The main scheme for achieving this is a 'cash back' voucher scheme offering up to £500 per household for energy efficiency measures such as double glazing and loft and cavity wall insulation, and from December 2012, the installation of energy efficient boilers and appliances for private sector landlords (14).

In March 2013, the Scottish Government's new Home Energy Efficiency programme was announced as a more localised and area-based scheme designed and delivered by Scottish local authorities. This will become fully operational in summer 2013 and will involve Scottish Councils and local delivery partners taking on a more active role in providing energy efficiency measures to households. In parallel to this the Energy Saving Trust will continue to provide "energy efficiency advice, information on low cost energy tariffs, and advice on income maximisation" through the Home Energy Scotland hotline. To assist Local Authorities specific guidance and high quality case studies has been provided to them by the Scottish Government

along with additional investment (15). An example of the type of work being pursued under this new scheme can be found with the case study of Dundee in Section 11 below.

Despite the reasonably significant investment in energy efficiency measures, the amount classed as fuel poor continues to remain stubbornly high in Scotland. The Scottish Housing and Welfare Minister Margaret Burgess blamed recent increases in fuel poor households in Scotland squarely on the 14% average increase in household energy bills by the 'big six' energy suppliers. The Scottish Government also claimed that the basic energy efficiency measures it had funded had prevented up to 35,000 Scottish households from falling into fuel poverty over 2012. (16)

b) Wales -

In Wales the 'Arbed' Strategic Energy Investment Programme has been in place since 2009 to develop energy saving measures and help to reduce fuel poverty. (17)

In the first phase of this programme £36.6m was spent on working with social housing providers to make the housing of some of the most deprived areas of Wales more energy efficient. This was done by retro-fitting homes with solid wall insulation, solar panels and heat pumps. With further investment of 28 schemes a total of £68m has been spent up to May 2012. Around 7500 households have benefited from these schemes.

Phase 2, which is partly funded by the European Regional Development Fund (ERDF), will provide a further £45m and will seek to develop energy efficiency measures for a further 4800 existing homes and reduce a minimum of 2.5 kilotons of carbon of greenhouse gas emissions by 2015.

An additional £4m has been provided to local authorities to take advantage of the Community Energy Saving Programme (CESP) and to help with the change to the ECO scheme in early 2013. In February 2013 a further £2.3 million has been provided to the Arbed scheme to provide grants to create a network of Green Deal Demonstration Homes / Schemes for Wales.

Again, despite this significant investment and considerable improvements to a large number of homes, the measures have not significantly arrested the increase in fuel poverty figures in Wales. The increasing cost of fuel bills were noted in a TUC report suggesting a 7% reduction in household income in Wales since 2010 is having a particularly acute impact in Wales. The Welsh Government's 2018 target of eradicating fuel poverty remains under threat due to these serious economic factors.

c) Northern Ireland -

Northern Ireland has one of the highest levels of fuel poverty not just in the British and Irish Isles but across Europe. Recent figures published by the Northern Ireland Executive actually saw a slight reduction in the fuel poor from 44% in 2009 to 42% in 2011, or around 14,000 households. The Northern Ireland Executive claimed the reduction was due to successful energy efficiency measures. However, these figures do not cover significant energy bill price increases from late 2011 onwards, so whether such decreases in the fuel poor have continued is open to question.

In 2011/12 the Northern Ireland Government spent £37 million on energy efficiency measures. Funding was also provided for a one-off fuel allowance payment to 250,000 vulnerable people and a commitment to double glaze 30,000 Housing Executive properties by 2015. (18)

In June 2012, the Northern Ireland Executive's launched consultation on its Strategic Energy Framework (SEF). It has a strategic aim of developing a more sustainable energy system in which energy efficiency was a core part of the policy (19). This will be part of an Energy Bill that is expected to be published in June 2013. The Bill is seeking to comply with a new EU Energy Efficiency Directive, which the UK will have to transpose by early 2014, will oblige energy distributors and/or retail energy sales companies to achieve savings equating to 1.5 per cent of annual energy sales (by volume) to final customers.

