

## Written evidence submitted by Energy Action Scotland (COL0030)

### Energy Action Scotland Submission

#### **Introduction**

Unprecedented increases in energy costs are set to have a devastating impact on households across Scotland this winter. Pre-pandemic a quarter of households, over 600,000<sup>1</sup> were struggling with their energy costs.

The UK Government has provided a number of financial supports during 2022 through social security and energy suppliers. It has introduced the Energy Price Guarantee which limited the level of unit costs for gas and electricity on 1 October to a 25% increase from April 1 2022 costs and a second review will result in a further 20% increase on unit costs from 1 April 2023. This is a trebling of costs in little over 2years. Alternative fuels have similarly increased but are unregulated and do not have an equivalent of the energy price guarantee.

Scottish Government estimates of the impact of 1 April 2022 price increases was that over 1 in 3 households in Scotland<sup>2</sup> would be in fuel poverty and 1 in 4 will be in extreme fuel poverty. Millions of households in the UK are in energy debt already.<sup>3</sup>

Energy Action Scotland estimates of the impact of financial support, including changes to benefits provided by Social Security Scotland, and the 1 October price increase means that the estimates for 1 April remain broadly true. If the planned increase in the Energy Price Guarantee is implemented and the financial package of support is reduced as announced then it is likely that in the region of 1million households in Scotland will be in fuel poverty.

The impact of this will undermine the health and wellbeing of many people and put pressure on the NHS, fuel poverty related NHS costs pre-pandemic are estimated to be over £100million in Scotland. Sadly, higher costs, with inadequate financial support will lead to an increase in excess winter mortality, which already accounts for over 6 deaths every day in winter. The UK has amongst the highest levels of excess winter mortality in Europe. Scotland's GP practices<sup>4</sup> are deeply concerned about the impact of high energy costs and the wider cost of living crisis in our communities.

In polling<sup>5</sup> during 2022 we identified that 81% will ration energy this winter, while 55% are already rationing hot water, and 13% are reducing use of medical equipment.

Fuel Poverty is highest in remote and rural Scotland (See Diagram 1) where there are more all-electrically, oil, LPG, or solid fuel heated homes.

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<sup>1</sup> <https://www.gov.scot/publications/scottish-house-condition-survey-2019-key-findings/pages/1/>

<sup>2</sup> <https://www.gov.scot/publications/budget-statement-stage-3-2022-23/>

