NATIONAL ENERGY & CLIMATE PLAN 2021-2030

Submission to the Department of Communications, Climate Action and Environment

SOCIAL JUSTICE AND POLICY TEAM

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Contents

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INTRODUCTION

The Society of St. Vincent de Paul is the largest charity of social concern in Ireland and addressing energy poverty is a core aspect of our work, the solutions to which are closely related to tackling climate change. Our work in communities across the country demonstrates that energy poverty remains a major issue affecting large volumes of households, estimated at up to 28% of the population.[1] For many thousands of people that SVP supports, opening a utility bill is a major source of stress and anxiety. We meet hundreds of individuals and families living in cold, damp and poorly insulated homes, which has long term impacts on their health and well-being. As well as supporting households to manage their finances, the Society also works with families and individuals to try to help reduce their energy bills. In 2017, fuel and utilities represented 14.5% of our overall expenditure on direct assistance to households.[2]

Light, heat and power are a fundamental requirement to participate in society and a pre-requisite for social inclusion. SVP's ambition is affordable energy and warm homes for all. We therefore welcome the opportunity to respond to the consultation on the new National Energy and Climate Plan (NECP) 2021-2030, as we believe that tackling energy poverty must be the cornerstone of Ireland's environmental sustainability.

KEY CHALLENGES AND CONCERNS IN REGARD TO ENERGY POVERTY

1. ***Increases in energy prices and their impact on low income households***
    - In the past 12 months electricity and gas prices have increased by almost 10% and by over 25% since 2010.[3]
    - Considering the Public Service Obligation (PSO) levy, standing charges and VAT, the uncontrollable related costs of the average electricity bill in an urban area accounts for 37%. For rural areas, this increases to 39%.[4]
    - Although the uptake in PAYG hardship meters have significantly reduced the number of disconnections among customers in financial difficulty, PAYG customers are often subjected to a "poverty premium" as they cannot avail on online offers or discounts for using direct debit or online billing. There is also a practice by which retail outlets surcharge top-ups, adding additional unnecessary charges to PAYG customers. [5]

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[1] DCENR & Element Energy (2015) Bottom-up analysis of fuel poverty in Ireland. https://www.dccae.gov.ie/documents/AnObjectiveAnalysisofEnergyPovertyinIreland.pdf

[2] SVP Financial Statement 2017 https://www.svp.ie/news-media/publications/svp-financial-statements.aspx

[3] CSO (2018) Table 7 Consumer Price Index – Division 04 Housing, Water, Electricity, Gas and other Fuels https://www.cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexoctober2018/

[4] Based on an urban domestic average consumption of 3,600kWh and a rural domestic average consumption of 3,900kWh. https://www.cru.ie/wp-content/uploads/2017/07/CER17042-Review-of-Typical-Consumption-Figures-Decision-Paper-1.pd

[5] Stamp et. al. (2018) Left behind in the cold https://www.mabs.ie/downloads/reports_submissions/Left_Behind_in_the_Cold_Dublin_10_and_20_MABS_Report.pdf

2. ***Limited uptake of energy efficiency schemes among low income households***

- Since 2000, 134,883 homes have been upgraded under the Warmer Homes schemes.[6] But it is estimated that over one million homes need improving.[7]
- In addition, the Department of Housing, Planning and Local Government has upgraded 64,000 local authority homes since 2014 with cavity wall and attic insulation and it is estimated that approximately 30% of social housing stock, is more than 40 years old, which would equate to approximately 40,000 more units. [8]
- The *Better Energy Warmer Home Scheme* is available to social welfare recipients who own their own home. This may be a good option for older people but for those in receipt of the One Parent Family Payment or Disability payment, it is more likely they are living in social housing or the private rented sector.
- A key finding from research by the ESRI in 2018 was that there is a cohort of homeowners who are not eligible for the 'Better Energy Warmer Homes' scheme but their circumstances, due to budget or credit constraints, preclude them from participating in the more general 'Better Energy Homes' scheme as this it requires upfront payment which can be claimed back after the works.[9]
- Sustainable Energy Authority of Ireland (SEAI) found that after a decade of decline, the typical amount of energy used in Irish homes is rising. Between 2005 and 2016, electricity use in households increased by 6%.[10] This demonstrates that a lot more investment is required to further improve the energy performance of our entire housing stock, with a particular focus on the private rented sector.

