

Understanding Fuel Poverty in the Scottish Energy Policy Landscape

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ENERGY POLICY**

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Introduction

- Moved from the US to the UK to complete a MSc in Energy, Society and Sustainability at the University of Edinburgh
- Final year of policy analysis PhD at the Centre for Energy Policy, at the University of Strathclyde

How will different policy and regulatory actions affect energy prices and affordability for communities affected by fuel poverty in Scotland?



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Fuel Poverty and the Drivers of Fuel Poverty



High Energy Costs

- Rising energy prices are a burden on households
- Fuel poor households often pay more for energy than other consumers



Low Incomes

- Households with limited financial resources struggle to afford their energy needs



Poor Energy Efficient Homes

- Poorly insulated and energy inefficient homes raise energy demand, cost more to heat and raise energy bills



Energy Use Behaviour

- How energy is used in the home impacts energy costs
- Households may under or overheat their homes
- Specific groups have inflexible energy needs

- 10% of household net income goes to fuel after paying for other household necessities
- The remaining 90% of income falls below the minimum income standard or is not enough to maintain an acceptable standard of living[1]

[1] <https://www.gov.scot/policies/home-energy-and-fuel-poverty/fuel-poverty/>

The Research Process

Identified key policy mechanisms to address the drivers

1
Energy Supplier Activity (1)
Pricing (2)
Fiscal Interventions (3)
Energy Efficiency and Heating Decarbonisation (4)

Selected Archetypal Policies (APs) to be representative of the key mechanisms

2
(1) Energy Company Obligation (ECO)
(2) Energy Price Cap
(3) Pension Age Winter Heating Payment
(4) New Build Heat Standard

Analysed policy documents to understand the intended aims and impacts of the APs

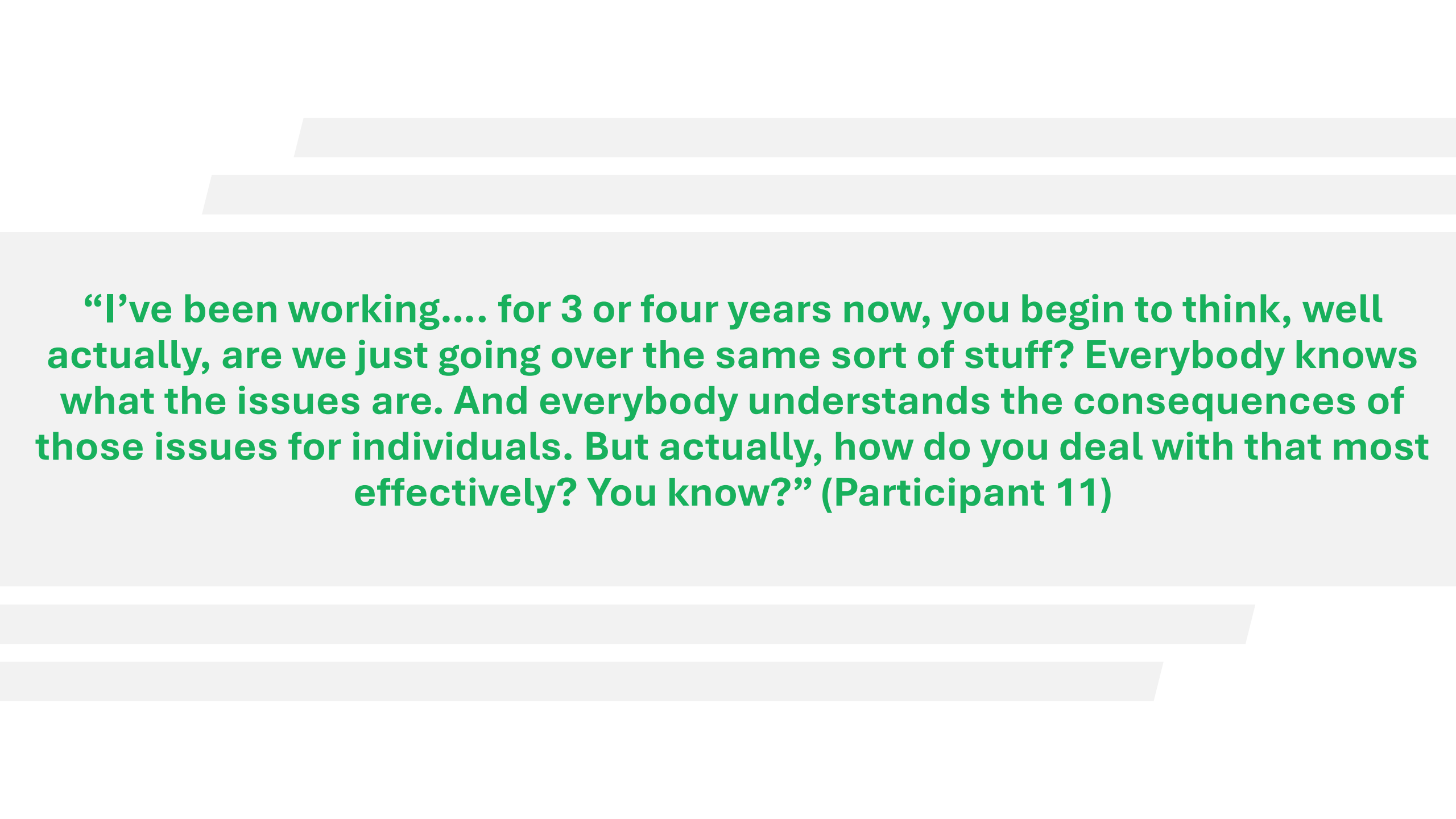
3
Policy document analysis with iterative thematic coding using NVivo software