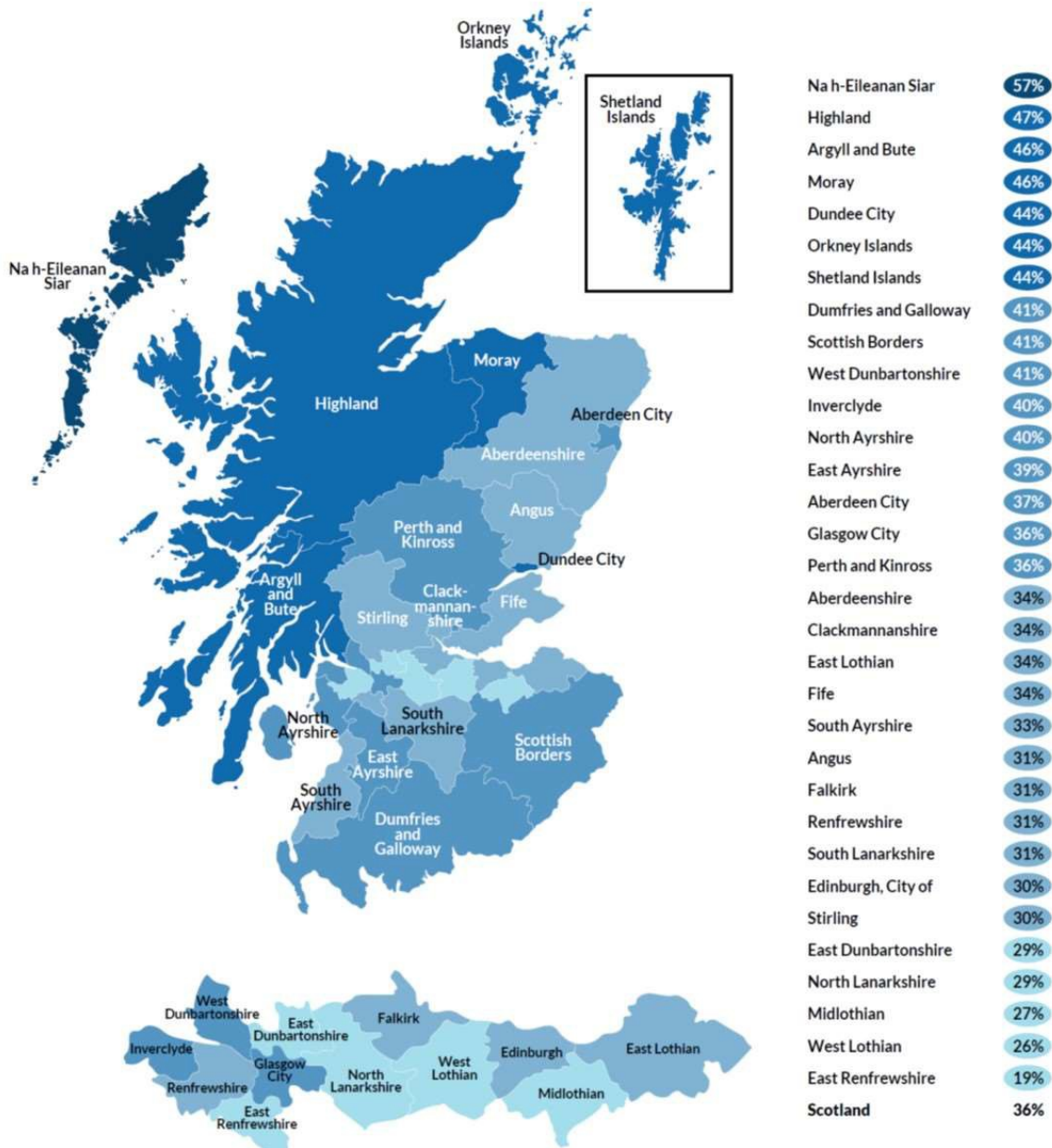
<sup>3</sup> <https://www.cas.org.uk/news/increasing-numbers-people-missing-energy-bills>

<sup>4</sup> <https://www.gla.ac.uk/schools/healthwellbeing/research/generalpractice/deepend/reports/>

<sup>5</sup> <https://www.eas.org.uk/uk-fuel-poverty-monitor>

Diagram 1 – Fuel Poverty in Scotland 2022 (estimated)

## FUEL POVERTY BY LOCAL AUTHORITY



February 2022 Source: Statement by Cabinet Secretary for Finance and the Economy, Kate Forbes MSP

Climate plays a significant role in the need for households to consume energy to stay warm. In Scotland in the region of 50% of all homes are at Energy Performance Certificate levels of D or worse<sup>6</sup>. These homes are not efficient, they will be hard/expensive to heat therefore cold and damp during the winter months. This will exacerbate conditions such as respiratory or coronary but also affect the mental health and wellbeing of those enduring these conditions.

### **The particular challenges facing Scottish rural communities in relation to the cost of living compared with other areas of the UK**

It has consistently recognised that in relation to energy rural communities in Scotland suffer higher levels of fuel poverty. This is largely as a result of being off the gas grid with higher fuel costs either for electric heating or alternative fuels.<sup>7</sup> The differential between electricity and gas is so significant that it can result in a doubling of costs to achieve the same level of comfort experienced by those in gas supplied areas.

Housing tends to be of a poorer quality with lower levels of energy efficiency.

