

Cynulliad Cenedlaethol Cymru / National Assembly for Wales
Pwyllgor yr Economi, Seilwaith a Sgiliau / Economy, Infrastructure and Skills Committee
Comisiwn Seilwaith Cenedlaethol i Gymru / National Infrastructure Commission for Wales
Gan/From: National Energy Action (NEA) – Cymru / National Energy Action – Wales

1. The Economy, Infrastructure and Skills Committee has requested views from stakeholders regarding its inquiry into the proposed Welsh Government's National Infrastructure Commission for Wales and I have pleasure in submitting a response from the fuel poverty charity National Energy Action (NEA) Cymru.
2. NEA works throughout Wales, England, and Northern Ireland to influence and increase strategic action against fuel poverty.
3. NEA Cymru's primary focus is on those households in fuel poverty (spending more than 10% of household income on heating the home) or severe fuel poverty (needing to spend more than 20% of household income on heating the home). NEA believes that improving the energy efficiency of Wales's ageing housing stock is the only sustainable solution to address fuel poverty in the long-term.

Prioritisation of infrastructure projects

4. This response therefore focuses on the importance that improving the domestic energy efficiency of homes in Wales should lie at the heart of the Infrastructure Commission's investment priorities to ensure the most vulnerable households living in cold homes which are hazardous to health can have warm homes through energy efficiency improvements.
5. In July 2016 the Welsh Government released new statistics to estimate the levels of fuel poverty in Wales.¹ The results showed that fuel poverty levels decreased from 29% (364,000 households) in 2012 to 23% (291,000 households) in 2016 largely as a result of investment in home energy efficiency improvements. Those experiencing fuel poverty are often the most vulnerable people in society including older single income households, and those who are disabled or have a long term illness. It is also a significantly greater problem in rural areas.
6. The Welsh Government has a statutory obligation to eradicate fuel poverty, as far as is reasonably practicable, in all households in Wales by 2018. The Welsh Government has continued to invest in energy efficiency schemes through its

¹ The production of estimated levels of fuel poverty in Wales, Welsh Government, July 2016

Warm Homes Programme and this investment is commendable.

7. In 2015-16 the Nest energy efficiency investment programme assisted 6000 homes, but at current rates it would take another 50 years to assist all fuel poor households in Wales. To meet the fuel poverty challenge facing Wales, substantially more resources are needed to ensure that in longer term more households are lifted out of fuel poverty and remain so when energy prices rise.
8. An independent evaluation of the Nest scheme² emphasised the limited interventions and impact of the current level of resources being earmarked to tackle fuel poverty and whilst these resources are enabling some households to be supported in the short term, many more households contacting the Nest scheme were in fuel poverty than those the scheme was able to assist.
9. In June 2015 the Scottish Government announced that home energy efficiency would be a national infrastructure priority, signalling its commitment to put fuel poverty at the heart of the Scottish Government's efforts to tackle climate change. Wales should follow Scotland's lead. We need a step change in ambition and the scale of resources earmarked for energy efficiency schemes if we want to ensure everyone can live in warm, affordable homes and meet our ambitious climate change targets.

How the work of the Commission should incorporate the principles of the Wellbeing of Future Generations (Wales) Act 2015

10. Improving the energy efficiency of homes in Wales is integral to achieving the wellbeing goals set out in the Wellbeing of Future Generations (Wales) Act. A warm home can help improve and protect people's health reducing pressure on overstretched health and social care services; reduce stress and mental illness through struggling with fuel debt; help tackle climate change, help to end fuel poverty and improve people's quality of life, particularly the most vulnerable; reduce social exclusion and isolation from living in a cold, damp home; and help to create and sustain jobs.

Relationship with the UK Government's Commission

11. At a UK level, NEA has called for the UK government to make energy efficiency a national infrastructure priority and has outlined the substantial benefits to be gained from doing so. Building the Future: *The economic and fiscal impacts of making homes energy efficient* produced by Cambridge Econometrics and Verco, noted the huge economic benefits of such a move. The research stated that an ambitious energy efficiency programme can return £3 to the economy per £1 invested by central government; help create a 26% reduction in imports of natural gas in 2030; domestic consumers could save over £8 billion per annum in

² Evaluation of the Nest energy efficiency scheme. Welsh Government, March 2015. Available from: <http://gov.wales/statistics-and-research/evaluation-nest-energy-efficiency-scheme/?lang=en>

total energy bill savings; increase relative GDP by 0.6% by 2030; increase employment by up to 108,000 net jobs and help reduce carbon dioxide emissions by 23.6MtCO₂ per annum by 2030³.

12. Additionally, NEA also highlights that Welsh consumers contribute a significant amount to the UK Treasury from carbon taxes and VAT on their energy bills. Over the duration of this UK Parliament alone Welsh domestic energy consumers will contribute an estimated £690m to the Treasury⁴, £30 billion over 10 years⁵. The Welsh Government should lobby the UK Government to return this revenue to be directly spent on expanding resources for energy efficiency programmes to help more households in need.
13. NEA also highlights that thirteen EU governments⁶ channel these funds to improving the quality of life of the poorest and most vulnerable members of their societies, future-proofing their economies and helping improving national competitiveness by reducing energy demand.

³ Cambridge Econometrics & Verco, 2012, Jobs, growth and warmer homes, Consumer Futures.

⁴ We estimate that £11.82bn will be collected in England, £1.33bn in Scotland, £690m in Wales and £190m in Northern Ireland).

⁵ This analysis of the revenues the Treasury receives from domestic consumers is based on Government sources to estimate how much expected revenue they will receive from a) the European Union Emission Trading Scheme (EU ETS), b) the Carbon Price Floor (CPF) and c) VAT on an average electricity bill. We have then combined this with expected VAT revenues from domestic gas bills. These estimates are all based on the Government's own assumptions regarding energy consumption and this includes an unfounded assumption that EU products policy will increase the domestic energy efficiency of electric appliances substantially. However, what the analysis does show, regardless of the impact of various assumptions, is that both carbon revenue and VAT receipts help the Treasury yield large amount of money, which is collected regressively and without an intervention will further strain the finances of particularly low income households.

⁶ According to a recent report: The economic case for recycling carbon tax revenues into energy efficiency, Prashant Vaze and Louise Sunderland, February 2014: 13 countries in the EU have pledged to return part of the proceeds from the EU-ETS auctions to climate and energy efficiency programmes.