Conducted stakeholder interviews to explore why policies struggle to address fuel poverty

4
Interview questions based on the findings from the document analysis, interviews with stakeholders from academia, government, industry and the third sector

Final workshop to confirm research findings and proposed policy pathways

5
Holding a small group workshop to validate and prioritise the different proposed policy actions



“I’ve been working.... for 3 or four years now, you begin to think, well actually, are we just going over the same sort of stuff? Everybody knows what the issues are. And everybody understands the consequences of those issues for individuals. But actually, how do you deal with that most effectively? You know?” (Participant 11)

Policy Problems

How will different policy and regulatory actions affect energy prices and affordability for communities affected by fuel poverty in Scotland?

Rebalancing Policy Priorities

- Social tariff
- Improve targeting
- Stagger levels of support

Distrust in Policy

- Clear direction from government
- Post-retrofit follow-up
- Ringfence funding for advice
- Engage with trusted community leaders

Upstream Solutions to Address Electricity Prices

- Outwith devolved powers

The Inefficiency of Delivery

- Data sharing
- Economies of scale and pace

Targeting

- Place-based targeting with more power given to local authority
- Data sharing between government departments

Retrofit at Scale and Pace

- Prioritise preparing homes for a minimum standard of efficiency

The Labyrinthine Policy Landscape

- Simplify eligibility criteria across policies
- Create a single platform for advice and information

Policy is Political

- Identify supportive and engaged MSPs and MPs
- Create compounding points of pressure

Rebalancing Policy Priorities

- **Policy is overly focused on addressing the immediate impacts of fuel poverty rather than the underlying causes**
- **Too much money goes towards energy bills rather than reducing demand**
- **Poor insulation and inefficient homes leave households vulnerable to future energy-price shocks**

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“So much money is going into supporting households with their fuel bills, or should be going into it, that there's not much leftover and certainly isn't any leftover at the household level to put into energy efficiency” (Brenda Boardman)

“it almost feels like all of these sort of payment things almost feel like sticking plasters in a way, rather than looking at it in a really system systematic way of thinking. Yeah, how do we actually make a real change into the housing stock so that we can then future proof anyway.”