Incomes are also lower and the cost of living is generally higher. Scottish Government fuel poverty research<sup>8</sup> delivered by Loughborough University in 2021 identified additional minimum living costs for households in remote rural Scotland that typically add 15-30% to a household budget, compared to urban areas of the UK. It is highly likely that this value will have increased during the cost of living crisis. Yet no differential exists in the level of support provided by governments to aid those in these communities achieve equity of access to energy.

### **To what extent recent UK Government cost of living support measures meet the needs of rural populations in Scotland**

There is a patchwork of financial support being provided to households in response to the cost of living crisis. None of which recover a position for any household consistent with the level of energy costs proportionate to income experience in 2019/20. Of course 1 in 4 households in Scotland were in fuel poverty at that time. 1 in 3 households in rural Scotland. Yet now widely recognised to be over 40% fuel poverty in rural Scotland.

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<sup>6</sup> <https://www.gov.scot/publications/scottish-house-condition-survey-2019-key-findings/>

<sup>7</sup> Around 130,000 homes in Scotland use heating oil, mostly in rural communities. Oil prices are unregulated and have doubled over the last 12 months.

[Scottish homeowners could be forced to downsize due to rising cost of heating oil | ITV News Border  
https://www.thesun.co.uk/money/17904251/heating-oil-bills-double-in-just-two-weeks/](https://www.thesun.co.uk/money/17904251/heating-oil-bills-double-in-just-two-weeks/)

<sup>8</sup><https://www.gov.scot/publications/cost-remoteness-reflecting-higher-living-costs-remote-rural-scotland-measuring-fuel-poverty/>

One-off payments have been normalised as the response to the crisis. Many are still not effectively reaching those in most need. Targeting has generally been poor. At best some payments were means tested but there have been universal supports provided to even the wealthiest of households. Important for those that received them but insufficient in themselves.

It is clear that without the Energy Price Guarantee and the cost of living package provided by the UK Government that many more households would have face simply unaffordable energy costs.

None of these supports reflect what was known about fuel poverty in relation to the geographic and demographic factors that increase the likelihood of people experiencing difficulty.

Expedient rather than excellent appears to be the approach taken to the provision of support. Universal payments rather than equitable payments means that the scale of the impact of rising energy costs on those known to be most vulnerable, the old, those with essential medical needs, families with young children, people in more remote rural communities have largely gone unaddressed.

Government systems appear to lack sophistication to enable better targeting of support. Indeed those with the most have more easily accessed financial support than those on the lowest incomes. Over 25% of Energy Bill Support Scheme payments to legacy prepayment meters have not been redeemed. Yet local community organisations and charities have sought to provide targeted and differential support. In the Western Isles, the Point and Sandwich Trust is trying to support people in this way (see Appendix 1). In rural Stirlingshire the Fintry Development Trust is similarly providing funds to people struggling in its community, providing a £500 payment to those that meet low income, high energy costs criteria across a range of fuel types.

The Energy Price Guarantee is set to increase from 1 April 2023. An increase of approximately 25% on the October 2022 level. At the same time financial support is due to be reduced. It is likely to increase significantly the level of fuel poverty in rural Scotland. In some communities this will result in over 75% of households meeting the Scotland definition.

There are consistent calls and a growing body of evidence that better targeting is necessary to avoid the worst of the current crisis. In the UK publication the Fuel Poverty Monitor<sup>9</sup> we worked with National Energy Action to identify the steps that could be taken to improve outcomes for vulnerable people. These hold true for rural communities notwithstanding the geographic inequalities already discussed.