In considering the options for new energy efficiency measures, the Executive's consultation document noted that voluntary agreements it has with most major energy suppliers would be unlikely to deliver "a step change in energy savings". The consultation document also argues against a Green New Deal related programme (i.e. pay-as-you-save energy efficiency programme) as "inappropriate" for fuel-poor people who would be "unable or unwilling to take on debt for the purposes of energy efficiency." (20)

The Energy Bill is likely to put a duty on energy companies that supply, distribute or import energy to achieve a certain level of energy savings within a given year. The energy companies would be allowed to determine how these savings are achieved such as with the installation of loft insulation in homes or the offer of cash back for insulation.

5. Policy response in the Republic of Ireland

With the Republic of Ireland currently importing over 90% of its primary energy needs within an open, competitive market, the main policy tool to reduce fuel poverty for the Irish Government is energy efficiency programmes.

The Irish Government's Affordable Energy Strategy (AES) 'Warmer Homes' is the core part of its energy efficiency policy. After some positive improvements in fuel poverty rates, the current deep and long-lasting recession is having an impact on such rates in recent years. The AES centres on a number of areas such as improving the thermal efficiency of low income homes, applying a partnership approach within central government, local government, NGOs and the main energy utilities. It also aims to be integrated within other national anti-poverty policies and provide a cost effective approach to addressing energy poverty (21).

There are five core parts to the AES:

- a) Actively progress five priority work packages: Thermal Efficiency Standards, Energy Suppliers, Area-based Approach, Data and Information, and Communication.
- b) Introduce an area-based approach to energy poverty mitigation.
- c) Ensure greater access to energy efficiency measures.
- d) Reform eligibility criteria for energy efficiency schemes.
- e) Review the National Fuel Scheme and Household Benefits Scheme to examine the feasibility of aligning income supports with the energy efficiency and income of the home.

Within the AES is the National Energy Efficiency Plan 2009 – 2020 which has a national target of a 20% reduction in demand across the whole Irish economy by 2020. The Sustainable Energy Authority of Ireland (SEAI) administers the 'Better Energy: Warmer Homes' scheme which seeks to improve energy efficiency in the homes of low income families through retrofits, new central heating boilers, insulation and double glazing.

This new strategy is to be welcomed, but it may take some time for it to become more effective, particularly as the Republic of Ireland's fiscal and economic position is only slowly improving.

6. Is it all about rising prices and the existing energy market?

Though each Government has developed some innovative and welcome solutions to tackling fuel poverty and increasing energy efficiency, the ever increasing rates of the fuel poor emphasise that these strategies are only partially resolving the problem. One of the most difficult elements with which to bring down rates of fuel poverty across the UK and Ireland is that there are three main contributing factors to fuel poverty –

- low disposable household income;
- a low level of adequate energy efficiency of domestic dwellings;
- the high price of domestic energy. (22)

7. Tackling fuel poverty – independent solutions to the problem

More radical solutions to tackling fuel poverty are advocated by a number of independent organisations which lobby local and central government. This section outlines some of them.

The End Fuel Poverty Coalition (EFPC), a large network of poverty, environmental, health, trade union and consumer organisations in England and Wales, has called upon the UK and devolved Governments and the major political parties to tackle fuel poverty by focusing on the following 5 areas (23):

- Carry out a national programme to improve the heating and insulation standards of our homes such that they reach the standards of new homes built today.
- Commit to improving the homes of all low income and fuel poor households to the standard by 2016.
- Oblige fuel companies to provide 'social tariffs' to low income and fuel poor consumers - tariffs that offer a better deal than tariffs offered to 'better off' consumers.
- Improve the incomes of low income households and make sure all eligible households claim the benefits and tax credits to which they are entitled.
- Compile a register of the energy efficiency standards of all homes in the UK, as part of a detailed plan which shows how each Government will meet the pledges.