(Participant 1)

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Rebalancing Policy Priorities

- **Implement a social tariff as long-term support**
- **Improve targeting for the Pension Age Winter Heating Payment**
- **Stagger levels of support for direct bill payments with amounts ringfenced for households in acute need**

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“It's more, it's the how is it targeted and where you're applying the benefit to the people who need the benefit is the bigger question as opposed to if you were able to find the right people... I mean, ideally, you would make the homes more energy efficient, but that's a sort of long-term problem, a long-term exercise, and it has its own challenges. You know, retrofitting cavities and solid walls is seemingly is proving pretty tricky to do it properly. So yeah, just giving them money to help pay their energy bill would be beneficial, but it requires it to be well targeted. It doesn't seem that really is particularly well targeted.” (Participant 7, Policy Advisor)

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Distrust in Policy

- **Distrust in delivery, ECO installations of poor quality**
- **Lack of confidence in policy, energy efficiency and net zero are for the ‘able to pay’**
- **Disengaged communities, net zero is happening *to* them and not *with* them**

“So like the main barriers is when you go into communities and you have no one locally embedded... and then that leads to distrust. And yeah, you're kind of doing the schemes to them and they're not getting really taken along that journey.” (Participant 3)

“Like, are we on the right track with energy efficiency and all the schemes that we've brought out? Or [is it] actually taking us backwards because they're destroying consumer confidence.” (Participant 5)

Distrust in Policy

“Yeah, renewable electricity generation would not have grown in the way that it did in Scotland, if government after government after government hadn't given the industry crystal clarity, real consistent confidence to know Scotland wants to succeed in this and Scotland has got to do what it takes us, to succeed in this. Well, the clean heat sector needs to be seen in the same way by government. Government needs to be getting it crystal clarity that Scotland is worth your while investing in because there are plenty of other countries that they can invest in, whether it's a manufacturing, whether it's for installation.”
(Minister of Scottish Parliament)

Rebuilding Confidence

- Transparency and clear direction from government
- Follow-up surveys post-retrofit for any energy efficiency installation
- Ringfence funding specifically for advice on how to use technologies
- Engage with community representatives to build trust

The Need for Upstream Solutions to Address Electricity Prices

- **The structure of the UK energy markets is a key force behind high energy costs**
- **The relationship between gas prices and electricity prices is a central problem**
- **Policy and infrastructure costs overly burden electricity bills**

“the way that some of the, some of the environmental, uh, policies are put onto electricity prices where they frankly should be on gas prices... Clean electricity is the cheapest to generate. If it was also the cheapest to consume, there would be a real incentive to decarbonize both heat and transport and and go to electric systems for heating and transport. Achieve both a reduction in people's living costs and a reduction in emissions at the same time” (Patrick Harvie, MSP)

“Yeah, and until you break the link between the gas price and the electricity, all you're doing is robbing Peter to pay Paul. You're not sorting out the bulk of it, but just dealing with its, you're just dealing with its symptoms. It's like, it's like paying for the paracetamol when you broke your leg rather than sorting your leg.” (Participant 10)

The Need for Upstream Solutions to Address Electricity Prices

“And I think that plays out in the the the social sector... they've been asked to, you know, install technologies as part of the of the standards for social housing, but without any of those kind of wider energy market things being addressed at the moment. So, you know, they're looking at technologies, but when they do the the calculations, they're potentially not going to save people money or even potentially put their costs up. So it's really difficult to wrestle with what they've been asked to do to the property versus the impact it's going to have on, on the people living there.” (Participant 3, Third Sector Professional)

“It's not looking at the upstream supply and there's also issues with why why the prices are so high and it's because of gas setting the most expensive source of energy setting the price rather than the cheapest. You know, there's big bigger issues and again, so it's like not wanting to do structural things but sort of end of bike. You know, it's another sort of symptom of that.” (Participant 2, Policy Advisor) ”

The Inefficiency of Delivery

- **Limited funds are used for administrative activities around delivery rather than delivery itself**
- **Administrative activities are actively competing with funds that would be better used to interventions and advice services**
- **Fragmentation creates inefficiency**
- **Effective policy implementation requires the ability to identify where need exists and who should receive priority support**

“It’s very desperate, it’s funded from different sources. From Ofgem through energy redress, through, there’s some that’s funded through Scottish government, there’s some that’s funded through local authorities. There’s some that’s funded through charitable foundations. The amount of energy that goes into trying to secure funding rather than give advice, again it’s not an effective way of doing things.” (Participant 11)