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<sup>9</sup> <https://www.eas.org.uk/uk-fuel-poverty-monitor>

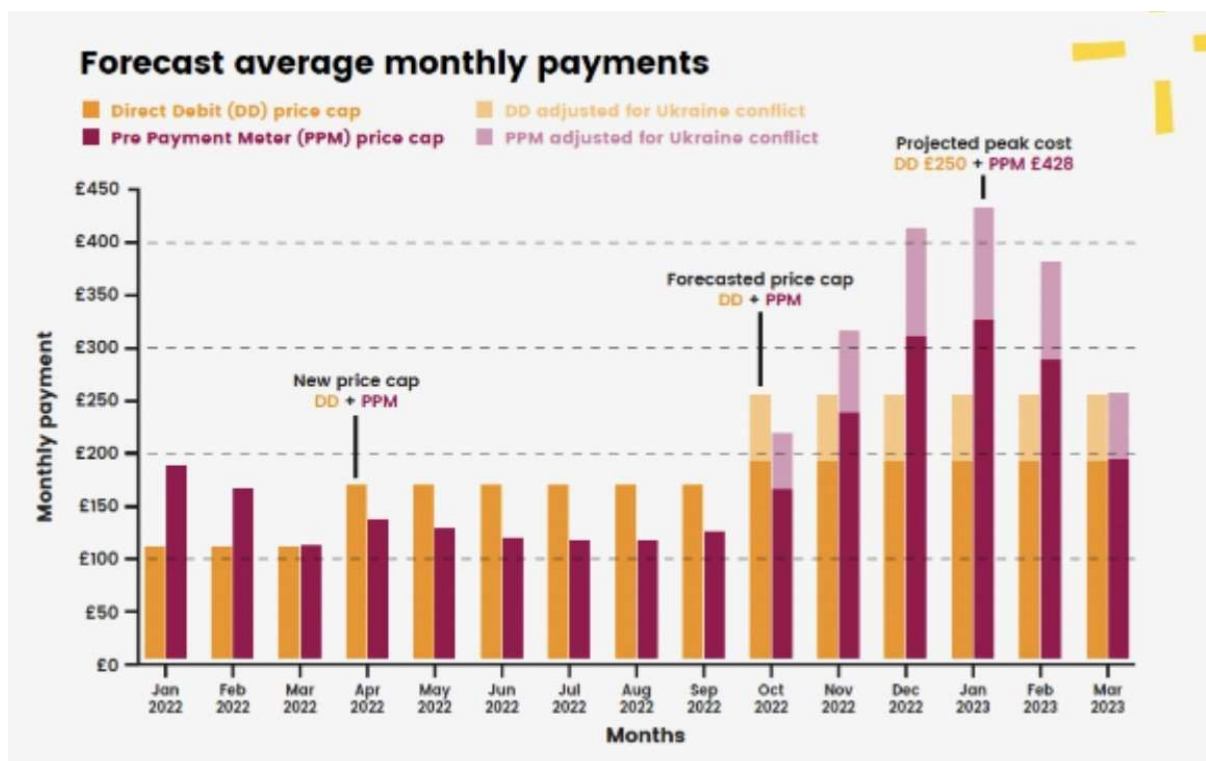
## Any further steps the UK Government could take to support Scottish rural communities in relation to the cost of living

Without a doubt better support would look, more targeted and in advance of need. It would be automatic and would not require the most vulnerable to have to work harder than the majority of the population where support may be provided. Scaled support that recognised the need to provide a proportionate uplift.

There have been significant delays in people in the most difficult of circumstance receiving financial support. Whilst this is true of Scotland and the rest of GB as a whole the effects for rural communities has arguable been greater where the Alternative Fuel Payment only began to be rolled out during February 2023. Many households will not receive any payments until March if they do not receive this discount/payment automatically. This does little to support people during the winter months.

People require payment in advance of need, not in retrospect. For those with prepayment meters, cashflow demand to access energy is significantly higher in winter months than for households with direct debit. This is even more relevant to people with pre-payment meters who require a substantially different cashflow requirement (see diagram 2) than those on credit contracts.

