

Ending Fuel Poverty – reducing waste and investing in the future

This winter households face record energy bills. Already many families have received extortionate rises in fuel costs and face further misery with prices continuing to rise.

Behind the headlines and countless stories of fuel poverty is the reality of Britain's ageing energy infrastructure and continued addiction to fossil fuels. The underlying cause of high energy costs are our dependence on oil.

The days of cheap oil are gone, and high fuel prices are here to stay. This means that the Government needs to address two key challenges:

- **relieving the immediate pressure on households to meet everyday heating costs;**
- **reducing our reliance on oil.**

It is a political and moral duty of a Labour Government to act with compassion to tackle the immediate energy pain being felt by families across the UK; but we must also recognise that the measures to tackle this issue - fuel payments, subsidies, social tariffs, windfall taxes - will not deal with the long-term root causes of these problems.

Labour must provide the leadership and determination to bring about a national effort to make our energy system fit for the 21st Century – reducing our reliance on oil; improving security of supply; localising production; establishing a new market for 'heat'; and reducing our carbon emissions.

This requires a radical plan and collective action that only a Labour Government can deliver. Sixty years ago, progressives in the Labour movement took on vested interests in medicine and came together to build the National Health Service to tackle health inequalities. Today, we need a similar effort to tackle fuel poverty and carbon emissions, creating a National Energy Service – NES – to tackle the systematic inequalities in our current energy system.

SERA is calling for the Government to make such a radical plan the centre-piece of its vision for the next manifesto and to make bold steps towards these goals in the lifetime of this term. This paper outlines the main pillars of the policy that is required and some of the individual initiatives that Labour should consider adopting as we move towards the new post-oil world. These pillars revolve around:

- **Reducing domestic energy consumption**
- **Improving our energy infrastructure and creating a heat market**
- **Creating a community dividend in energy generation**

Dwindling oil and gas supplies in the North Sea mean Britain's long-term energy security also now relies on reducing our dependency on fossil fuels. Given that almost 30 per cent of our carbon emissions come from household energy use, our twin aims are to tackle cutting domestic fuel use and carbon emissions. Put together, this rationale can also help instil a new sense of public awareness of energy production and the importance of conserving and reducing waste.

Building on Labour's record

The Government's policies so far have done much to improve energy efficiency and increase renewable electricity production. The Climate Change Levy, Renewables Obligation and the European Emissions Trading Scheme have increased renewable energy. Domestic energy efficiency has benefited from investment in homes through the Energy Efficiency Commitment, Carbon Emissions Reduction Targets, Warm Front and Decent Homes schemes. International leadership on climate change and the flagship Climate Change Bill demonstrate the party's commitment to this issue. These are important steps in building a low carbon Britain.

The Tories: lost for words on fuel poverty

Over the past few weeks the Conservatives have remained surprisingly silent about fuel poverty. Their reluctance to intervene in the free market and their belief in reducing the role of government has left them paralysed on the matter of energy bills. Instead the Tories continue to rely on individual action such as micro-generation as if it is a 'silver bullet' to tackle the energy crisis. They are silent on their opposition to wind power or their support for the abolition of the Climate Change Levy. The Tories have the worst record in the UK for blocking wind power and local measures to increase renewable energy production. Since David Cameron became Leader of the Conservative Party, Tory Councils have rejected more than 75 per cent of applications for wind farms presented to them – a figure which by itself destroys the Tory myth that they are serious about climate change.

Given the scale of the twin problems of energy prices and climate change, this is no time for small government and modest policies. Big problems need big solutions – but they will be no bigger than Britain deserves.

Tackling fuel poverty and rebuilding our energy infrastructure

SERA is calling on the Government to rise to the scale of the energy challenge facing the UK and introduce a concerted and radical programme to tackle rising fuel bills, deal with fuel poverty and rebuild our ageing and out-of-date energy infrastructure.

This national effort must be co-ordinated around three pillars:

- **Reducing domestic energy consumption**
- **Improving our energy infrastructure and creating a heat market**
- **Creating a community dividend in energy generation**

We now need a debate within the party as to how Labour will deliver this vision. The policies listed in this briefing note are SERA's contribution to this debate.

1. Reduce the energy consumption by households (demand-side reforms)

- **A National Energy Service:** Despite the many national and locally funded efficiency schemes in operation, such as Warm Front, the overall effort has not met the scale of the challenge facing the UK. We want to see a National Energy Service to consolidate and build on the current range of efficiency schemes into one easily

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identifiable body to deliver door-to-door help with home insulation and other efficiency measures, targeting support where it is most needed – to pensioner and the poorest households first.

