November 2014

Response to the Commission on Housing & Wellbeing

Introduction

Calor welcomes this response to feed into the consultation being undertaken by Shelter Scotland's Commission on Housing & Wellbeing. As an energy provider we take our environmental responsibilities very seriously and we want rural property owners to have a strong voice in the energy efficiency debate. We also believe that they should have the same opportunity to reduce their carbon emissions and fuel costs as exists for urban on-grid areas. A fifth of Scotland's homes are in rural areas where 46 per cent of homes are off the gas grid. Calor operates within this off-gas grid market supplying bulk LPG to homes and businesses across Scotland giving the company unique insights into this type of housing.

Our response focuses on Section 5: Getting a better fit between housing and the environment but also seeks to address some of the issues affecting rural communities relating to income, equality of access to home energy efficiency incentives and fuel poverty support.

One significant point we would like to draw the Committee's attention to is that the consultation paper does not adequately take into account or reflect rural energy and environment issues. The paper mentions the Scottish Government's Sustainable Housing strategy and our overall critique of this strategy is that it also inadequately addresses rural housing needs. In Calor's opinion, a distinct rural housing strategy is required to ensure that rural communities are not left behind or disadvantaged by government initiatives to tackle fuel poverty or improve environmental standards.

Q.14. Do you agree with our assessment of the importance of housing to the environment?

Yes.

Q.15. Do you agree with our brief assessment of current policy on housing in relation to the environment?

We agree that improved energy efficiency in the home can help meet Scotland's climate change targets. However, present UK and Scottish government policy inadequately addresses some of the challenges posed in rural areas to ensure that rural communities are best able to contribute effectively and equitably towards the end goal of reducing emissions.

For example, the UK Government's Energy Company Obligation (ECO) scheme is failing rural communities despite the fact that they pay into the scheme through electricity bills like everyone else. Each has paid an estimated £42 in levies on their electricity bills over the last two years to fund a nationwide scheme. An analysis by Calor shows that fewer than 1,500 rural households have been helped by the scheme with the remainder of the 1.7million rural off-gas grid households across the UK receiving virtually nothing. The measures that have been installed to help off-gas grid rural households are worth just £3.5 million, Calor estimates, meaning these off-gas grid rural households are collectively contributing twenty times more than they get back.

Furthermore, off-grid gas rural households are also missing out on boiler repairs and new efficient boilers because most ECO providers are only offering natural gas boilers not those burning heating oil or LPG, and are missing out insulation because companies are focusing their insulation on lower-cost urban properties or the 'low hanging fruit' as the Commission itself correctly identifies.

Calor also has concerns on the distribution of Scottish Government energy efficiency schemes in rural areas. As part of the Home Energy Efficiency Programme area based schemes, local authorities are charged with deploying funds, linked to ECO, to hard-to-treat homes across Scotland. The criteria focuses activity on solid wall insulation but there remains no analysis to date on how many off-gas grid rural homes have been assisted by this scheme.

Q.16. Do you agree with our suggestions for further action in the area of housing and the environment?

Yes and no.

The Commission recommends that the Scottish Government should bring forward legislation which 'could be used to require owners to improve the energy efficiency of their homes, for example at the point of sale'.

The Scottish Government is pursuing this objective and a consultation on future Regulations of Energy Efficiency in Private Sector Housing or REEPs is expected in spring 2015. Calor recognises that Scottish Ministers are required to bring forward regulations as stipulated by the Climate Change Act 2009, but urges all those with an interest to understand the implications of these proposals for rural householders. Modelling by the Scottish Government has shown that a typical off-grid detached home could face a retro-fit bill of anywhere between £20,000-25,000 to bring an E, F or G EPC rated house up to an EPC minimum level of D. As we await the consultation, Calor is urging officials to understand the implications for rural homeowners if any future regulations are imposed.

Calor does agree with the Commission's support of micro-generation within the home. Micro-Combined Heat and Power (mCHP) involves the use of natural gas or LPG to generate both heat and electricity. It is a low cost solution delivering secure low carbon electricity. Owners of compliant mCHP units can sell electricity back to the grid. So, mCHP will lower, not raise, household energy bills and could be an antidote to fuel poverty.

mCHP units are compatible with existing grid infrastructure. What is more, mCHP benefits security of supply because the electricity is generated at or near the point of use, and when it is needed. This obviates losses in transmission (accounting for about 7% of all power generated), reduces the demand for electricity from the grid and the need for investment in central generation and the transmission and distribution network, thus lessening the otherwise crippling cost of the energy strategy (estimated at £376bn by 2030). mCHP also enhances protection against the risk of power cuts occurring after 2015, since the majority of the electricity needed by a typical home will be generated on site, and mCHP can support grid generation at times of peak demand.

One particular technology we would like to point out is Gas Absorption Heat Pumps. GAHPs are almost 50% more efficient than high-efficiency condensing boilers. Such economical use of gas (or LPG) readily ensures a reduction of up to 50% in energy bills and CO2 emissions. The potential of GAHPs has been solidly acknowledged in DECC's published heat strategy which foresees a strategic role and the Scottish Government recently published Draft Heat Generation Statement. More can be read in Calor's response to the Scottish Government's consultation on its heat vision.

Q.17. Do you have other suggestions that we have not mentioned in relation to housing and the environment

Calor would like to point out that there should be a balance on meeting environmental commitments via building standards and the impact on house-building in rural areas, particularly for affordable housing. For example, recent changes to minimum energy standards for new build housing which come into force in 2015 will see an increase in the **capital cost of new build homes** by over £10,000 in order to reach the ambitious 43% carbon emissions reduction target. Given the nature of off-gas grid housing, typical in rural areas, Calor expects these costs will be significantly higher for rural house builders consequently making affordable housing in rural communities even harder to obtain.[1]

In terms of **affordable housing**, Calor points towards statistics that show that rural communities are more reliant upon private developers to provide and identify affordable housing in accessible and remote rural areas.[2] The latest statistics show a continued decline in new affordable homes.

For further information: Paul Blacklock, Head of Strategy and Corporate Affairs: pblacklo@calor.co.uk or 07803021097

[1] See Scottish Parliament Written Answer 05.03.2013, http://tinyurl.com/meu5uk7
[2] Housing Statistics for Scotland - AHSP summary, May 2012