

Cynulliad Cenedlaethol Cymru | National Assembly for Wales
Y Pwyllgor Newid Hinsawdd, Amgylchedd a Materion Gwledig
Climate Change, Environment and Rural Affairs Committee
Ymchwiliad i Dlodi Tanwydd | Inquiry into Fuel Poverty
FP 18

Ymateb gan : Sefydliad Dosbarthu Tanwydd y DU ac Iwerddon (UKIFDA)
Evidence from : UK and Ireland Fuel Distributors Association (UKIFDA)

ABOUT THE UK AND IRELAND FUEL DISTRIBUTORS ASSOCIATION (UKIFDA)

The UK and Ireland Fuel Distributors Association is the trade association for the liquid fuels distribution industry in the UK and the Republic of Ireland. It provides members with a collective voice for the industry at national level, services to assist members in optimising their business efficiencies including depot audits, certification schemes, tanker driver training. UKIFDA also promotes best practice in the industry through the UKIFDA Code of Practice.

Membership is organised on a geographical basis with regional meetings, and UKIFDA also organises an annual exhibition UKIFDA EXPO and member conferences.

UKIFDA represents at least 80% of the volume of liquid fuel distributed in Wales.

Our Views and recommendations

Wales has a large off grid community.

When implementing changes to energy and home heating technology it is important that the Government considers all communities.

Almost 114,000 homes use heating oil in Wales, and we know that in off gas grid areas in the UK & Wales, homeowners tend to be older – approximately 45% of households in Wales have one person over 60.

Wales has a large off grid community. 46% of rural homes in Wales use heating oil and households without mains gas are more likely to be in fuel

poverty; 49% of off-gas households in Wales are in fuel poverty, compared with 23% of those using mains gas. (Citizens Advice research into off-gas consumers, published in 2017.)

These fuel poverty figures use the full income measure of fuel poverty, which defines a household as being in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income on all household fuel.

We understand designing policies to address the issues of both climate change and fuel poverty poses a significant challenge. We believe the heating oil industry has a vital role to play in helping the Government reach the right decisions on the best way forward for off grid energy solutions. We recognise the work of the Government to meet the carbon reduction targets, but a carbon neutral liquid fuel and/or biofuel, can be part of a phased solution. We stress the importance of open and honest debate with Government, all relevant trade associations and consumers, and that communication is key.

Increase Energy Efficiency and reduce costs

Some efforts have been made to increase energy efficiency and reduce costs for those who need it most. We need all the devolved UK governments to support individuals to make energy efficiency changes in their home in order to achieve Net Zero targets. The [Committee on Climate Change](#) (CCC) indicated that a good incentive should "...help households to overcome financial barriers and the range of nonfinancial barriers (e.g. information, perceived risk, hassle, and social norms) and have effective delivery and communication". The current lack of policy to address energy efficiency in buildings is holding back the reduction of emissions, ultimately delaying Net Zero carbon output.

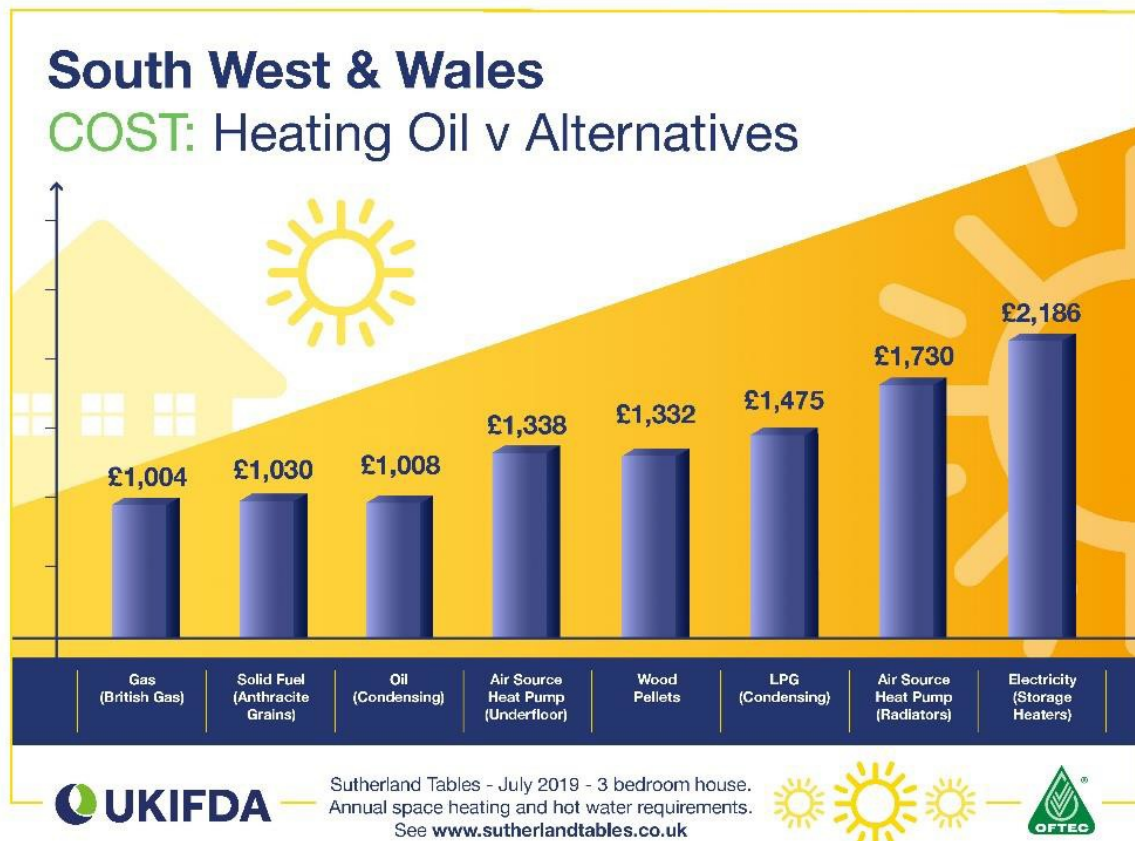
We consider any policy should apply to all low-income households, rather than 'fuel poor' households alone. This is because many low-income households not defined as 'fuel poor' could benefit from cost effective improvements to their homes resulting in more affordable fuel bills.

