

Belfast City Council Health and Environmental Service's Consultation Response Regarding
Proposed Revisions to the Energy Efficiency Levy.

Having reviewed the content of the 'NI Energy Efficiency Levy Strategic and Operational Review 2008' and the 'Report to the Utility Regulator on the Northern Ireland Energy Efficiency Levy Programme', Belfast City Council would wish to submit the following comments.

Belfast City Council is supportive of the proposal to allow organisations, other than licensed electricity suppliers, to compete for Levy funding. The Belfast City Council Corporate Plan 2008 – 2011 entitled 'Today's Action – Tomorrow's Legacy' includes a commitment to reduce the City's impact on climate change, which is to be delivered via initiatives such as participating in the adoption of a Northern Ireland Local Government Declaration on Climate Change and developing a prioritised action plan to address the causes and consequences of climate change within Belfast, in collaboration with outside bodies and local communities. The March 2008 Environment and Heritage Service 'State of the Environment Report for Northern Ireland' publication identified that 34% of Northern Ireland's carbon dioxide (CO₂) emissions are associated with energy generation with a further 18% of emissions directly associated with domestic energy usage. Consequently, a key component of any action plan is likely to comprise initiatives to improve domestic energy conservation, and the availability of Levy funding would support implementation of such initiatives.

By way of example, Belfast City Council's Older Peoples' Officer Group has recently proposed to pilot a Fuel Stamps Scheme in North Belfast, as a means of reducing the impact of fuel poverty upon vulnerable people and also as a means of encouraging people to more successfully budget for their recurring oil heating costs.

The Fuel Stamp Scheme, originally championed by the St. Vincent de Paul charity and now operating within several District Council areas, enables members of the public to purchase fuel stamps valued at £5, thereby building up credit that is accepted by oil companies participating in the scheme. Although St. Vincent de Paul has reported good uptake of the scheme where it has been trialled, the charity has nonetheless identified reliance upon volunteers for operating the scheme as a principal shortcoming. Therefore, if the scheme was to be introduced within Belfast, the Council would likely have to commit significant continuing resources to its operation and administration. It is considered that the proposed revisions to the Energy Efficiency Levy could financially assist with the introduction and operation of the Fuel Stamps Scheme and indeed, other future Council led energy efficiency initiatives.

Moreover, the Fuel Stamp Scheme could also help to directly address one of the issues raised within the 'Report to the Utility Regulator on the Northern Ireland Energy Efficiency Levy Programme' regarding whether Levy schemes should be permitted to assist with the direct

purchase costs of heating oil. The report highlights that oil-fired heating systems are being installed, which some householders are subsequently unable to run, due to the high upfront cost of purchasing heating oil. Consequently, these householders are reported to be reverting to less efficient forms of heating, such as open fires, merely because other fuels can be purchased in smaller and therefore more affordable quantities. It is considered that introduction of a Levy funded Fuel Stamp Scheme would directly help to alleviate this issue by assisting households to more effectively budget for their recurring heating oil costs.

Belfast City Council is supportive of the recommendation that schemes should be of a minimum value of £10,000 in order to avoid excessive administration costs however, it is anticipated that the competitive nature of the application process will continue to ensure that only the most advantageous schemes receive funding.

Incentive payments are presently made to those organisations that are able to deliver energy savings over and above a specified target. This is usually achieved by leveraging additional funding from third party organisations, thus ensuring that greater energy savings are realised than would be delivered using only Levy funding. The current incentive payment is £5,120 for each additional GWh of energy savings achieved however; it is proposed to reduce this amount to £1,000 per GWh. Belfast City Council is supportive of this recommendation since opening the scheme to additional participants should increase the level of competition for funding. In reality, competition for funds should be sufficient to encourage suppliers to submit the most cost-effective scheme proposals, thereby removing the need for any explicit incentive however; providing £1,000 per GWh is considered to be appropriate as an interim measure whilst the extent of competition is determined.

It has been proposed that pending analysis of the 2006 House Condition Survey, the Utility Regulator will seek views on the scope for introducing further energy conservation measures and the size of the Levy will be kept under review with a view to increasing available funding should demand significantly increase. An analysis of the 2007 HECA Report and the findings of the 2006 House Condition Survey have indicated that in excess of 98% of dwellings have central heating, 86% of dwellings have either full or partial double-glazing and over 85% of dwellings have loft insulation, leading to the conclusion that there is limited scope for further improvement and little need for additional funding. However, of those dwellings that have central heating, around 13% are reported to be electric or solid fuelled and therefore, the potential exists for further retrofitting, thereby necessitating ongoing funding provision. However, notwithstanding that successful schemes under the Energy Efficiency Levy must have a positive Net Present Value (NPV), Belfast City Council considers that it is essential that any increase in the Levy rate be set at a level so as not to adversely impact upon customers and in particular the fuel poor.

One of the principal objectives of the Energy Efficiency Levy has been to alleviate fuel poverty and consequently, a feature of the programme for several years has been the ring fencing of 80% of funds to support those priority customers considered to be at direct risk of fuel poverty. Of the remaining funds for non-priority customers, these are sub-divided equally amongst non-priority domestic and non-domestic customers. However, one of the recommendations is that the focus on priority schemes should be reviewed in the light of the 2006 House Condition Survey, the utility Regulator seeking further views on this issue, the availability of other initiatives to assist the fuel poor and the changing nature of applications for Levy funding. The 'Report to the Utility Regulator on the Northern Ireland Energy Efficiency Levy Programme' highlights that whole house solutions are expensive and, as a consequence, the number of homes that can be targeted, given current levels of funding, can be no more than a few hundred per annum. Belfast City Council recognises that there will inevitably be residential properties whose energy efficiency cannot be improved without the installation of a complete heating system however; it is considered that the current priority focus on whole house solutions occurs at the expense of a greater number of other fuel poor households that consequently receive no assistance at all. Indeed, in terms of overall energy efficiency benefits, it may prove more effective to spread energy conservation measures over a larger number of households, with the objective of levelling up the situation of the most fuel poor, or maximising the energy efficiency savings in fuel poor homes. This supposition seems to be supported by the outcome of the 2007 HECA Report and the findings of the 2006 House Condition Survey, which indicate that in excess of 98% of dwellings already have central heating, 86% of dwellings already have either full or partial double-glazing and over 85% of dwellings already have loft insulation. Accordingly, Belfast City Council supports a lessening of emphasis on whole house solutions, informed by the outcome of future house condition and energy conservation surveys.