3. ***Energy efficiency standards in the private rented sector are inadequate***

- Research conducted on behalf of SVP by the Vincentian Partnership for Social Justice (VPSJ) showed that the private rented sector has higher proportions of E, F and G Building Energy Ratings (BERs) than either local authority or owner occupied homes. [11]
- The Housing Standards 2009 do not include measures to realise energy efficiency in private rented dwellings and while a BER rating is required in order to let a dwelling, there is no minimum BER threshold below which a dwelling is considered unfit for letting.
- There are insufficient incentives and obligations for private landlords to consider upgrading and retrofitting their properties.

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[6] Parliamentary question https://www.kildarestreet.com/wrans/?id=2018-04-17a.3187

[7] SEAI (2017) Behavioural insights on energy efficiency in the residential sector https://www.seai.ie/resources/publications/Behavioural-insights-on-energyefficiency-in-the-residential-sector.pdf

[8] Joint Oireachtas Committee on Climate Action https://www.kildarestreet.com/committees/?id=2018-10-10a.5&s=retrofitting+social+housing#g7

[9] Collins, M., Dempsey, S., and Curtis, J.," Householder preferences for the design of an energy efficiency retrofit subsidy in Ireland", Economic and Social Review, 49(2) 145–172: https://www.esr.ie/article/view/916

[10] SEAI (2018) Energy in the Resident Sector. https://www.seai.ie/resources/publications/Energy-in-the-Residential-Sector-2018-Final.pdf

[11] Vincentian Partnership for Social Justice (2014) Minimum Household Energy Need. https://www.svp.ie/getattachment/716d46e2-e390-4fce-8e4e-cc3fb2297f62/Minimum-Household-Energy-Need-VPSJ-Research-report.aspx

4. ***Energy unaffordability persists despite the availability of energy income supports***
    - An additional week of fuel allowance was introduced in Budget 2019. This brought the payment to €630. However, the fuel allowance is still 21% lower than 2010 in terms of purchasing parity as cuts to FA and subsequent price increases have resulted in a significant loss of value in real terms.
    - Struggling to pay energy bills and keep warm at home is traditionally seen as a problem that only affects older people, but this is not the case. The numbers of families with children living in inadequately heated homes is significantly higher than in households without dependents (see figure 1 and 2 in the appendix). SVP members regularly support low-income families living in poorly insulated and cold accommodation and experiencing energy poverty but who are not eligible for Fuel Allowance.
    - Exceptional Needs Payments can be requested from the Department of Social Protection to help meet energy costs. However, the payment is discretionary and is not designed for persistent energy poverty alleviation.
    - Energy income supports are not always directly spent on energy bills as they are generally paid to households that experience multiple types of poverty.

5. ***Potential trade offs between measures to mitigate climate change and tackle energy poverty***
    - A key objective for SVP is that the impact of any cost implications of climate action measures on low income and struggling energy customers is to the fore.
    - We have raised numerous concerns in regard to the regressive nature of the Public Service Obligation[12] and the impact of the proposed design of the Renewable Energy Support Scheme may have on low income customers [13]
    - SVP has similar concerns in regard to the carbon tax. A recent study from the ESRI showed in monetary terms a C20 (C5) increase in carbon tax would cost the poorest households C1.87 (C0.45) a week and the richest C9.63 (C2.30) a week. When these costs are expressed in terms of income, they are found to be regressive, i.e. the poorest households will lose a higher share of their income (0.67%) compared to the richest (0.28%).[14]

6. ***Insufficient data and research to inform national and local policymaking***
    - Not having energy cost and efficiency data at individual dwelling level creates a challenge for any policy that might seek to link energy-related income support with levels of energy efficiency. This also limits the ability to measures and track trends in the extent and severity of energy poverty in Ireland.

[12] SVP (2018) Submission by the Society of St Vincent de Paul to the Commission for Energy Regulation on Public Service Obligation Levy, https://www.svp.ie/getattachment/946b06d8-20c2-41c2-b672-39ccef1ab55c/SVP-Submission-to-the-Commission-for-Energy-Re-(4).aspx

[13] SVP (2018) Public Consultation on the Design of a new Renewable Electricity Support Scheme in Ireland https://www.svp.ie/getattachment/710cc5aa-235c-4ccd-a0c7-1ffab537698d/SVP-Submission-on-the-Renewable-Electricity-Suppor.aspx

[14] ESRI (2018) The Economic and Environmental Impacts of Increasing the Irish Carbon Tax. https://www.esri.ie/pubs/RS79.pdf

- The most recent nationally representative Housing Quality Survey is out of date. The quantity and quality of housing has changed dramatically since the previous survey in 2001.
- As BERs are only required for dwellings sold or newly let since 2007, there are gaps in BER data at dwelling, area and national levels.