By 'fuel poverty-proofing' low income homes by improving them to EPC C and

EPC B, seeing who remains in fuel poverty (under either definition), it is possible to establish what other non-energy efficiency help might be required, e.g. through fuel price or income measures.

We absolutely agree that government support on energy efficiency measures is required – both on and off-gas grid – that encourage consumers to upgrade existing equipment, improve insulation and install smart controls to better monitor energy usage. We believe that these measures are vital in moving homes upwards through the EPC ratings and thereby reducing emissions although care needs to be taken that the disadvantaged, such as the fuel poor, are not excluded.

We believe that the heating oil sector can continue to deliver the most cost-effective method of heating to the off-grid consumer in Wales. On a pence-per-kilowatt-hour basis, it needs to be recognised that oil heating is significantly lower cost than heating by electricity. This is supported by recent figures released by Sutherland Tables, a recognised independent source of comparative domestic heating prices, showing that, over the last four years (July 2015 – July 2019), the cheapest heating system option in Great Britain was an oil condensing boiler, followed by mains gas. According to Sutherland Tables in Wales the annual cost to heat a 3-bedroom house with an oil condensing boiler is £1008, on gas £1004, air source heat pumps underfloor heating £1338, an LPG condensing boiler £1475, Air Source Heat Pumps radiators £1730 and Electricity £2186.



Not only are the running costs of electricity and air source heat pumps more expensive than liquid fuel heating, many off grid households simply can't afford the high upfront installation costs of renewable heating technologies and, even if they could, switching to an Air Source Heat Pump would likely increase their heating costs (source: Sutherland Tables, July 2019). This would force many more into fuel poverty and to live in cold homes with the associated health risks which would undoubtedly further increase the already unacceptably high rate of excess winter deaths in this country.

However, swapping a standard efficiency oil boiler for a condensing model would immediately reduce running costs and emissions and take many households out of fuel poverty. A further benefit would be a likely reduction in Excess Winter Deaths, for which cold homes are a major contributory factor.

Liquid fuels such as oil have an important number of advantages when it comes to heating our homes, particularly in rural areas not connected to the grid. They are easy to transport and ensure an autonomous and reliable supply of energy, which can be managed at the owner's disposal.

Keeping a variety of options open to decarbonise heat is less challenging and offers a potentially lower cost path for consumers than pursuing a narrower end point i.e. total electrification of home heating especially when electric is not fully renewable.

It is important that decisions are not taken prematurely which might risk closing off long-term alternative solutions such as a biofuel alternative to heating oil.

What steps the Welsh Government should take to ensure that new-build homes, as well as existing homes, are highly energy efficient to prevent them causing fuel poverty in the future.

Fuel poverty statistics are already at an unacceptable level. The government plans to increase the energy efficiency standards of all fuel-poor homes to a C-banding on the energy performance certificate rating scale by 2030 but only 11%/12% of fuel-poor households live in homes which reach this energy efficiency grade.

Government figures published last week revealed that efforts to end fuel poverty and energy waste by making the UK's draughty homes more efficient have collapsed by almost 85%. The report revealed that the number of energy efficiency upgrades undertaken each month has fallen to 10,000 on average for the six months to the end of May. This compares with an average of 65,000 a month in 2014.

The latest figures show that in May about 10,000 properties benefited from energy efficiency measures, such as loft insulation or boiler upgrades, down sharply from about 30,000 in the same month in 2015 and 2016.

The fuel poverty gap for rural households is also much higher than for urban homes (£571 vs £321 – DEFRA Statistical Digest of Rural England 2019), and the cost of making energy efficiency improvements is also usually high. The fuel poverty gap is the additional income which would be needed to bring a household to the point of not being fuel poor. Planning constraints due to heritage issues can also be a limiting factor on the type of measures that can be deployed.