The EFPC highlight the central role local authorities play in reducing fuel poverty and its impact on winter deaths, ill health and hospital admissions. They argue the 'Green Deal' and ECO, alongside the new public health structures present significant opportunities for local authorities to play a positive role. They urge Councils to sign up the EFPC 'Local Authority fuel poverty commitment' to place them at the heart of fulfilling the 2016 fuel poverty elimination targets. A copy of this commitment can be found at Appendix 1 of this briefing.

The Scottish equivalent of EFPC is Energy Action Scotland (EAS). In their most recent 'A Manifesto for Eradicating Fuel Poverty in Scotland by 2016' they advocate three critical action points for local government to take, which are (24):

- To commit significant investment in increasing the energy efficiency of the housing stock. EAS argue local authorities should be working to go beyond the basic levels of energy efficiency in the Scottish Housing Quality Standard and should be seeking to achieve a more modern living standard, as indicated by a stock energy rating of at least NHER 7. It also advocates that the Scottish Housing Quality Standard should be extended to the Private Rented Sector.
- Commit to supporting advice agencies that promote the financial health of individuals and communities. A holistic one-stop-shop advice agency has been seen to be a very effective strategy in delivering advice and education to the public on money and household management. A face-to-face advocacy approach is essential when assisting the most vulnerable members of the fuel poor.
- Maximise opportunities to develop energy choices appropriate to the locality. Councils have an opportunity to develop and support a changing energy landscape in their area that is appropriate to local needs. These opportunities might include community renewable initiatives, bulk fuel buying schemes, district heating, combined heat and power, gas in-fill, community benefit funds, matching procurement for energy efficiency measures in private sector homes, etc. Local authorities can help maximise the funding brought in to the area for such initiatives and take a proactive approach that ensures multiple outcomes for fuel poverty, sustainability and climate change across all housing tenures.

In Ireland, the EU Fuel Poverty Network has published a study 'Alleviating Energy Poverty in Ireland – An Efficient Approach for Future Government Expenditure'. This report considers the potential to curb the escalating costs of dealing with fuel poverty in Ireland by considering an alternative form of welfare delivery that could both reverse the current spending trend and provide a lasting solution to energy poverty.

The report proposes a subsidy scheme that would replace the current flat-rate €690 scheme with one in which all existing recipients would retain a subsidy (at least in part), with increases and decreases applied according to new criteria linked to both their income and the energy efficiency of their dwelling. A cost-benefit analysis then investigates the extent to which dwelling upgrades for improved energy efficiency, in the context of both the existing and proposed subsidy schemes, would result in welfare gains.

The report claims that such a reallocation of funds could:

- Bring over 11.5% (27,054) of households out of energy poverty.
- Bring more than 35% (33,321) of those in extreme energy poverty into lesser categories.
- Over 38% (20,528) of those in severe energy poverty are moved to a lesser category, or out of energy poverty altogether. (25)

Quite a number of these policy proposals are being discussed within local government and by central government and, where practical, the application of them is to be encouraged. A number of the more innovative ideas being taken forward by Councils are noted below.

8. DECC consultation on fuel poverty and energy efficiency – changing the goalposts?

In March 2012, the UK Department of Energy and Climate Change (DECC) published the final report on an independent study by Professor John Hills advising the government on the best ways to tackle fuel poverty. The Report came to the conclusion that there were significant flaws in the way fuel poverty was measured. An alternative approach was proposed which defined a fuel poor household as one with a low income and facing high energy costs. As a result of this review, DECC initiated a public consultation proposed a change in the indicators for fuel poverty.