THE NEED FOR AN AMBITIOUS PLAN TO TACKLE ENERGY POVERTY

Setting an ambitious target to reduce energy poverty

Given the challenges set out above and in response to q16 of the consultation document, SVP strongly believe that a new strategy to tackle energy poverty is required. The current Strategy to Combat Energy Poverty comes to an end next year and while many of the key actions have been met, it was a relatively unambitious strategy and a large proportion of the population continue to experience energy poverty. It is critical that the new strategy has ambitious and measurable targets with supporting achievable actions and it requires policy coherence across the forthcoming National Action Plan for Social Inclusion and the National Energy and Climate Plan.

Recommendation 1: Set a baseline for energy poverty reduction using the methodology outlined in the Strategy to Combat Energy Poverty[15] updating to 2015-2016 HBS survey data and the 2016 Census data. Set an ambitious target to reduce energy poverty from this baseline to 5% or less by 2030. Monitor progress on an annual basis with complementary measures from the Survey of Income and Living Conditions (no. in utility arrears, no. unable to keep house adequately warm, no. who went without heating due to cost).

Improving data and research on energy poverty

Future changes in the Irish energy poverty measure will require accurate household-level data on housing conditions, income and actual energy spend. We therefore need a data strategy that identifies data and research requirements to effectively monitor progress in tackling energy poverty. Such data can also assist in the targeting of retrofitting programmes and income supports.

Recommendation 2: Invest in research to generate data at an individual level which links income, household energy expenditure/costs, energy related income support, dwelling type, BER rating and main heating fuel, to prioritise retrofitting and target income support.

KEY RECOMMENDATIONS FOR TACKLING ENERGY POVERTY

"The complex interplay of energy prices, thermal efficiency and incomes mean that no one simple solution can be brought to bear." DCENR, 2011

Improving access to and take up of energy efficiency schemes

Given the relatively low take up of energy efficiency schemes, tailored dissemination and outreach initiatives towards vulnerable households are needed. A review of subsidy schemes in other European countries identified energy consultants can increase awareness and confidence of

[15] DCENR & Element Energy (2015) Bottom-up analysis of fuel poverty in Ireland. https://www.dccae.gov.ie/documents/AnObjectiveAnalysisofEnergyPovertyinIreland.pdf

government schemes.[16] Piloting this type of initiative, with further investment in schemes to widen eligibility, could greater improve the take up of energy efficiency schemes. This should also include how the mechanisms from existing general schemes such as Better Energy Homes can be leveraged in a way to support low income households.

Census 2016 shows that the numbers of children living in rented accommodation has increased significantly since 2006.[17] With this trend likely to increase as more low income households are housed in the private rented sector, a growing number of children will experience energy poverty. With upward pressure on rents over a number of years, there is a concern that there is less incentive for landlords to improve the energy efficiency of rental properties. However, according to research from the ESRI investing in measures with short payback periods can lead to significant improvements for landlords and tenants.[18] An evaluation on the impact of introducing energy efficiency standards in the rental sector is in the process of being updated with 2016 Census data. It is important that this evaluation is published so that up-to-date evidence can be utilised to determine energy requirements for the private rented sector.

Recommendation 3: Expand eligibility criteria of the Warmer Home schemes to include those living in the private rented sector. Begin by delivering SEAI grants to enable landlords who provide their properties for HAP tenants to avail of energy efficiency upgrades.

Recommendation 4: Invest in supportive financing schemes and roll out trusted energy advisors at a community level.

Recommendation 5*:* Introduce minimum energy requirements for the private rented sector. Proposed legislation should be balanced with incentives to support landlords to reach new energy efficiency standards.

Protecting low income and vulnerable customers from energy price increases

As weather patterns become more unpredictable, it is crucial that Government future-proofs supports and provides assurance for financially vulnerable customers. Six of the main energy suppliers announced increases to their prices in the past 12 months, stating that against a backdrop of increasing wholesale energy costs and regulated network charges, an electricity price increase was unavoidable.

Furthermore, even if we succeed in creating warmer homes and reducing energy bills, some households will still require income support as they many still have inadequate incomes. Income supports therefore will remain important in tackling energy poverty.

