

**SUBMITTING EVIDENCE TO A SCOTTISH PARLIAMENT COMMITTEE**  
**DATA PROTECTION FORM**

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<b>Date:</b>	<b>06/11/2018</b>
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<b>Topic of submission:</b>	<b>Fuel Poverty Bill Inquiry Response</b>

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## **LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**

### **FUEL POVERTY (TARGET, DEFINITION AND STRATEGY) (SCOTLAND) BILL CALL FOR VIEWS**

#### **SUBMISSION FROM SCOTTISH RENEWABLES**

Scottish Renewables welcomes the introduction of the new fuel poverty bill, recognising the significant impact that fuel poverty can have on the health and quality of life of the people of Scotland.

Whilst we support the proposals in the Bill and draft Fuel Poverty Strategy, we are concerned that some elements are not aligned to the Scottish Government's Energy Strategy, Climate Change targets and associated Climate Change Plan. Our key recommendations are:

- Scottish Government fuel poverty alleviation schemes should prioritise the replacement of higher carbon heating systems with low-carbon systems, rather than funding like-for-like replacements
- The Scottish Government Fuel Poverty Strategy and other housing policies should be aligned with the objectives of the Energy Strategy and Climate Change Plan, wherever possible.

We set out more detail on these points below.

#### **Limit funding for higher carbon heating replacements**

Our primary concern is that currently, Scottish Government fuel poverty alleviation schemes (HEEPS and ABS) still provide funding for like-for-like replacements of higher carbon heating systems such as oil and LPG. These systems are typically found in rural areas without access to the mains gas network (usually referred to as off-gas grid). However, the replacement of these heating systems with low-carbon alternatives has been flagged as a near-term priority by the Scottish Government<sup>1</sup>. We therefore urge the Government to align its fuel poverty strategy and schemes to its other policies. Doing so would potentially reduce these homes' heating costs and insulate them from future fossil fuel price volatility. It would deliver carbon emissions reduction and help establish the supply chains required for future heat decarbonisation.

The continued funding of like-for-like replacements for high-carbon heating systems in off-gas grid areas contradicts the Scottish Government's Energy Strategy and Energy Efficient Scotland Route Map which state that rolling out low carbon heating technologies in these areas is a priority from now to the mid-2020s. These areas are flagged as a priority because to meet the Scottish Government's renewable heat and heat decarbonisation targets, the vast majority of rural homes will need to be moved away from high carbon heating sources

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<sup>1</sup> Scottish Government, Climate Change Plan, 2018

by 2030<sup>2</sup>. With high-carbon boilers typically lasting more than 15 years, continuing to subsidise their installation will fail to deliver the required emissions reductions. A typical house heated with oil or LPG will emit 7.5 and 6 tonnes of carbon dioxide per year, respectively. Heating that house with an electric heat pump or biomass boiler will emit around 1.5 tonnes per year<sup>3</sup>. Continuing to install these systems also creates the potential for stranded assets in the future, where consumers may be required to replace systems before the end of their useful life, if Government policy objectives are to be met.

In 2016/17 a total of 7,500 heating system replacements were delivered through Scottish Government funded fuel poverty alleviation schemes<sup>4</sup>. The largest proportion of these (53%) were delivered through the Warmer Homes Scotland programme, for which granular data is available. This data (see Table 1 below) shows that 749 higher carbon (oil, LPG) heating systems were replaced with similar systems in 2016/17. In comparison, just 35 low-carbon heating systems were installed (it is not clear if these were like-for-like replacements or replacements of higher carbon systems).

**Table 1: Heating system replacements, Warmer Homes Scotland 2016/17**

Heating system installed	No.
Gas boiler	3770
Oil fired boiler	468
LPG gas boiler	281
Heat pump	32
Biomass boiler	3

A significant boost to the Scottish domestic low-carbon heat supply chain would have been provided if more of these replacements had been made with low-carbon systems. Roughly 3,000 low-carbon heating systems are retrofitted to Scottish homes each year<sup>5</sup>; 750 systems would represent a 25% increase in that annual market. Market growth is important for reducing costs which in turn will aid further heat decarbonisation. Larger markets can help the supply chain grow by ensuring greater coverage, lower installer overheads and improved installer skill and confidence. The Fuel Poverty Strategy makes the point that the costs of low carbon heating technologies will have to fall if they are to be rolled out more widely, but this will not happen if efforts are not made to expand supply chains where it makes sense today.

In many cases, particularly in better insulated homes, low carbon heating systems such as electric heat pumps and biomass boilers will provide heating at cost parity or lower than oil and LPG. Particularly in homes that have received fabric efficiency upgrades, we would urge the Scottish Government to prioritise replacements with renewable heating over high-carbon systems. The Fuel Poverty Strategy states that HEEPS and ABS schemes are being opened up to renewable technologies, however this is being done alongside new funding for oil tanks

<sup>2</sup> Committee on Climate Change, 2016, Scottish Emissions Targets 2027 - 2032

<sup>3</sup> Assuming annual heating demand of 20,000 kWh. Emissions figures from BRE SAP 10.

<sup>4</sup> Scottish Government, Home Energy Efficiency Programmes for Scotland, Delivery Report 2016/17

<sup>5</sup> BEIS, Renewable Heat Incentive monthly statistics

and LPG heating systems. If the Scottish Government is serious with its commitment to decarbonise off-gas grid heat, we recommend that the rules allowing high-carbon heating system replacements be tightened.

**Recommendation: Scottish Government fuel poverty alleviation schemes should prioritise the replacement of high-carbon heating systems with low-carbon systems, rather than funding like for like replacements.**

We recognise that it may not be possible to install low-carbon heating systems in all fuel poor rural properties, or that in some cases (very large, poorly insulated homes without central heating) it may be prohibitively expensive to do so. It will therefore be important to seek opportunities for communal systems, where multiple homes share a biomass boiler or heat pump through a small, local district heat network. It may also be necessary to set maximum cost thresholds per individual home.

A related issue is the fact that to date, fuel poverty schemes have not been well targeted at rural areas. Given the higher proportion of homes in fuel poverty in rural areas, and the need to focus decarbonisation efforts in these areas, it would make sense for the Scottish Government to better integrate these two objectives.

We set out the rest of our answers to the other inquiry questions below:

**1. Do you agree with the Scottish Government's proposal to provide for a statutory target to reduce fuel poverty to no more than 5 per cent of Scottish Households by 2040.**

Yes, we support this proposal as a means to ensure that fuel poverty is eliminated as far as possible in Scotland. A statutory target will help give this objective priority across multiple Parliamentary cycles. This target should be integrated with the Scottish Government's objectives and activities related to its energy and carbon objectives, for example the Energy Efficient Scotland programme.

**2. Do you agree with the Scottish Government's proposals for a revised definition of fuel poverty?**

No comment

**3. Do you agree with provisions in the Bill requiring the Scottish Government to publish a fuel poverty strategy? Do you also agree with the consultation requirements set out in relation to the strategy?**

We agree with the provision. We urge the Scottish Government to align the cycles of reporting on fuel poverty and the decarbonisation of energy, particularly heat.

**4. A draft fuel poverty strategy was published alongside the Bill on 27 June. Do you have any views on the extent to which the measures set out in the draft Fuel Poverty**

**Strategy for Scotland 2018 will contribute to meeting the Government's new target?  
Have lessons been learned from previous initiatives?**

No comment **5. Do you have any views on the Scottish Government's reporting requirements to the Scottish Parliament, as set out in the Bill?**

No comment