

Eaga Group

Response to Department of Communications, Marine and Natural Resources

Towards a Sustainable Energy Future for Ireland

November 2006

**Eaga Group – Background**

Eaga Group welcomes the opportunity to respond to the Government's consultation, "Towards a Sustainable Energy Future for Ireland".

In order to put our comments into context, it may be helpful to briefly outline our role in the provision of energy efficiency across the United Kingdom and Ireland.

Eaga is the largest provider of residential energy efficiency solutions in the UK. We are an employee-owned company working for Defra; the Welsh Assembly Government; the Department for Social Development in Northern Ireland; Utility Companies and Local Authorities, in managing the delivery of energy efficiency programmes throughout the UK for the past sixteen years. To date we have delivered assistance to over 5 million vulnerable households through the installation of heating and insulation measures.

Eaga have also recently been appointed by Sustainable Energy Ireland as the scheme manager of a heating and insulation pilot in the county of Waterford. This project is to install heating and insulation measures in approximately 450 homes. This €2m initiative is delivered through Sustainable Energy Ireland (SEI) and funded by the Department of Social and Family Affairs. It is expected to last 7 months (Oct 2006 – April 2007), and the objective is to take action to address the issue of fuel poverty in both rural and urban areas by improving the thermal comfort of the home, reducing fuel costs and evaluate its success.

Eaga also funds the work of the independent Eaga Partnership Charitable Trust (EPCT), which supports research into energy efficiency and fuel poverty, with a particular view to how these areas impact on standards of housing and health.

Eaga also delivers a Benefit Entitlement Check as an integral part of the majority of our work in Fuel Poverty. We have completed over 120,000 Benefit Entitlement Checks, providing impartial advice across the full range of UK benefits. We currently deliver a Benefit Entitlement Check on behalf of Defra, Welsh Assembly Government, Department of Social Development, several major Energy Utilities and partners within the Social Housing market. Around two out of every five households where a BEC has been completed find that they are not in receipt of their correct entitlement. The remaining vulnerable households receive peace of mind that they are not missing out on any valuable untapped sources of income. The average weekly increase is approximately £22 per week.

Eaga Renewables delivers 'green' microgeneration solutions to householders.

Eaga Group

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We welcome the invitation to comment upon the Energy Green Paper, particularly in regard to point 3.2.21- "What further action should be taken to alleviate fuel poverty?"

## 1. Fuel Poverty Research.

It has been established that "fuel poverty in Ireland is among the highest in Europe; and Irish housing standards are amongst the lowest in Northern Europe from the point of thermal efficiency"<sup>1</sup>

The oft quoted figures for fuel poverty in Ireland indicate that approximately 62,000 householders are experiencing persistent fuel poverty with a further 165,000 householders intermittently affected. That is to say, 225,000 Irish homes, or around 17.5%, are in fuel poverty.<sup>2</sup> However, these figures are based upon a 2001 survey and conditions have undoubtedly changed considerably since then, not least because of the recent significant rises in energy costs. Moreover, with a variety of fuel poverty definitions proposed, and indeed, an international problem defining and comparing poverty<sup>3</sup> a true fuel poverty figure for Ireland is difficult to establish at this time. Eaga hope that the Fuel Poverty Action Research Project, coordinated by Combat Poverty, will plug this important information gap.

There is also research that strongly implies that fuel poverty is an important factor in the high level of excess winter mortality in Ireland<sup>4</sup>. Dr John Healy concluded that raising the housing stock to 1997 building standards could cut winter deaths from cardiovascular diseases by half, and respiratory disease by an even higher factor.<sup>5</sup> That equates to a saving of €1,099m, with an additional saving of some €59m in hospitalization and drugs costs and a €6.3m saving for individuals because of reduced number of activity days lost.<sup>6</sup> The improvement to people's quality of life might be considered priceless.

## 2. The "Fuel Allowance" as a measure to treat fuel poverty

We believe that the principal measure currently employed to tackle fuel poverty, namely the fuel allowance, should be seen in terms of the three guiding principles of the Green Paper (security of supply, environmental sustainability and economic competitiveness).

In this regard, important as the fuel allowance is, it is expensive, as over €125m will be spent on fuel allowances in 2006, for nearly 275,000 households.<sup>7</sup> Furthermore, if energy prices continue to rise, further increases in the allowance may be necessary.