- **Empower energy management:** Currently citizens are unable to monitor the amount of energy which they use making it difficult for them to manage their reliance on expensive energy from suppliers. The provision of smart meters to all homes will enable citizens to manage when and how much energy they use and so the overall cost of energy to their household.
- **Winter fuel allowance plus:** The Government has invested £2 billion a year since 2000, helping pensioner households meet fuel costs through the winter fuel allowance. Whilst these payments have been necessary they have not addressed the long-term inefficiencies in many households; instead simply passing on the payment to energy companies. The Winter Fuel Allowance plus would create an additional payment for pensioners to opt into if they wanted to use their allowance to invest in domestic energy efficiency improvements.
- **An energy efficiency/carbon MOT for all existing homes:** Every household would have the opportunity to have a free energy efficiency audit. Follow up advice would include help with energy efficiency measures, energy tariffs and microgeneration options.
- **A National Energy Census:** Using information from the household MOTs, this can be built up into a National Energy & Carbon Census, helping to identify and showcase areas of good practice and providing comparative (and motivational) information to households and communities.
- **Environmental Task Force:** In its 1997 manifesto Labour pledged to introduce a national environmental taskforce as part of the New Deal for young people; the policy, however, was lost amongst the many other priorities the then incoming government faced. We want to revive this policy, linking together with the voluntary sector and colleges to involve young people, helping deliver home insulation measures and providing valuable training in new green collar jobs.

2. Improving our energy infrastructure and creating a heat market (supply-side reform)

Today, only 10 per cent of the energy used in our power stations actually makes it to our homes, the rest is lost as heat during production or transmissions – increasing the costs of producing electricity which are ultimately passed onto the consumer. Addressing this problem needs a significant shift in how we approach and develop our energy infrastructure. We require two main measures:

- **A mandatory supply reduction requirement:** The Government could follow the model adopted by the Democrats in California and cap the amount of energy that can be sold by suppliers. This could be done through the 2011 round of the supplier obligation (CERT). This would act as a driver for energy companies to try to sell efficient energy services, rather than units of energy to customers. Households would therefore cease to lose the financial liability for infrastructure such as boilers or central heating, as well as the cost of the fuel to run them. Instead they would simply

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pay a fixed and fair fee for heat, hot water and electricity (just as they currently do for water).

- **Building a heat network and market:** We need to re-conceive how we view energy production and move from an energy market to one that values heat as the key commodity. Capturing and using the heat produced by power stations is currently difficult as there is no way of quantifying, buying and selling heat – it's as if we have a free source of oil, but without any barrels and pipes to measure and transport it with. OFGEM needs to be given responsibility for fixing this and creating a workable market for heat. Alongside that, we need to make good our commitment to building a heat distribution network.
- **Building a decentralised electricity network for the 21st Century:** The current electricity network, with relatively few large power stations, was developed at a time when oil was cheap and so waste was not an issue. Now (with higher oil prices and the threat of climate change) that is not the case, so a localised networked system would enable much greater efficiency as less energy would be lost in transmission. More of the waste heat could also be used as the generation sites would be situated nearer homes or businesses where the heat is needed.

3. Creating a community dividend in energy generation

Alongside rebuilding our energy system, we need to create a greater sense of ownership and involvement over the way we determine and conceive of our energy needs. The days of mass cheap electricity at the flick of a switch are over. Increasing development of new renewable schemes – which effectively harness local resources – can be encouraged through the creation of a community dividend and giving 'host' communities a stake in these developments.

This community dividend will help off-set any local loss of amenity, such as views from the installation of wind farms, and give the community a sense of buy-in to these developments. This move meets Labour's agenda of user involvement and mutualisation of services, as the government is doing with schools, hospitals and local government. Furthermore, given the geographic distribution of renewable resources, it could also play a significant role in redistributing wealth to some of the poorest communities and helping tackle fuel poverty. Possible measures include:

- **Creating incentives for community ownership of renewable energy generation** – either by encouraging renewable developers to offer local communities a share or part-ownership of schemes, such as a wind farm, in return for a fast-track planning process; or, by establishing a dividend for local residents whereby they receive an automatic discount on their fuel bills for a defined period. The government should also seriously examine what support can be given to local authorities, parishes and communities that wish to establish their own mutual community energy schemes (a new generation of municipal enterprise).
- **A feed-in tariff at a level that enables community-scale power generation,** rather than just microgeneration.

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- **Making microgeneration affordable for the less well off:** Encouraging energy suppliers and other companies to offer customers the opportunity to rent microgeneration equipment on a permanent or medium term basis to be paid for through their energy bills, with householders keeping the profits from any surplus energy produced. Alternatively, the energy companies could 'rent' roof space to host microgeneration equipment off householders through discounted bills, feeding the energy produced into the grid.

Why we should deal with energy efficiency and rebuild our infrastructure?

Key Facts and Figures

- Around 50% of the heat lost in an average home is lost through the walls and loft.
- If everyone in the UK installed loft insulation up to 270mm thickness, the equivalent financial saving would pay the energy bills of over 640,000 families for a year.
- Loft insulation takes about 2 hours to install and costs around £250 (for an average house)
- If cavity wall installation was fitted into every house in the UK where it is possible, it would cut carbon dioxide emissions by a huge 7 million tonnes. That's enough carbon dioxide to fill nearly 40 million double-decker buses or fill the new Wembley stadium 900 times
- Cavity wall insulation costs around £500 and can be installed in most homes in 3 hours
- Every year, we waste more than eight times the amount of energy supplied by all of the UK's nuclear power stations combined.
- Two-thirds of the energy in the fuel is wasted before it gets used at homes and workplaces, according to Greenpeace – enough to provide heat and hot water to every building in the UK
- If half the houses in the UK had combined heat and power technology, this would generate as much electricity as current nuclear power plants. It would also save householders on average £50 a year
- Holland meets 40% of national electricity demand through decentralised energy
- Greenpeace estimate that simple efficiency measures could save consumers £12 billion every year