In its assessment of Professor Hill's approach, the Association for the Conservation of Energy broadly welcomed the improved understanding of fuel poverty, particularly by (26):

- Reasserting the importance of fuel poverty as a serious and urgent problem that is distinct from general poverty.
- Recognising the serious impact of fuel poverty and cold homes on physical and mental health, well-being and premature mortality.
- Confirming the central role of capital investment in energy efficiency as the long term sustainable solution to fuel poverty and the need to complement such investment with fuel price, tariff and income measures.
- Re-defining 'low income' within the fuel poverty equation such that the definition is now consistent with other poverty definitions and recognises the logic of excluding fuel costs.
- Recommending a new indicator (the 'gap indicator') that measures the severity of fuel poverty, as well as the number of households in fuel poverty.

However, ACE went on to state in their response to the DECC consultation that they believe:

"...that there are serious flaws with the proposed Hills energy costs indicator, which in defining 'reasonable fuel costs' as those below the median completely fails to reflect fuel affordability, as the relatively high median fuel costs in England would still be unaffordable to many low-income households. This, coupled with the problem of "ineradicability" already referred to, means that we cannot agree with the Government's proposal to change the current definition of fuel poverty *unless* the proposed 'low income high costs (LIHC) indicator is modified in the ways that we propose below". (27)

ACE argues that due to inertia and policy failure by successive governments that new legislation may be required to establish a new legal fuel poverty target date. ACE believe that the UK Government could use the Hills formula, with the ACE suggested improvements, as a basis for a new legal target date or on an improved version of the existing 10% definition.

ACE concludes: "However, if the Government does not adopt either of these, then it should set a new target for the improvement of homes to ensure that by a specified date no low income household should live in a home that falls below a specified level of energy efficiency. It should also set targets for both the improved headcount and gap indicators. The Government should then act swiftly to publish a new Fuel Poverty Strategy along the lines we recommend, including a robust set of policy and funding proposals for meeting its new target by the new target date." (28)

The NFLA shares the concerns of ACE with the UK Government's proposed new fuel poverty indicator – it should not be about 'changing the goalposts' but rather more about effectively tackling the high rates of fuel poverty that matters most.

The NFLA is also concerned that the UK Government has been trying to wriggle out of its energy efficiency obligations under the EU's Energy Efficiency Directive (EED). The UK Government had asked the EU to add positive 'early actions' undertaken four years before, or three years after the EED's nominal 2014 – 2020 period. The European Commission legal interpretation note has ruled this request 'out of bounds' of the Directive. This followed a joint complaint by the German, Austrian and Finnish Governments that the UK request would 'water down' the EED. (29)

9. Benefits of energy efficiency

One of the most obvious solutions to reducing fuel poverty is to make homes more energy efficient. Whilst energy efficiency improvement programmes provide clear benefits in terms of energy saved and a reduction in greenhouse-gas emissions, they also bring a wide range of non-energy benefits for net community gains. These include a genuine protection of, and improvement in, physical and mental health as well as a reduction in health inequalities.

Other benefits also include:

- warmer, drier, healthier homes;
- improved comfort and well-being;
- energy cost savings (leading to improved energy affordability);
- increased asset (dwelling) values;
- local community rejuvenation and local job creation;
- improved work and school attendance;
- reduced greenhouse-gas emissions and air pollution;
- improved economic activity and increased employment;
- reduced costs for the health system;
- general social improvements such as reduced inequality. (30)

The economic, social and health benefits of energy efficiency are of high value and, even in a time of real austerity, of real long-term community benefit worthy of continued and increased investment. In the NFLA's view it is completely counter-productive to cut any of these schemes, such as those cut in recent years by the UK Government. All the governments in the British and Irish Isles should do more to invest in energy efficiency and in supporting local government to develop effective community schemes. NFLA Policy Briefing 111 also highlights further the jobs, energy and financial benefits that can derive from a well-funded energy efficiency programme under the auspices of the Green Deal or its variants.