Diagram 2 – Prepayment Meter Households (source Fuel Bank Foundation 2022)



Improving the rate of improvement to people's homes in a co-ordinated and strategic manner could have improved housing a greater rate than is occurring. The Existing Homes Alliance recognised the need to develop a transition package for rural areas. It has proposed a Rural Homes Just Transition Package<sup>10</sup> working in collaboration with rural stakeholders, including Rural and Islands Housing Association Forum (RIHAF), Rural Housing Scotland, Scottish Association of Landlords, Scottish Rural Action and The Pebble Trust. The package includes measures to ensure equality for people living in rural communities and ensure that they can maximise the benefits of being at the forefront of Scotland's transition to zero emissions heating. Rural areas, rural Scotland needs better support to improve housing and to help Scotland and the UK meet its fuel poverty and netzero ambitions. Yet funding approaches to incentives and drive change consistently fall below expectations. Whether that is the delivery of the Energy Company Obligation, UK Government programmes or Scotland Area Based Improvements there is a shortage of capacity, a shortage in the supply chain which results in underspending or a failure to meet targets. These must be redesigned to create the change that is needed.

### **How effectively the UK and Scottish governments have worked together to coordinate and provide support in relation to the cost of living for the people of Scotland.**

During the current period widely referred to as the Cost of Living Crisis there has been little evidence that the governments or their agencies have worked well together.

In Scotland there has been significant delay in rolling out a replacement for the Cold Weather Payment Systems. The new Winter Heating Payment diverges from the approach taken for England and Wales and it appears that delays and data issues between the Department of Work and Pensions and Social Security Scotland have been to the detriment of households in Scotland.

In 2023, to the end of January, there were at least 3 trigger payments which would have applied to Scotland qualifying postcodes. Scotland households are yet to receive the new Winter Heating Payment whilst eligible households in England and Wales will have already received three £25 per week payments.

The locations where the greatest detriment will exist are rural. We accept that the changes to the benefit will mean that people living in some rural communities will receive payments for the first time as their climates were less likely to meet what were/are the Cold Weather Payment criteria. However other rural communities will experience considerable detriment over past winter periods.

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<sup>10</sup> <https://existinghomesalliancescotland.co.uk/news/rural-homes-just-transition-package/>

Changes introduced to both the Energy Company Obligation and to the Warm Home Discount payment have resulted in further division across Great Britain. Delays in regulations has resulted in real delays and uncertainty for households. Less home improvements appear to be being delivered than expected. There have been real issues with discount eligibility and in Scotland, for suppliers with market share complexity. As a result on imposed caps on expenditure some suppliers are now likely to provide less Warm Home Discount payments to Scottish customers than in previous years. Other suppliers have much lower market share and, whilst subject to the same cap spend, are unable to provide financial payments to households. A crisis demanded a different approach, continuity with previous schemes, faster approval of activities, but this has not resulted.

Submitted by

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*February 2023*

## Appendix1

### Example of rural financial support – Point and Sandwick Trust – Western Isles

1600 remote rural homes.

As part of this project the Trust undertook fuel poverty projections from recent data it collected and held. This cross referenced income data (including government support for fuel) with evidenced expenditure data or Energy Performance Certificate expenditure estimates (which in the Trust's view underestimates by circa 20%).

From assessing about 250 homes it estimated that Fuel poverty levels at Oct 2022, based on the previous simple 10% methodology, was approx 78% and after March 2023 will climb to nearer 99%. Extreme fuel poverty was estimated as 36% at Oct 2022 but as of March 2023 is not far behind the FP level being approx 87%.

The trust established a hardship fund. This is a financial support mechanism which assesses depth of fuel poverty and responds with a sliding scale of increased support for the deepest fuel poor. Financial packages range from £750 for those between 20%-30% fuel poor to £1500 to those who are spending (or should be spending) in excess of 50% of their net income on fuel.

This fund has been operated since mid Jan 2023. Households are now assessed against the new Scottish definition of Fuel poverty by collecting evidenced data to enable an assessment against Minimum Income Standard criteria. From those clients processed approximately 85% of households are deemed fuel poor under the new Scottish definition. Of this 85% almost all are extremely fuel poor.