Heating oil trade association OFTEC say, to upgrade from a D (low technology

heating appliance) rated house to an A1 rated house (high technology appliance and system) can cost in excess of £50,000 to cover insulation, new doors and windows, a heat– pump system, solar PV technology and air tightening.

Swapping a standard efficiency oil boiler for a condensing model would immediately reduce running costs and emissions and take many households out of fuel poverty. A further benefit would be a likely reduction in Excess Winter Deaths, for which cold homes are a major contributory factor. Based on research by E3G an independent climate change think tank and National Energy Action, the UK has the 6th highest long–term rate of excess winter mortality out of 30 European countries. Only Malta, Portugal, Cyprus, Ireland and Spain have a higher rate. Researchers said that results failed to consider cold weather lasting beyond the winter months in cooler countries. After adjusting for this, researchers found the UK is the second worst country for winter deaths with Ireland being the worst.

Oil boiler development has evolved over the years with the deployment of high efficiency condensing boilers since 2007 and low NOx solutions from the Ecodesign directive. Modern high efficiency oil condensing boilers are on average more than 90% efficient. Installing an oil condensing boiler is an excellent way to reduce running costs compared with non–condensing boilers and a fuel saving of up to 30% can be expected. A more efficient oil condensing boiler can also reduce CO2 emissions by 30%.

We would like policy–makers to recognise the positive contribution that evolving liquid fuels can make to an economically and socially fair energy transition. It is crucial to maintain a varied energy mix and a free choice of technologies by consumers to alleviate fuel poverty.

UKIFDA supports the general principle of aligning fuel poverty strategy with current and future government priorities, whilst stressing the vital role liquid fuels should play in the attainment of this.

We also recognise that it is important that any policy to address fuel poverty looks at sustainability, but the reverse is also true, and it is also important that any policies implemented to help us to reach net zero emissions and sustainability consider the fuel poverty strategy.

We, as other trade associations, do believe the Government should look at decarbonising the fuel, rather than removing the technology itself. We don't want the Government to replace options for households with one technology such as electrification. Our supply chain has trialled biofuels as a replacement to kerosene, with the aim of enabling heating oil users to migrate easily and cheaply to biofuels to meet the carbon reduction targets. Research commissioned by OFTEC in support of this work suggests that biofuels offer the cheapest option for reducing carbon, based on an evaluation of both CAPEX and OPEX costs over the typical lifespan of an appliance, when combined with a range of energy efficiency measures. They also provide the greatest reduction in emissions, based on calculations using SAP10 data.

Government should though set the right legal and policy framework. This includes setting the right measures around sustainability and setting milestones in liquid fuel specification to ensure that liquid fuels are changed along the whole supply chain. Aligned with Renewable Energy Association, we suggest that off-gas grid heating fuels (such as bio-kerosene) are included on any obligation or incentive programmes as it is important to incentivise and help households' transition from fossil fuels to renewable alternatives. The price of extensive energy upgrades in older homes will leave many homeowners in difficulty and plunge further households into fuel poverty. If Government cannot afford to fund this how would they expect households across the UK to do this.

We must ensure that consumers are able to make the right choices for their house, based on the right information, at the right time. Keeping a variety of options open to decarbonise heat is less challenging and offers a potentially lower cost path for consumers than pursuing a narrower end point i.e. total electrification of home heating. The Government already recognises and states in this report saying "heating oil is a low-cost option for homes off the mains gas grid..."

The Government needs to ensure that decisions are not taken prematurely which might risk closing off long-term alternative solutions such as a biofuel alternative to heating oil.

In regard to reducing carbon emissions, the introduction of biofuels would

offer many advantages including being compatible with most conventional oil heating systems and could be rapidly introduced into the market via the existing distribution network.

UKIFDA is working closely with other industry trade associations and have developed a future vision for liquid fuels that meets the needs of the consumer and the government's Clean Growth Strategy and as we have stated before we believe Government need to maintain a technology-neutral approach to encourage all industries to find solutions as electrification is not the only conclusion especially when 44% of electricity continues to be generated from fossil fuels (Minister for Universities, Science, Research and Innovation in House of Commons statement April 30th 2019).

We have detailed in our Clean Growth Future Vision what we believe is a practical, affordable and effective solution which addresses BEIS' key requirements: to keep energy bills low; cost effectively reduce carbon emissions; ensure a secure, resilient energy supply; bring economic benefits and avoid unreasonable upfront costs for consumers.

We also believe the Welsh Government should look to protect vulnerable households in winter with a crisis fund for emergency heating when their health is at risk as recommended in the 2018 Fuel Poverty Monitor, supporting vulnerable households not covered by the existing Nest eligibility criteria. UKIFDA has its own Cold Weather Priority Initiative (CWP) and is urging everyone aged 75+ who uses heating oil to heat their homes to sign up to the Cold Weather Priority scheme, an initiative designed to help prevent excess winter deaths.

The Cold Weather Priority initiative is industry-led and was created in full consultation with and is fully supported by the Department for Business, Energy and Industrial Strategy (BEIS). Since it began in 2017 it has helped over 10,000 elderly consumers, including when the Beast from the East hit in February/March 2018.