10. District Heating Schemes

Previous NFLA Policy Briefings (editions 86 – 90 and 99) highlighted the benefits of local government being given funds to develop district heating schemes. District heating is a system for distributing heat generated in a centralised location for residential and commercial heating using sources such as fossil fuels but more progressively central solar, biomass, heat-only boiler stations and geothermal energy. According to the energy consultancy Orchade Partners, district heating with combined heat and power (CHPDH) is one of the cheapest ways of providing heat, and even when using fossil fuels, has one of the lowest carbon footprints. (31)

Perhaps the European leader of district heating schemes is in Denmark, where municipal schemes predominate. According to the Danish District Heating Association, municipal schemes produce 62% of all district heating in Denmark. 1.6 million Danish households, some 62% of the population, are covered by district heating schemes. Such schemes also cover around 49% of space heating demand in all Danish buildings.

The 'Heat Plan Denmark' study financed by the Danish District Heating Association, argues that District heating is the key technology for implementing a CO₂ neutral Danish heating sector in a cost effective way. They claim that the Danish heating sector can be CO₂ neutral by 2030 by upgrading and expanding the existing system, with, for example, heat pumps being used to upgrade the heat energy currently supplied and more heat stores being added. At

present much of the system still uses gas as the main energy input, but are increasingly using more renewable energy sources, and more efficient waste-to-energy Combined Heat and Power (CHP) plants with flue-gas condensation. (32) So such schemes greatly assist in creating warmer homes and reducing the general carbon footprint.

In the UK, pioneering schemes have been developed in Southampton and Aberdeen, whilst Glasgow and Edinburgh are looking at such schemes using a geothermal energy source. In particular, Glasgow has introduced a new district heating system to serve the Athletes Village and Emirates Arena for the 2014 Commonwealth Games and is actively pursuing further such developments in the city.

NFLA Policy Briefing 106 also provide further information around the benefits of developing such schemes within a general policy of reducing fuel poverty and increasing energy efficiency.

10. SEAI energy efficiency programme in the Republic of Ireland

In the Republic of Ireland, the Sustainable Energy Authority of Ireland is responsible for promoting energy efficiency. This is undertaken through the generic concept of a Sustainable Energy Community (SEC). A SEC is a community in which the local Council and key industrial and business partners work together to develop a sustainable-energy system. Specific targets are made to aim as far as possible to be energy-efficient, to use renewable energy and to develop decentralised energy supplies. Such an integrated approach allows for a better optimised balance of demand and supply, and gives the community greater energy autonomy.

The initial pilot scheme for the SEC was the highly innovative ‘Dundalk 2020 Energy Zone’, which also took place in parts of the neighbouring Northern Ireland district of Newry and Mourne. In reference to energy efficiency, the project set itself the target of 40% improved efficiency in selected buildings in a 4kms radius around the centre of Dundalk. A number of prominent municipal, industrial and educational buildings in the area, along with the town’s social housing stock, were provided with full insulation and retrofitted energy efficient improvements. These measures have resulted in savings of approximately €500,000 per annum, spread across all sectors. It also assisted in over 5000 tonnes of carbon saved per year. (33)

Having analysed and learned the lessons from the Dundalk project the SEAI are planning to roll it out to five other Council areas – Dublin City Council, South Dublin County Council, Galway County Council, Kerry County Council and Roscommon County Council. A national roll-out of the programme as soon as is practical would be welcomed by the NFLA. Such a programme could greatly assist Ireland achieving significant improvements in the reduction of fuel poverty through warmer and energy efficient homes.

11. Local Government’s role in tackling fuel poverty and promoting energy efficiency

A key part of the NFLA’s energy policy is the positive leadership role that local government can provide in tackling fuel poverty and promoting energy efficiency (as part of an alternative policy to not develop new nuclear power stations). Central government may set the policy agenda and provide funding, but it is local government that is best adapted for implementing many of these programmes.

In recent years the NFLA has consistently been promoting such examples where local councils are developing ground-breaking initiatives to tackle fuel poverty and promote energy efficiency. The NFLA Policy Briefing reports on future energy policy developments in England (Report 86), Ireland (Report 87), Scotland (Report 90 and 99) and Wales (Report 89) provided a number of excellent case studies. However, the ever deepening recession and huge cuts to local government grants from central government is having an effect on these programmes and more imaginative ways, as well as stronger local authority political commitment, is required to continue to achieve the aim of reducing fuel poverty.

