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## **CAS Response to the Economy, Energy and Fair Work Committee's Call for Evidence on the Annual Energy Statement**

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### **Who we are**

The policy teams at Citizens Advice Scotland use research and evidence to put people at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations. We aim to represent the views of different consumer groups using evidence of consumer views and supporting research where ever possible.

### **Citizens Advice Network in Scotland**

Citizens Advice Scotland (CAS), our 59 member Citizen Advice Bureaux (CAB) and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website Advice for Scotland provides information on rights and helps people solve their problems.

In 2017-18 the Citizens Advice Service network helped over 295,100 clients and dealt with almost 800,000 advice issues for clients living in Scotland. With support from the network clients had financial gains of almost £142.2 million and our self-help website Advice in Scotland received approximately 3.2 million page views. On energy consumers issues in particular, we advised on over 41,000 energy-related issues in 2017-18, generating over £1.8m in client financial gain.

Our extensive footprint is important in helping us understand how issues impact locally and nationally across the country and the different impacts that policies can have in different areas.

## **The Call for Evidence**

This inquiry is intended as a “health-check” on the development and supply of renewable heat, recognising that stakeholders are likely to have responded to at least five consultations on this, or related, subjects in the last two years.

The Committee is therefore carrying out a short and focussed inquiry, and is asking for no more than two pages of written evidence, seeking views on:

### **1. Whether the 11% renewable heat target is still appropriate?**

Based on the evidence provided in the consultation, Citizens Advice Scotland (CAS) believes that 11% by 2020 will be narrowly missed, however we emphasise that this should not prevent Scotland from continuing to be ambitious in moving away from its reliance on fossil fuels for heat. However, it does signal that the Scottish Government must boost public buy-in by stepping up practical support for consumers, alongside driving technological innovation and reducing the cost of moving to renewables.

According to Scottish Government statistics<sup>1</sup>, in 2017, Scotland produced 5.9% of its non-electrical heat demand from renewable sources, an increase of 1.2% compared to the year before. As no data is provided for 2018 and 2019, we assume that this rate has continued and if so, Scotland will only be getting 9.5% of its heat from non-fossil fuels by 2020, meaning that the 11% target will not be met. However, it is reasonable to expect further leaps as low carbon technology develops and becomes more mainstream. Obviously, the creation of the necessary infrastructure and supply chain to expand heat from renewable sources will be the most time-consuming part. Once this is in place, one would expect that more households will transition at a faster rate to using heat from renewable sources. With this in mind, the overall aim of full decarbonisation of heat should, in theory, be realised in Scotland by 2045. This however, is highly contingent on there being adequate cost reductions, investment in public education, advice and financial incentives and grants to support householders and businesses to invest in low carbon heating.

As the required investment in low carbon heat inevitably becomes greater and unless there is Government intervention, we are concerned that low income and vulnerable households may have to disproportionately pay for the transition and this will undermine efforts to alleviate fuel poverty. We pointed out this potential tension between decarbonisation and fuel poverty in our response to the Second Consultation on Local Heat & Energy Efficiency Strategies, and Regulation of District and Communal Heating<sup>2</sup>. Thus, we recommend that the Scottish Government takes a wider view of the cost of moving to renewable heat and take steps to ensure that disproportionate burden does not fall on those who can least afford it. We believe

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<sup>1</sup> Scottish Government (2019); [Annual Energy Statement 2019](#)

<sup>2</sup> Citizens Advice Scotland (2018); [Response to Second Consultation on Local Heat & Energy Efficiency Strategies, and Regulation of District and Communal Heating](#)

that the Scottish Government can help to mitigate some of this by targeting and prioritising support for this group.

## **2. Whether the target is likely to be achieved?**

While the Scottish Government already supports householders to install low carbon heating under schemes like the HES loans, Warmer Homes Scotland and HEEP-ABS, we believe that more incentives, grants and support are required to encourage more people to switch away from fossil fuel heating. This is a particularly acute issue in off-gas areas, and in high-rise flats where electricity is the primary heating source and fuel poverty is more prevalent (52% of those using electric heating as their primary heating source are in fuel poverty, and 40% using heating oil<sup>3</sup>). We suggest effort is focussed in off-gas areas towards those who are fuel poor in providing grant subsidies to replace old, inefficient electric heating or oil boilers in favour of low carbon measures.