Moreover, last winter, Combat Poverty observed, 'Research shows that low-income households spend up to three times more than average on home heating as a

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<sup>1</sup> Sustainable Energy Ireland, 2003

<sup>2</sup> 1,287,958 households in total, from <http://www.cso.ie/statistics/privhseholdsprovcountcity2002.htm>

<sup>3</sup> See Poverty: The Facts 5<sup>th</sup> Edition, Flaherty, Veit-Wilson and Dornan, 2004

<sup>4</sup> 'Health Impacts of the Built Environment (Institute of Public Health in Ireland, July 2006). see <http://www.publichealth.ie/index.asp?locID=489&docID=649>.

<sup>5</sup> Healy, J.D. 2000. Evaluating the health benefits of improving domestic energy efficiency. University College, Dublin.

<sup>6</sup> Healy, J.D. 2000, *ibid*.

<sup>7</sup> Dáil Éireann Speech by the Minister for Social Affairs Séamus Brennan, T.D. 13th December 2005

proportion of income and use more carbon intensive fuels because of their reliance on older solid-fuel heating systems.<sup>8</sup>

It is also important to note John Healy's findings that 'households in receipt of fuel allowances... report an incidence of fuel poverty of 37.9% compared to just 13.8% for non claiming households'.<sup>9</sup>

To this end, we would conclude that the fuel allowance, whilst it is a valuable measure, needs to be supported by a commitment to a fuel poverty strategy that efficiently and effectively targets vulnerable households in the medium and longer term. This is especially relevant in this time of energy price rises, that will invariably have a knock-on effect to the level of fuel allowance needed to assist the most vulnerable households.

We therefore strongly support Combat Poverty's view that, 'a nationwide capital programme aimed at improving domestic energy efficiency among low-income households is required to eradicate (rather than reduce) fuel poverty. A state-funded programme to increase thermal efficiency is needed.'<sup>10</sup> Whilst the fuel allowance should continue, the task is to make Irish homes more energy efficient and therefore easier and cheaper to heat.

We see the benefits of a nationwide programme as supporting the fuel allowance payments in the reduction of fuel poverty, with a view to eradication, whilst also improving the energy efficiency of housing stock in Ireland, reducing the demands on energy usage and making significant contributions to Ireland's carbon saving commitment under the Kyoto Treaty. For example, the flagship fuel poverty programme in England, Warm Front, is part of the Government's commitment to eradicate fuel poverty by 2016, but will also make 400,000 tonnes' worth of carbon savings by 2010<sup>11</sup> – therefore having multiple benefits to it. This will be discussed in greater depth later.

### 3. Warmer Homes.

Eaga have been involved in the Warmer Homes Scheme, managed by Sustainable Energy Ireland. We welcome the extension of the scheme proposed in the Green Paper, namely to open the scheme to engage private sector contractors and target 10,000 properties per year.

However, we believe that a significant further expansion of the scheme is required if Ireland is eradicate, rather than reduce the incidence of fuel poverty. Furthermore, we would recommend that a target be set to eradicate fuel poverty in Ireland by a specified date, perhaps 2018 to tally with the UK Fuel Poverty Strategy.

Several further developments to the scheme are required:

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<sup>8</sup> Healy, J. D. 2004, *Housing, Fuel Poverty and Health: A Pan-European Analysis*, Aldershot: Ashgate.

<sup>9</sup> Healy, 2004. *Housing, Fuel Poverty and Health: A Pan-European Analysis*, Ashgate: Dublin. Table 4.16

<sup>10</sup> Action on Poverty Today, Combat Poverty, No.11 Winter 2005.

<sup>11</sup> UK Climate Change Programme 2006 (Defra)

Firstly, that entitlement criteria be standardised nationwide, which has not been the case to date. There are several benefits to this, but the main one is a clear, equal treatment of all applicants to the scheme. There may even be a way to link further elements into the entitlement criteria, ensuring the best possible participation in the scheme. For example, in the UK, Eaga have pioneered the delivery of Benefit Entitlement Checks (BEC) to Warm Front and HEES applicants. BECs help maximise the applicant's income, and thus these schemes offer a two-pronged approach to the eradication of fuel poverty – income maximisation and energy efficiency improved.

