

LES ENTRETIENS DE L'HABITAT

L'AMÉLIORATION DE L'HABITAT,
UNE DIMENSION DES POLITIQUES SOCIALES

■ Regards croisés européens : habitat indigne, vieillissement, précarité énergétique



JEUDI 9 DÉCEMBRE 2010
DE 9H30 À 18H
MAISON DE LA CHIMIE-PARIS

Derek Lickorish is Chair of the UK Government's Fuel Poverty Advisory Group. The Group consists of a number of Governmental and non-Governmental organisations, charities and the big 6 UK energy suppliers. Please see attached membership summary

In his presentation, Derek will cover the fuel poverty context in the UK where more than 5 million households are now in fuel poverty. This has increased by 300% since 2003 over which time energy bills increased by 125%. He will refer to the energy industry and its transformational context, with massive investment required in new generating capacity and carbon abatement measures and potential market volatility. The long term trend for energy prices is upwards.

Since 1994, the energy companies have been obligated to carry out a number of energy efficiency measures. He will explain how these have evolved and the costs that have been incurred as a result. The current carbon emissions target programme has been expanded and he will summarise the different measures that have been deployed. This includes cavity wall insulation, compact fluorescent lamps, loft insulation volumes etc.

The Government's 'Warm Front' tax payer funded scheme has assisted over 2 million households, but this has become a victim of Government cuts and will be phased out over the next few years. Derek will summarise some of the concerns that this will create as well as looking at the wider implications for fuel poor consumers. This will include the regressive nature of funding carbon abatement measures, via levies on energy bills such as feed in tariffs.

His presentation will conclude with the new policy instruments the coalition government is exploring and how these dovetail into the European legally binding carbon reduction targets. The new Green Deal and new energy company obligation will be fundamental policy instruments to help facilitate the long term reduction of fuel poverty through capital measures. Meanwhile, as Warm Front is phased out and the Green Deal is phased in, he will summarise the proposed "Warm Home" discount that suppliers will apply through data matching to a targeted group of potentially elderly fuel poor consumers. The Warm Homes discount is designed to replace the companies' current voluntary agreement whereby some £250 million p.a. goes some way to assisting the fuel poor. This new scheme is mandatory.

Membership of the Fuel Poverty Advisory Group

Derek Lickorish	Chair	Dr Noel Olsen	Public Health Physician Trustee, National Heart Forum
Dr Gill Owen	Vice Chair FPAG and Chair, Public Utilities Access Forum	Drew Johnson	Chief Executive, eaga PLC
Jeremy Nesbitt	Director, Corporate Affairs, National Grid	Andrew Warren	Director, Association for the Conservation of Energy
Ann Loughrey	Director of Corporate and Social Responsibility, Scottish Power	Mervyn Kohler	Special Advisor, Age UK
Richard Westoby	Director of Energy Demand, Scottish and Southern Energy	Jonathan Stern	Team Lead: Disadvantage, Consumer Focus
Philip Davies	Directory of Regulatory Affairs, British Gas	Abigail Burrige	Senior Project Officer, Local Government Association
Graham Kirby	Retail Regulation and Energy Policy Manager, Eon UK	Dr David Strong	Chair, Energy Efficiency Partnership for Homes
Jenny Saunders	Chief Executive, National Energy Action	Teresa Perchard	Director of Policy, Citizens Advice Bureau
David Mannering	Director of Economic Regulation, RWE NPower	Jim Poole	Director, Residential Retail, EDF Energy
		Imran Hussain	Head of Policy, Rights and Advocacy, Child Poverty Action Group
		TBC	Chartered Institute of Housing

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Derek Lickorish
Chairman
UK Government's
Fuel Poverty Advisory Group





Fuel Poverty Context

- ⊙ Defined as 10% of income on fuel
- ⊙ 5M+ UK households in FP - up 300% since 2003
- ⊙ 2003 to 2008 energy bills increased 125%
- ⊙ Prepayment consumers typically pay more
- ⊙ Non mains gas consumers – LPG/Oil pay even more!
- ⊙ £200B industry investment will increase bills
- ⊙ Carbon reduction levies are regressive
- ⊙ Wholesale market uncertainty, plant margins, policy drivers e.g. capacity payments and carbon floor have potential to drive up retail prices still further

..... *the long term trend for energy prices is upwards*





Supplier Energy Efficiency obligations since 1994

Phase	Duration	Fuel obligated	Energy savings	Cost per fuel per year
EESOP 1,2,3	1994-2002	Electricity		£1.50 -£1.80
EEC 1	2002-05	Electricity & Gas	62TWh target 85TWh actual	£4.50
EEC 2	2005-08	Electricity & Gas	130TWh	£13.00
EEC 3 now CERT	2008-11	Electricity & Gas	154MTCO ₂	£15.00
EEC 3/CERT uplifted	2008-11	Electricity & Gas	185MTCO ₂	£19.50
EEC 3/CERT extended	2008-13	Electricity & Gas	293MTCO ₂	£19.50 Circa £1B p.a.

...beneficial but regressive via levy on energy bills!





Suppliers' CERT Progress FEB 2010

- Suppliers are ahead of target
- Cavity walls filled 993,752
- Loft insulation (excluding DIY) 1,207,333
- Solid wall insulation 22,612
- Fuel switching 30,893
- CFLs 224,128,884
- Heat pumps (Ground source) 1,012
- Solar water heating (m²) 245
- Small scale CHP 1

... CERT is successful but has challenges with priority group targets





Warm Front government funded scheme

- ◎ Warm Front previous Government's main policy instrument for alleviating fuel poverty
- ◎ Facilitates complete heating systems and insulation
- ◎ Over 2 million households helped to date
- ◎ Current run rate for 2011/12 £345 million
- ◎ Budget cuts £110 million 2012/13, £100 million 2013/14
- ◎ Budget cuts will cause significant problems for fuel poor
- ◎ Budget cuts will cause supply chain and investor confidence issues

..... *Warm Front goes out and Green Deal comes in*





Opportunities for Customer Equity?

Poorest 20% emit 60% less carbon than richest 20% (Centre for Sustainable Energy 2009)

Carbon abatement costs tend to fall on electricity charges

Greater % of fuel poor use electricity for heating

Environmental and network costs increasing bills by 9% p.a. (British Gas 2009)

Reducing carbon and network investment is an increasing % of bill (British Gas 2009)

FITs and CERT will increase bills by 15% by 2020 (Ofgem 2009)

FITs 'rent a roof', social landlords has momentum

...Should all customers pay equally for carbon abatement?





New policy instruments to tackle carbon reduction & fuel poverty

- ⊙ Legally binding 2020 carbon reduction targets drive government ambition/desire
- ⊙ The Green Deal is overarching strategy
- ⊙ New Energy Company Obligation c. £20billion for the vulnerable and fuel poor
 - New ECO 2014-2020
- ⊙ Significant private capital for non fuel poor
- ⊙ No upfront costs, measures funded by energy savings
- ⊙ Holistic approach with whole house makeover
- ⊙ Suppliers to pass on savings – smart meters?
- ⊙ Potential 25 year repayment stays with property
- ⊙ Mandatory Supplier 'Warm Home Discount' 2011 to 2013

..... *the right policies will drive consumer equity*



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Thank you

