

Chair of the Scottish Fuel Poverty Advisory Panel

E: c/o philippa.brosnan@fuelpovertypanel.scot &
roanna.simpson@fuelpovertypanel.scot & trisha.melvin@fuelpovertypanel.scot

06/03/2024

To: Patrick Harvie MSP, Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights

CC: Gillian Martin MSP, Minister for Energy, Just Transition and Fair Work, The Heat in Buildings Team, The Scottish Fuel Poverty Panel Members – Ms Margaret Corrigan, Dr Kirsten Jenkins, Mr Alister Steele, and Dr Fraser J Stewart

Dear Mr Harvie,

[The Scottish Fuel Poverty Advisory Panel](#) is an advisory non-departmental public body which provides independent advice to Scottish Ministers on fuel poverty and scrutiny of their progress towards delivering Scotland's 2040 fuel poverty targets. Supporting those in fuel poverty through the Heat in Buildings Strategy is a part of Scotland's Fuel Poverty Strategy, and therefore falls under the Panel's scrutiny remit.

Since it was established on the 1st of January 2022 the Panel have engaged widely across the third sector (advice agencies and housing associations) and energy sector (retail and network energy companies, trade associations, Ofgem and the Energy Ombudsman). It has also engaged with those with lived experience of fuel poverty. The consultation response provided is informed by this engagement as well as the Panel's own knowledge, experience and understanding.

The Scottish Fuel Poverty Panel welcomes the progress on the Heat in Buildings Bill (HiBB) as a key response to actions in the Scottish Government's [Tackling Fuel Poverty Strategy](#). Eliminating the poor energy efficiency of the home as a driver of fuel poverty is vital to achieving Scotland's Fuel Poverty Targets, and the HiBB plays a statutory role in achieving this. However, the Panel feel that the current proposals lack detail in key areas, particularly around how the legislation will apply to the fuel poor and how it will address fuel poverty drivers alongside wider net zero ambitions. It appears that the HiBB proposals are based on a number of assumptions about energy pricing, regulations, and incentives – all of which the Scottish Government does not control. Given this, clarification is needed to understand what modelling or evidence gathering the Scottish Government has undertaken to justify decisions. In addition, if the Scottish Government have not already done so, the Panel would urge them to seek directly the view of those with lived experience of fuel poverty. Areas where the Panel request greater clarity or amendments are laid out fully in this consultation response.

HiBB and Fuel Poverty

It is essential that fuel poverty is foregrounded in the HiBB. Understanding the barriers that prevent those experiencing fuel poverty from living in a safe, good quality and affordable home is required, and should be followed with the interventions needed to enable this. Crucially, the Scottish Government should not only be focused on avoiding adverse impact from the HiBB interventions but should be maximising the value of these interventions for those living in or at risk of living in fuel poverty. The HiBB plays a statutory role in achieving Fuel Poverty, as well as, Net Zero Targets, and as such the Panel recommends that there should be an obligation to contribute towards meeting the Fuel Poverty Targets in implementing the requirements of the Bill. This could take the form of a Fuel Poverty Duty in a similar style to [the Heat Networks \(Scotland\) Act 2021](#).

The Panel highlight that it is important to acknowledge that the HiBB interventions have the potential to drive up total heat costs and push people deeper into fuel poverty. In particular, obligations in the private rented sector could have the unintended consequence of increasing market rent rates, thereby having a detrimental impact on those in fuel poverty. Where cheap-to-install clean heating solutions are installed in privately rented homes (for example simple electric panel radiators rather than a more energy efficient electric heating system) the net effect may be that tenants – who have a higher propensity to be in fuel poverty – may end up spending more on energy, potentially compounding the situation of those already in fuel poverty and pushing others into fuel poverty. More generally, if an electric heating system is installed where a fabric first approach has not been taken, a property may become very expensive to heat because of poor insulation. Indeed, we know that fuel poverty rates are currently higher in homes with non-polluting electric energy sources so it is not enough to push people to decarbonise their energy systems without providing protections.¹ The Panel believe that to avoid unintended consequences, there should be more robust impact assessment undertaken, and mitigations provided where a measure leads to a household being pushed into fuel poverty, either at installation, or within a pre-defined period thereafter.

The Panel emphasise that it is essential to ensure that robust analysis is completed to determine the potential unintended consequences from any exemptions that might lead to some people not transitioning away from gas. As the balance of energy use shifts, the cost of the gas network will be financed by a smaller percentage of consumers, pushing costs up for those who continue to use gas. It is therefore clear from the presented scenarios that well-defined protections are needed for those at heightened risk of fuel poverty, and these should be made explicit in the legislation. In developing protections, attention should be paid to the guiding principles to ensure alignment with fuel poverty objectives which were set out in the [Heat in Buildings Strategy](#).

Energy Efficiency

The Panel acknowledges that the list of energy efficiency measures included in the HiBB proposals are intended to be consumer friendly and achievable. Nonetheless, the Panel highlights that excluding some energy efficiency measures from the list based on their higher costs carries risks. There is a danger that what is set as a minimum standard for

¹ According to the 2022 Scottish House Condition Survey 46% of households using electricity as their primary heating fuel were fuel poor, higher than for households using gas (29%), and oil (28%). Source: [Scottish House Condition Survey: 2022 Key Findings - gov.scot \(www.gov.scot\)](#)

energy efficiency will become a maximum standard. Several effective but more expensive measures, such as solid wall insulation and glazing upgrades, have been excluded from the draft list of energy efficiency measures. There is a risk resulting from this that homeowners or private landlords will not install these more expensive measures because they will not be seen as necessary due to them not being listed in the legislation. An example of this has been seen elsewhere in the housing sector, where the minimum standard included in the buildings standards technical handbook has essentially been treated as the maximum standard by housebuilders.