This section highlights a small number of recent innovative examples that a range of local authorities are taking to specifically reduce fuel poverty and promote energy efficiency. This list is by no means exhaustive but focuses on relevant new strategies to tackling fuel poverty and improving energy efficiency in a time of general austerity. NFLA Policy Briefing 111 adds further examples to this list by considering some of the recent innovative schemes using 'Green Deal' financing by a range of Councils.

a) Greater Manchester Fair Energy Scheme

With the lack of any foreseeable reform to the energy market to reduce the dominance of the 'Big Six' utilities, one innovative strategy has been developed and agreed by the 10 Greater Manchester Local Authorities, and it is a model being copied in other parts of the country.

The GM Fair Energy scheme attempts to use the system of switching to cheaper tariffs on a wholesale scale through encouraging residents to sign up to a 'collective switching' scheme by organising an auction with the energy utilities. The supplier who offers the cheapest contract gets to offer it to those that have registered with this deal. Over 35,000 people registered on the scheme in 2012, saving over £3m on fuel bills. The scheme has proved so popular that a second auction was conducted in early 2013.

Though this approach does not specifically encourage the growth of renewable energy suppliers, it is an innovative way to try and reduce fuel poverty at a collective level by bringing the fuel costs of those registered down significantly. Such schemes are one useful solution by which local authorities can challenge the energy utilities to become more price competitive and assist in reducing fuel poverty. (34)

b) Sustainable Glasgow

Launched in 2010, Sustainable Glasgow is a major city-wide initiative to improve the local economy, increase local investment and improve the quality of life and local environment for its residents. A key aim of this policy is to unlock as much as £1.5 billion of new investment into the city through the development of innovative green energy initiatives. Tackling fuel poverty is one of the main objectives that the initiative is seeking to alleviate within this policy framework. (35)

The Sustainable Glasgow partnership includes Glasgow City Council, the University of Strathclyde, Clyde Gateway, Strathclyde Partnership for Transport, Glasgow Housing Association, Scottish Enterprise, Greater Glasgow and Clyde Health Board, IBM, BT, Honeywell, Siemens, Scottish Power, SSE, Scottish Water and the City of Glasgow College. It is proving to be one of the most effective partnerships in unlocking new investment at a time of general austerity and has helped in making Glasgow the leading UK city for new 'green' jobs – jobs to develop energy efficient programmes being a part of this.

In terms of the fuel poverty part of this strategy, in late 2011 the Council announced it would give £100 to all pensioners over 80 years of age for heating their houses in the winter. It used savings and income generated by future sustainability projects to pay for it. Around 22,000 householders benefited from this policy decision.

The Council is also one of the funders of the G-HEAT (Glasgow Home Advice Energy Team) partnership to provide bespoke advice to all Glasgow householders on effective ways to reduce fuel poverty. (36) Such services are one of the main ways most Councils try to assist the fuel poor in providing energy efficiency advice.

Such pioneering work in these areas has seen Glasgow be one of four cities shortlisted as the 2015 European Green Capital. The other three cities shortlisted are Bristol, Brussels and Ljubljana (the current European Green Capital City is Nantes, France and the 2014 capital will be Copenhagen, Denmark). (37)

c) Dundee's community heating projects

Dundee City Council has teamed up with Scottish Gas and a local electrical contractor to develop a whole range of external re-cladding retrofits and district heating on its multi-storey developments, some low rise houses and non-traditional houses. The projects include the Dallfield Community Energy Scheme, the Whorterbank and Lansdowne / Pitalpin multi-storey developments, the Kirk Street Eco-project and the St Mary's Project.