Recommendation 6: Ensure that every household has an adequate income to meet their energy costs. Co-ordination between the DCCAE and the DEASP is required and further consideration should be given to defining and effectively implementing the concept of need, comprising issues of household income, BER, housing location and tenure.

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[16] SEAI (2017) Behavioural insights on energy efficiency in the residential sector https://www.seai.ie/resources/publications/Behavioural-insights-on-energyefficiency-in-the-residential-sector.pdF

17 Central Statistics Office, *Census 2016 Profile 3 - Age Profile of Ireland* (CSO 2017).

[18] ESRI (2017) Working Paper 565, Can tenants afford to care? Investigating the willingness-to-pay for improved energy efficiency of rental tenants and returns to investment for landlords https://www.esri.ie/pubs/WP565.pdf

Recommendation 7: Transparency is required on how energy prices are formulated. Payment options, like pre-payment, support households in affording their energy costs but they should not result in "poverty premiums". Similarly, low income customers should not be disadvantaged in the roll out of smart meters and time-of-use tariffs. Strengthen the regulatory role of the State on price-setting and monitoring will be crucial in this regard.

Ensuring the transition to a low carbon economy is fair and socially just

Poorer communities across the globe are more likely to experience the effects of climate change such as flooding and drought and be exposed to air pollution, to poor water quality and water contamination. SVP is fully supportive of efforts to reduce our carbon emissions and invest in sustainable and renewable energy generation. At present Ireland is one of the worst performers in reducing carbon emissions and we will need to do a lot more to meet its climate action commitments by 2030. However, SVP believe that the cost of climate action must not fall disproportionately on those living rural areas or low income households. This not only relates to energy poverty but also the impact of a transition to a low carbon economy for communities reliant of fossil fuel employment. These concerns are particularly pertinent to q2-q7 of the consultation document.

As the Renewable Electricity Support Scheme is designed and rolled out, the objective of incentivising the introduction of sufficient renewable generation must also factor in and address the need to spread the burden of risk more evenly between electricity customers and renewable energy producers. A critical question that would need to be addressed in advance of any significant roll out or investment in microgeneration is the potential funding stream for such initiatives/projects. It also needs to be considered against an emerging trend towards subsidy free renewables in the EU by 2030.

In regard to the carbon tax, not only is it shown to be regressive, concerns have also been raised about the effectiveness of the tax as there is limited focus on the original intention of encouraging behavioural change and greater emphasis on simply raising revenue. It is critical that any increases in carbon taxation are accompanied with investment in energy efficiency schemes, income supports, renewable energy and transport.[19]

The development of a new National Energy and Climate Plan provides an opportune moment to review the application of the PSO and the carbon tax to low income and rural communities and to consider how we can ensure that communities reliant on employment from fossil fuel generation are not left behind.

Recommendation 8: Hold a national dialogue between all key stakeholders on how Ireland can ensure our transition to a low carbon economy is fair and socially just. The key actions arising from this dialogue should be incorporated into the new National Energy and Climate Plan.