We believe that the Taoiseach was quite right to declare that, “The need to provide efficient, controllable heating systems in affordable and social housing cannot be over-emphasised. Inefficient, poorly-controlled systems can mean high heating costs and greatly increased risk of fuel poverty, even in well-insulated housing.”<sup>12</sup> Eaga and Sustainable Energy Ireland are undertaking a small pilot project in Waterford, which, for the first time outside of the social housing sector, is to include the installation of heating systems. We believe that to address fuel poverty and the wider principles of the Green Paper, the installation or upgrading of heating systems, using renewable energy sources wherever possible, should be included in the replacement of the Warmer Homes Scheme. We remain confident that the Waterford scheme will demonstrate this.

Thirdly it has proven important, for effective delivery, that such schemes be managed with an overall focus on client needs. It is both more cost effective and gives greater customer satisfaction if the works carried out are appropriate to the property, meet the needs of the householder and are delivered in an appropriate timescale. To this end it is important that the installers work to the highest possible standard and that the operation of the equipment is properly explained. As such, proper assessment, monitoring and excellence in training are essential.

Eaga, as practicing scheme managers in the UK with 16 years' experience managing fuel poverty programmes, have finely developed systems and processes that have delivered energy efficient measures in over 5m homes to date. We recognise the crucial role of networking with local stakeholders and interest groups to help achieve the common goal of eradicating fuel poverty. We also recognise that the key to the successful delivery of fuel poverty programmes is having customer-centric processes that ease applicants through the application.

#### 4. A National Energy Efficiency Action Plan.

Renewable energy developments are very much in focus at present, and rightly so. However, as highlighted in the Green Paper, it is also vitally important to ensure that energy demands are reduced, and this can be achieved in two ways: by changing behaviours with effective and appropriate energy advice, and, more pressingly, improving the energy efficiency of homes by installed heating and insulation measures. The energy wasted by the hundreds of thousands of people struggling to heat poorly insulated homes with inefficient heating systems, must be made an urgent priority. We agree with Friends of the Earth that, “the most effective way to

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<sup>12</sup> Speech at the opening of the Energy Action Conference 2002.

<sup>11</sup> <http://www.taoiseach.gov.ie/index.asp?docID=712>

secure energy supply is to cut down energy waste first - and to produce energy from renewable sources.”<sup>13</sup>

We note that Minister Noel Dempsey has endorsed the European Union Energy Efficiency Plan<sup>14</sup> and that the Green Paper announces the intention to develop a National Action Plan for Ireland.

We welcome these developments, and would like to highlight several important pieces of work relevant to energy efficiency in the housing sector, such that there is a very strong case for a nationwide drive to improve, as far as possible, the thermal efficiency of the entire housing stock, to modern building regulation standards.

Action on domestic energy efficiency to date has been minimal, as the International Energy Agency noted in a recent report, “...no compulsory measures have been taken to upgrade the energy rating of the existing stock of houses, thus future progress in this area is likely to be slow.”<sup>15</sup>, and they call for a comprehensive plan for upgrading energy efficiency of the existing stock of houses<sup>16</sup>.

The Irish Academy of Engineers has concluded that ‘With respect to houses built pre-building regulations, large savings of up to 70% could be expected if all the measures recommended earlier<sup>17</sup> were applied. Since the pre-building regulations houses will still comprise nearly half of the housing stock by 2030, these savings could contribute significantly to reducing the housing sector energy requirements to about **half the current level.**’<sup>18</sup>

This very substantial level of saving is hard to quantify in cash terms because of the ever changing price of energy, but taking Sustainable Energy Ireland’s 2005 estimate of an average cost of €1531 per household, even at those prices the energy saving alone would be in the region of €1,300m per year.<sup>19</sup> Given the huge increase in energy prices, this figure may have changed considerably since then.