In addition, the Panel believe that the proposed list of energy efficiency measures are not fuel poverty focused and do not take into account housing type. For example, of the potential interventions few would be suitable for tenements, despite there being high levels of fuel poverty in these buildings. The proposed HiBB views getting homes to an EPC C rating as success, but the Panel question whether this alone will lift families out of fuel poverty or extreme fuel poverty. Scottish Government analysis has highlighted that even at the highest levels of energy efficiency, there will still be fuel poor households due to other drivers such as income and fuel prices. Data from the 2022 Scottish House Condition Survey found that over a quarter (27%) of households living in dwellings rated EPC band C or better were fuel poor. This is lower compared to those living in dwellings in bands F or G (41%) but is still a substantial proportion of households, and shows that improving energy efficiency alone will not eradicate fuel poverty.² The Panel, therefore, recommends that the Scottish Government utilises modelling to estimate how much improving energy efficiency will impact on household energy costs.

Funding

The Panel highlight that clarity is needed on how the measures required in the proposed HiBB will be funded. The total cost of delivery is estimated to exceed £33bn³, all of which cannot be funded by the Scottish Government. The HiBB proposals lack detail on how the Heat in Buildings Standard will be achieved, and it would be useful to understand what assumptions have been made about the funding sources and streams required to enable delivery. The timelines in the proposed HiBB are ambitious and, if committed to statute in this Parliament, the next Government (from 2026) will be required to deliver the legislation, which includes expectations for private landlords to meet the minimum energy efficiency standard by the end of 2028. If this is to be achieved, there needs to be clearer discussion of the enablers that are required to address the various barriers to clean heat and energy efficiency.

The HiBB proposals posit the idea of leveraging property equity and mortgage lending to fund the required energy efficiency and clean heating investments. Specific details about the extent of funding available for these initiatives, including that available through loan schemes, are required. It would also be helpful for the Scottish Government to provide detail on the assumed barriers around funding, including reluctance around loans, high upfront costs, and any spending cap limits. Lessons should be learned from the UK Government's Green Deal loan scheme for home energy efficiency measures, which created barriers for home buyers by attaching the loan to the property rather than the

² [Scottish House Condition Survey: 2022 Key Findings - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2022/06/Scottish_House_Condition_Survey_2022_Key_Findings.pdf)

³ [Heat In Buildings Strategy: Achieving Net Zero Emissions in Scotland's Buildings \(www.gov.scot\)](https://www.gov.scot/resources/documents/2022/06/Heat_In_Buildings_Strategy_Achieving_Net_Zero_Emissions_in_Scotland's_Buildings.pdf)

owner. This example highlights the need to undertake robust scenario testing when designing an intervention to ensure that there are no unintended consequences.

Delivery, monitoring and evaluation

There is substantially more detail required on how the proposed legislation will be delivered. There should be a delivery plan in place to ensure that the ambitious scale of change needed to meet the HiBB proposals are achieved. This should include details on leadership, accountabilities, place based solutions, assumptions around public and investor or private funding, and milestones. Switching to clean heating is dependent on changes to the energy networks, pricing, and metering, and this cannot be managed without agreed milestones. More detail is also required on delivery pathways from a consumer perspective i.e., detail on who will take responsibility for administering exemptions, the pathways for households to access these and how awareness will be raised.

It is the Panel's view that the proposed [monitoring and evaluation framework](#) is well thought out and comprehensive. It would, however, benefit from the development of milestones and targets against which progress can be assessed. In addition, the framework could make better use of the third sector as enablers.

Other considerations

The Panel highlight that it would be useful to include a statement on whether the proposals exist in the context of business as usual, or if, in fact, they are based on a number of assumptions around energy prices and technology, e.g., smooth network upgrade developments, smooth lifecycle and value chain developments for the technologies in question, decreases in energy prices, etc. This should include context on whether there is assumed energy market reform or tariff reform as enabling factors. It is also important to clearly outline the relationship between these proposals and UK-level regulatory change.

The proposals are centred on tenure as a means of dividing up the approach and responsibilities, but other options could be considered, e.g. structuring the proposals according to technology, place or housing type. In the current format, consideration should be given to a place-based approach to tackle low-hanging fruit in terms of building types (those which could most easily meet the Heat in Buildings Standard), giving longer to focus on more complex properties, and allowing time for enabling technologies to evolve.

In addition, the Panel highlights that a different approach may be required for areas and/or properties which already have non-polluting heating systems but which are inefficient.

The HiBB is crucial to fuel poverty eradication, and the Scottish Fuel Poverty Advisory Panel welcomes progress in this area. The Panel wants, however, to emphasise the crucial importance of ensuring that fuel poverty mitigations and considerations are grounded in the Bill from the outset. A HiBB which does not do this inadvertently risks pushing some of society's most vulnerable people deeper into fuel poverty.

The Panel would be very happy to discuss further any of the issues raised in this response.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Matthew Cole', with a long horizontal flourish extending to the right.

Matthew Cole
(Chair, Scottish Fuel Poverty Advisory Panel)
7th Floor
Atlantic Quay
150 Broomielaw
Glasgow
G2 8LU