HES loans require the householder to pay an installer a deposit up front for installation works, and then recoup this cost later via the loan. While this approach will work for some households, this is not financially manageable for many who do not have immediate access to enough money to pay for this, nor the means to wait to be repaid, and we believe this is reflected in the rather low take-up rate of HES loans. In order for the target to have the greatest chance of being met, we believe that the Scottish Government must remove the barriers like the aforementioned and amend schemes to make funding more immediately accessible to people.

Within the transition to low carbon heating, there are many existing and new interdependencies and CAS believes that the Scottish Government has a key role to play in bringing stakeholders together and engaging with bodies such as network companies and developers. These partnerships will be crucial in ensuring the balance between achieving greater levels of heat from renewables and simultaneously alleviating fuel poverty. It is only with genuine joint working across the sector that the Scottish Government's ambitions can be realised.

## **3. What the key risks and threats to achieving the target are, and what more can be done?**

CAS believes that the key risks and threats lie foremost in:

- the initial cost of moving to renewable heat sources,
- the lack of public awareness and buy-in to the scale of the change needed,
- the quality of installations and access to redress when things go wrong,
- the lack of advice and guidance on how to properly use low carbon heating systems to best effect.

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<sup>3</sup> <https://www.gov.scot/publications/scottish-house-condition-survey-2017-key-findings/pages/6/>

From the outset, it is imperative that homes are brought up to as high a standard of energy efficiency as possible, in order that low carbon heating systems (which predominately rely on electricity as their source and are therefore more expensive than fuels like natural gas) do not use more energy than is needed and a result end up costing the consumer more than their old system.

In terms of cost, there will be people who are able to pay and those who are not, and there should be a range of financial supports and incentives for both, along with certainty and clarity. The Renewable Heat Incentive (RHI) was a mainly successful initiative in helping and incentivising people to transition away from fossil fuels, however this is coming to an end. It is the UK and Scottish Governments' responsibility to ensure that the lessons from this scheme are be carried forward into its successor.

Evidence from the network of Citizens Advice Bureaux (CAB) suggests that there is still significant work to do especially around educating people on the optimal use of new systems, along with issues around proper installation, and having appropriate insulation in place. In practice, bureaux have advised in a small number of cases where social tenants in particular have incurred higher electricity bills due to not being informed about how to use their new systems properly, as well as not being on the correct tariff.

Additionally, as Citizens Advice (England and Wales) point out, the changes that are needed in order to move to a low carbon society are likely to be very intrusive. They note that it is likely that "some [changes] will require altering the fabric of buildings, interruptions to energy supplies and the widespread adoption of new technologies."<sup>4</sup> This will therefore will require more public buy-in than any energy market change has before, and the Scottish Government should therefore invest in a significant and far-reaching programme of public awareness raising, information and guidance. This view that consumer buy-in is invaluable is reflected in our report, "Warming Scotland up to Energy Efficiency"<sup>5</sup>, and is relevant for renewable energy as much as energy efficiency, given the effort on the part of householders that is required to get Scotland to where it needs to be in terms of decarbonisation of heat.

We also know through CAB cases is that there are rogue traders who seek to profit from incentive schemes like Green Deal and mislead and short-change consumers in the process, which is another risk in that it may damage consumer confidence in switching to renewable and low carbon heating. The Scottish Government must address this malpractice by investing more in Trading Standards Scotland, and implementing a robust consumer protection framework. Given that responsibility for consumer protection is reserved, but devolved where energy efficiency is concerned, the Scottish Government must work closely with the UK Government where necessary to ensure that the interests of consumers are protected.

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<sup>4</sup> Citizens Advice (2019); [Keeping warm: the future of heat](#)

<sup>5</sup> Citizens Advice (2017); [Warming Scotland up to Energy Efficiency: Putting Consumers First](#)