“But the other thing is we spent an awful lot of money trying to identify the people... And you know, there's a whole industry behind that trying to find the people who have that combination of the types of housing that's looking for the measures and the benefit eligibility alongside that. And you're kind of going, we're paying an awful lot for stuff administratively that doesn't need to happen like that.” (Participant 4)

The Inefficiency of Delivery

- **Data sharing for improved targeting**
- **Create economies of scale with further support for area-based schemes**

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“There'll be communities where there's real need and it's back to targeting that that money should be spent in a targeted way where it's going to have the effect of lifting people out of fuel poverty, but being done efficiently. So rather than rather than kind of lots of that money being used to kind of, to kind of on board people who might be able to benefit, to use analysis and data to point where that money should be spent... We need to make sure that the same time the majority of that warm homes planned money isn't spent, isn't spent delivering the service it's spent on actually making those improvements for for households.” (Participant 9)

“You know, it would be better and more effective to kind of get the the sort of the economies of scale and be the kind of the area based approach the Scottish Government programmes to is a much better model, I just think.” (Participant 4, Policy Advisor)

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Targeting

- **Schemes are overly focused on pensioner status and age**
- **Universal targeting approaches trade simplicity for accuracy, and there are limited public funds**
- **Fuel poverty is more closely associated with geographic location and local housing conditions**

“I think, in talking to the folks who administer the programme I know they’ve struggled to find the right people to be reaching out to... And think there was lots of, was it data protection? Or data sharing. So they know if work place and pensions has these lists of people who are on benefits or who might be in financial need, but they’re unable to, apparently, share this information with third party energy companies, or even like DESNZ. So, there’s been kind of a struggle if you will. With energy companies through the ECO scheme trying to identify the right people to be, kind of working on. And so I think we have struggled where we’ve found it more difficult than we would like to have been to find people to essentially give them free upgrades through the ECO programme.” (Participant 12) ”

Targeting

- **A place-based and local authority approach**
- **Use linked administrative data to improve identification**
- **Better target existing schemes rather than simply increasing payments**

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“I am hugely in favour of local area solutions, a concentrated area approach, whereas everything to do with ECO is pepper potting. In other words, individual properties, fairly randomly distributed around according to where somehow or other energy company is able to identify them... If the local authority has a duty, a duty to target fuel poverty, they're much more able to do that. And to bring logic to bare. I mean, you've only got to look at when houses were built to start by identifying those with the greatest fuel poverty because they're they're all sort of pre 1930s. To start with.” (Brenda Boardman)

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Retrofit at Scale and Pace

- **Energy efficiency and retrofit are the foundation of home decarbonisation and fuel poverty**

“the policies that address the drivers of fuel poverty would be fuel poverty policies. It's the ones that address issues around inefficiency of housing, in particular because nobody would be in fuel poverty if their house cost very little to to heat or warm or or run. It's it's at at the bottom. It's like that's the basic basic problem. It's just that houses are expensive to run.” (Participant 2)

- **Current policy investment is not at the scale or pace needed to address the ‘problem child’ of building retrofit**

“Increasing the energy efficiency of homes then is, that’s one where the Scottish government can invest, is investing. And I think it was maybe some questions around about the rate of investment. And if you look at the number of homes that are on or below, that require EPC C level. There is an issue there about the current way of investment. Or they won’t achieve what the government is trying to achieve” (Participant 11)

Retrofit at Scale and Pace

- **Ensure homes reach a minimum standard of efficiency**
- **Prioritise preparing homes for low-carbon heating rather than be have households be displaced by the transition to clean heat**

“Well, I think with with the net zero fund... I think it's interesting that we've split that fund into two themes. So there is one that is about energy efficiency. So that is about reducing demand... Tackling fuel poverty and and reducing people's costs and minimising that overall consumption...I think that that fund I think probably has a bit of a a dual function, but I think there was a point in time where it was mentioned that the energy efficiency part was only going to be temporary and it would then move to more of focus on on, on net zero. And I mean we campaigned to make sure that that. It didn't happen because we made the case that no, you still need the funding for even those basic energy efficiency improvements before you go ahead and install things like heat pumps, so that that's still a really kind of critical part of that fund.”