CONCLUSION

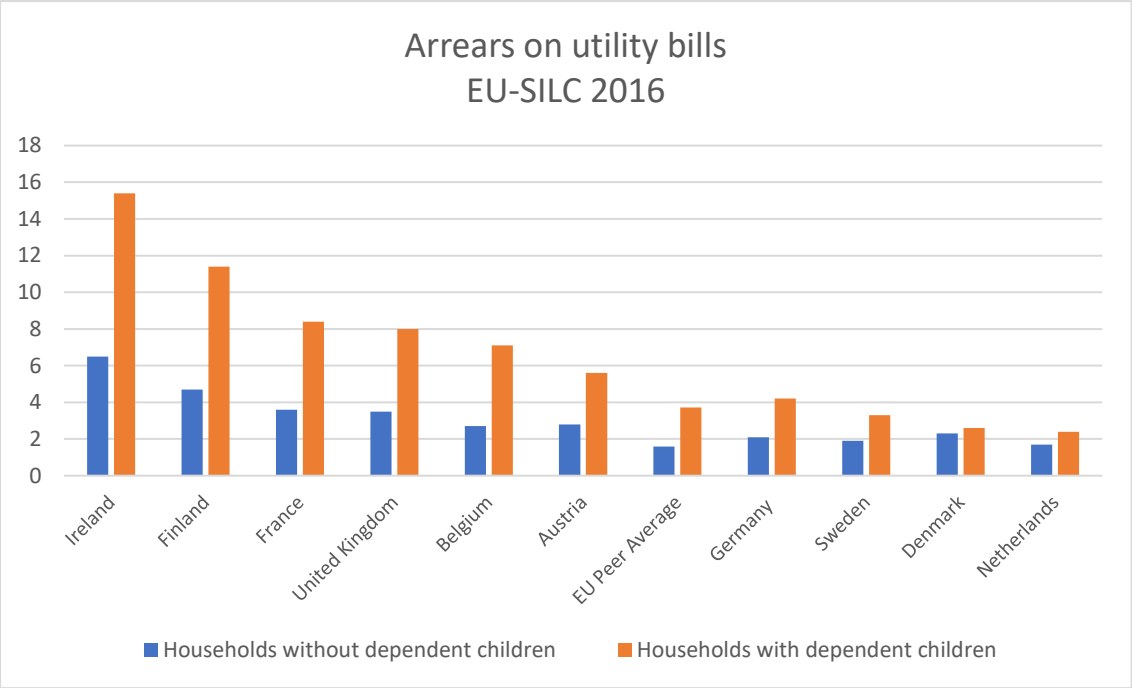
Stronger strategies and governance are required to reduce energy poverty and mitigate climate change. Further communication and co-working is required between government departments and agencies with an energy remit, and also with other government departments who benefit from greater energy efficiency and better quality homes. The State should play a stronger role in

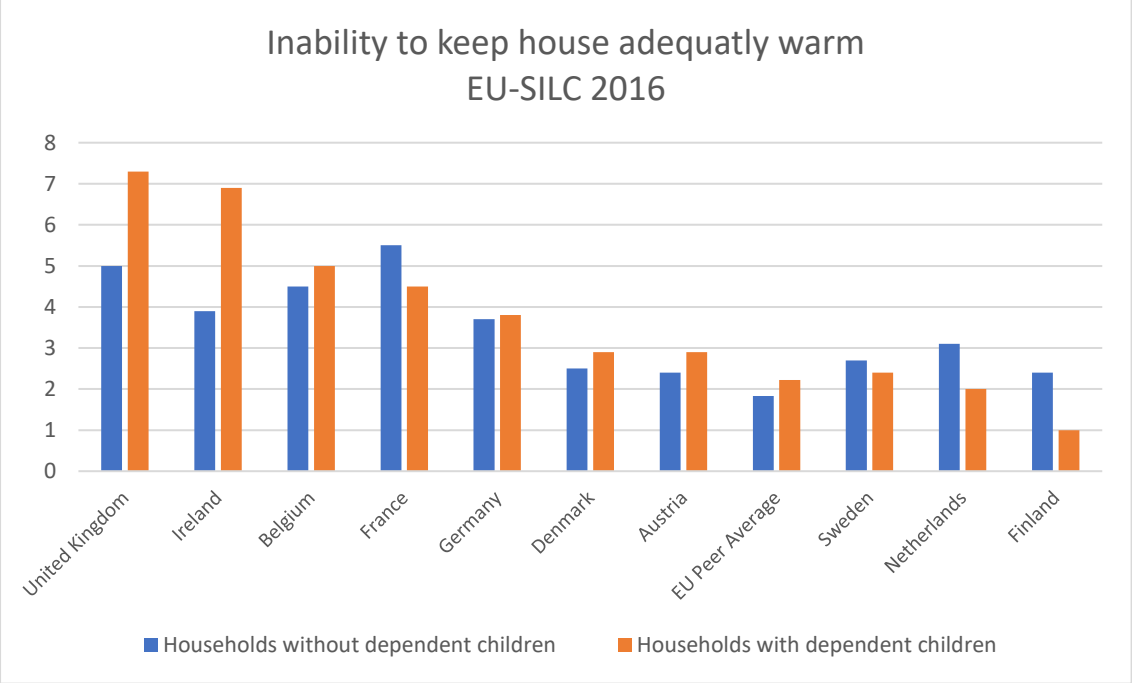
[19] ESRI (2008) A Carbon Tax for Ireland https://www.esri.ie/pubs/WP246.pdf

determining housing standards and regulating energy prices to support affordability. Political will is an important ingredient in addressing energy poverty.

SVP are available to the Department to expand or elaborate on any area within this submission.

Appendix: Energy Poverty Indictors Among EU Peer Countries





Source: Eurostat [ilc_mdes01]