These projects, totalling over £8 million, will save the council house tenants around 30% of their energy costs. The project has been endorsed by the Scottish Government. The projects have also received international recognition following a fact-finding mission to Dundee by a group of experts from the Japanese Centre for Better Living, Tokyo Gas, Tokyo Metropolitan Institute of Gerontology and Tokyo University of Science. The developments have seen the areas become known as 'sustainable communities' and demand for properties have significantly increased in areas blighted by fuel poverty. 85% of people offered a home in these areas have accepted at the first offer. (38)

d) Dealing with fuel poverty in rural communities – Shetland Islands

One key weakness of many fuel poverty alleviation schemes is that they focus on urban areas and do not taken into account different factors for more rural and isolated areas. A place like the Shetland Islands also stands out due to its remote geography, high winds and colder weather than the norm. Freight costs also may mean that imported fuel, such as heating fuel, costs more. Shetland also has no mains gas supply meaning its fuel remains at higher cost than other parts of Scotland or the UK.

In a report to the Council, Energy Officers have identified a number of areas where national policy on fuel poverty alleviation and improving energy efficiency needs to be more flexible to the different issues affecting rural communities. Some of the recommendations made to councillors include:

- wind-chill taken into account as part of the temperature calculations for Cold Weather Payments;
- the Social Tariff, which all electricity companies are required to have in place, is included for Heating Oil and Bottled Gas;
- a reduction in the cost of Pre-Payment Meters and Electricity Cards: these are the most expensive form of electrical heating, yet many of those in Shetland who are in fuel poverty may have no other option for paying for fuel;
- there are limits placed on the amount of roof insulation available, based on floor area. Houses in Shetland tend to have a larger floor area, often single storey, and national schemes are restricted to a certain house size. The grants also do not cover sloping roofs, which penalises against one and a half storey houses;
- insulation schemes do not include floor insulation, which can have a significant impact on energy efficiency in Shetland, due to the windy climate;
- use of electricity to heat homes is seen as the easiest solution. The installation of storage heaters is usually cheaper than installing other forms of heating, but the ongoing running costs to the householder are more expensive. The result is that opportunities to reduce fuel poverty are not maximised;
- there is a maximum limit for the cost of eligible works. For hard to treat homes without cavity walls the installation of internal or external wall insulation exceeds the maximum funding available for the household. This limits the measures that are available to households. Schemes can also require households to clear lofts and prepare for works, which can be a barrier to some people taking up the assistance. (39)

In the additional £16 million of funding provided by the Scottish Government to local authorities to alleviate fuel poverty in March 2013, the Shetland Island Council have decided to use its share to work with the Citizens Advice Bureau to identify local people who are having problems paying their energy bills and encourage them to take advantage of the new scheme. The aim will be to target loft and under floor insulation in particular and seek to prioritise this work to be developed by local firms. (40)

Shetland Island Council is also developing an innovative district heating scheme in Lerwick, based on waste to energy (although hopefully supplemented by wind very soon), which has already won a number of environmental awards. (41)

e) Wrexham fits solar panels to tackle fuel poverty

Wrexham Council has fitted almost 3,000 houses with solar Photovoltaic (PV) panels in the largest social housing PV scheme in the UK. (42)

The multi-million pound project has been delivered through partnership working with local companies H.T. Forrest and Sharp Solar. The project was completed in record time – taking only six months from start to finish. The project is innovative in its design and is acting as the flagship Solar PV scheme for the whole of the UK. Its benefits are multiple and far reaching and include:

- reducing the councils CO₂ footprint by 3,000 tonnes annually;
- sustainable long term income for the Council via Feed in Tariff (FIT) payments;
- addressing issues of fuel poverty by saving tenants up to £300 per year on energy bills;
- stimulating the local economy through the creation of jobs, training and investment into the Wrexham area showcasing the Council as a leader in the renewable energy market.

12. Conclusions and recommendations

This NFLA Policy Briefing, and the complimentary report on the Green Deal and Green Investment Bank (NFLA Policy Briefing 111), has highlighted that the issue of fuel poverty remains a deep-seated problem affecting the most vulnerable communities in society. Within the current period of deep public spending cuts and austerity, fuel poverty is as serious a problem as food poverty and must remain a major policy issue for all local authorities within its remit of assisting the local community.