(Participant 6)

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The Labyrinthine Policy Landscape

- **A fragmented and overly complex support system**
- **Fluctuating eligibility criteria with poor coordination**
- **Lack of long-term thinking with policy that is perceived as generally uncertain and unclear its direction**

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“And I think it's quite, like you said before, I mean, there's so many of these different programmes, I think it's quite complex for people to know, you know, what help can you get from where? And it's really super complex even for people that are working as intermediaries and helping people. So energy advisors. Any kind of, you know, charities that are working on this. It's really, the whole landscape is really complex... because there are so many different small grounds and various different things available. But it keeps changing all the time. So it's really difficult for people to know that, OK, what am I actually eligible for?” (Participant 1)

“And it's not really necessarily distributed through the well known state pathways of support. You have to access other you know, through your Council and so on. So I just think the system is quite complicated and, yeah, and fragmented.” (Participant 2)

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The Labyrinthine Policy Landscape

- **Simplify eligibility criteria with passport-benefit eligibility**
- **Focus on coherence and coordination between government departments with improved communication and a focus on how policies interact**
- **Invest in a single access point for support, to provide regularly updated information for households and intermediaries**

“if you step outside the energy world and say it's the same people eligible for social tariffs and water in England or for telecoms. And I'm sure there'll be other kind of financial support mechanism is that again, use those passport benefits. Might it not be simpler just to strip all that away, make the bills a lot cleaner and just say right, why don't we just do an uplift of like you know even £5 a month or 5 lbs a week on those those benefit payments? What's the easiest way we can do this? It's not a question we ask enough.” (Participant 4, Policy Advisor)

Policy is Political

- **Policy has not just technical and financial barriers, there is often a lack of political willpower**
- **Political feasibility is a determining factor in policy implementation**

“When you decide that it's going to be the bill payer rather than the taxpayer, you know, it's a political decision when you decide which part of the bill that's going to come from. It's a political decision when you decide who is going to deliver it, that's that. There's a whole series of, you know, because they're not, they're not independent of the actual lived implementation, which then results in a particular group, particular organisation particular pathway being privileged over others, that's politics.” (Participant 2)

“Sometimes the net zero stuff is going to push you towards heating technologies that at the moment don't make sense in a fuel poverty point of view, and sometimes. The actions that you would want to take, which would work for both fuel poverty and for net zero, like, yeah, sort of minimum standards of energy efficiency in housing, are just politically too difficult. So there's there's a different kind of there's a there's more than one thing happening here. There's that tension. In between what government can actually do and then some of the things it might want to do are probably they sit uncomfortably.”
(Participant 4, Policy Advisor)

Policy is Political

- **Multiple points of pressure**
- **Identifying supportive members of government – political consent enables policy implementation**

“And I got the strong sense that I was suddenly working with civil servants who had been held back for a long time, who had known for a long time what they needed to do and didn't have political consent to do it. And they were now working with the minister who wanted to say yes, instead of a minister who wanted to hold them back.” (Patrick Harvie)

“It's interesting to think about whether that was done because the funding was seen as progressive or the means of mechanisms, or was it done because the overall cost of electricity are higher than they have been on a kind of consistent basis. Obviously, there was a spike, but they're still above where they were before the spike and it feeds into a kind of cost of living narrative. Or was it done because of the decarbonization agenda and the need for lower electricity costs? It was all of those, but it's kind of interesting to think about all the different reasons kind of piling together to manage to make the government move in that sense.” (Participant 7)

Priority Actions

1. Create a single cross-departmental government database to store data for targeting and to improve communications across departments
2. Encourage government to give a clear and strong message about energy policy, with a timely publishing of Heat in Buildings and support for a social tariff
3. Increase support for area-based schemes that strategically invest in housing stock and avoid a piece-meal approach by directing funding allocation to local authorities

Looking for participants to get involved with a workshop

Stakeholders from academia, industry, government and the third sector with experience in the fields of Scottish energy policy and fuel poverty, please get in touch!

September 30th

Email for details:

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