This report has highlighted that the type of energy market that presently exists means all Governments – national or devolved – have limited latitude to effectively reduce fuel bills.

Financial support to alleviate fuel poverty remains an important policy instrument but more sophisticated approaches to target funds to those most affected by fuel poverty are required. Allocating funds from central government to local authorities to undertake this task is a much more effective strategy to incorporate issues such as rural and urban poverty, local climatic factors and so forth.

Energy efficiency measures remain one of the most effective long-term solutions for alleviating fuel poverty. They also have the potential for increasing local employment at a time when skilled jobs are at a premium. They still remain a neglected part of energy policy as government continues to generally focus more on the supply side of the energy sector rather than the positive contribution energy demand management can provide. Such demand management measures can also reduce some of the pressure for imminent supply side solutions, allowing for more time to develop an effective decentralised energy strategy.

The NFLA recommends local authorities lobby central government to continue to take on a leading role in developing innovative energy efficiency programmes at the local level. As both this report and NFLA Policy Briefing 111 emphasise, many local authorities are pro-actively seeking to fund such programmes or using external / joint funding to promote innovative improvements, even in a climate of deep cuts to local government budgets.

The NFLA recommends this report and NFLA Policy Briefing 111 are distributed by NFLA representatives to fellow Councillors and appropriate officers, particularly energy policy officers, corporate procurement officers and climate change officers. It also encourages Councils to consider signing up to the commitments suggested in Appendix 1 below, appropriate to whichever part of the British and Irish Isles they are located in.

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Appendix 1 – Generic Local Authority Fuel Poverty Commitment

Fuel poverty is a scourge on our communities. It harms the physical and psychological health, welfare and quality of life of our residents.

Local authorities can play an important role in tackling fuel poverty through, for example, our new public health responsibilities, our strategic role in improving housing and our concern to encourage residents to contribute to the local economy and community.

We commit our Council to:

- Make sure we understand the extent of fuel poverty in our area, its impact on health, housing and quality of life, and to take action to address it.
- Make sure that the Joint Strategic Needs Assessment, agreed between Councils and local NHS organisations, informs strategies to tackle fuel poverty.
- Work with partners such as Health and Wellbeing Boards and advice services to develop effective referral systems to reduce fuel poverty and cold-related ill health.
- Develop a strategic approach to improve energy efficiency in all housing and fulfil its potential to create jobs and prosperity in our local communities.
- Work with energy companies and related organisations to help make sure the Green Deal, Energy Company Obligation (ECO) and other energy efficiency programmes are delivered effectively in our area.
- Administer the benefits we are responsible for efficiently and fairly, and help make sure eligible households receive the benefits to which they are entitled.
- Explore ways of reducing fuel poverty that involve the whole community, including community groups and town and parish councils.

We want the Government to:

- Help us meet our ambitions to eliminate fuel poverty in our area.
- Make sure Public Health Directors can effectively deliver on their responsibility for meeting the public health outcome on fuel poverty.
- Work with the LGA / COSLA / NILGA / SEAI (delete as appropriate) to support local authorities provide peer-to-peer support and sign up to locally appropriate actions and targets.
- Help disseminate information and guidance on legislation, policy initiatives and best practice.
- Help compile standardised housing stock data on all housing in the country.
- Require Green Deal and ECO providers to inform local authorities of works taking place in their area, to enable authorities to report on referrals and outcomes.
- Make sure we have the resources to make an effective contribution towards meeting the national target to eliminate fuel poverty by 2016.

(N)_____ Council commits to do everything within its powers to help eliminate fuel poverty in its area.

This commitment was written by the End Fuel Poverty Coalition (EFPC) and local authority officers. For more information on the EFPC, go to our website: www.endfuelpoverty.org.uk.