To put this saving in context, since the Sustainable Energy Ireland report that the domestic energy demand was around 3842 ktoe/year<sup>20</sup> in 2004, the saving would roughly correspond to 3.6 times the annual output of the large Moneypoint coal fired powerstation.<sup>21</sup> This is not unusual, as the German Environment Minister recently observed, changing to heat pumps in only 60% of German private households, saves the equivalent of the output of two nuclear power plants.<sup>22</sup> The ‘40 percent house’ is

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<sup>13</sup> [http://www.foeeurope.org/press/2006/JK\\_8\\_Mar\\_EnergyGreenPaper.htm](http://www.foeeurope.org/press/2006/JK_8_Mar_EnergyGreenPaper.htm)

<http://www.dcmnr.gov.ie/Press+Releases/Dempsey+Endorses+EU+Energy+Efficiency+Action+Plan.htm>

<sup>15</sup> Part L of the Building Regulations not withstanding.

<sup>16</sup> Towards an Oil Free Economy in Ireland: Lessons from the Swedish Commission for Oil Independence Report. IEA Briefing Paper 10-8-06

<sup>17</sup> Double glazing, wall and roof insulation, draught sealing, high efficiency boilers or solar heating, heat recovery on ventilation.

<sup>18</sup> The Irish Academy of Engineering, 2006, [Future Energy Policy in Ireland.](http://www.iae.ie/publications.asp)

<sup>19</sup> Also using the Irish Academy of Engineers estimate of 1,696,000 households in 2005.

<sup>20</sup> Kilo tonne of oil equivalent.

<sup>21</sup> Using output figures from Externe, at <http://externe.jrc.es/de44file2.htm>

<sup>22</sup> see:

[http://66.102.9.104/search?q=cache:SSaVkHM6xmwJ:www.reeep.org/media/downloadable\\_document/s/t/I/Marianne%2520Osterkorn%2520Speech%2520-%2520EE%2520Investment%2520Forum%2520](http://66.102.9.104/search?q=cache:SSaVkHM6xmwJ:www.reeep.org/media/downloadable_document/s/t/I/Marianne%2520Osterkorn%2520Speech%2520-%2520EE%2520Investment%2520Forum%2520)

a demand-side energy strategy to deliver 60% carbon saving in the UK's residential energy use by 2050, and many of its objective are applicable in Ireland.<sup>23</sup>

This is not new news: in 1999 Energy Action Ltd and University College Dublin published a report on the costs and benefits of comfortable housing in Ireland, and concluded that the overall benefit of raising the housing stock to the 1997 Building Regulation standards would be around £Irish 2460 m. They cautioned that 'The net benefit of implementing an effective household energy strategy are very substantial...If it does not, then our economy, our environment, our health and our comfort will be the poorer, and the costs of our inaction will be bourn disproportionately by the poor and the vulnerable'<sup>24</sup>

More recently, it has been calculated that the costs and benefits of raising the entire housing stock to 1997 building regulations specifications gave a projected net social benefit of €3.1 billion. The private and external benefits (energy, environment, health and comfort) outweighed the materials and labour costs by 3:1.<sup>25</sup>

Further, Ireland is facing an annual bill of around €1 billion, with the taxpayer paying a little over half and the rest being picked up by the business sector, because of its failure to meet its targets under the Kyoto Protocol. Those targets are that the increase in greenhouse gas emissions do not rise above 13% over 1990 levels, but in 2004 emissions were already up by 23%.<sup>26</sup>

That means about 7.2 million tonnes of excess CO<sub>2</sub> emissions, and the residential sector is responsible for 27% of energy-related CO<sub>2</sub> emissions.<sup>27</sup> This is also a 7.3% increase on 2003<sup>28</sup>. In 2003, Ireland's CO<sub>2</sub> emissions (climate corrected) per dwelling were 97% above the EU-15 average.<sup>29</sup>

If, on the other hand, the energy saving measures suggested by the Academy of Engineers were completed and the emissions from the residential sector reduced accordingly, the overshoot on the Kyoto target should drop from 7.2 million tonnes of CO<sub>2</sub> to 3.75 million tonnes, saving around 48% of that bill.<sup>30</sup> That is to say, an annual saving of nearly €½ billion from the EU carbon reduction programme alone. This is

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<sup>23</sup> <http://www.40percent.org.uk/>

<sup>24</sup> Homes for the 21<sup>st</sup> Century. Energy Action Ltd and University College Dublin. 1999.

<sup>25</sup> Clinch, J.P. and Healy, J.D., 2001. Cost-benefit analysis of domestic energy efficiency, Energy Policy 29 (2), pp. 113-24.

<sup>26</sup> For more details see:

[http://www.environ.ie/DOEI/DOEIPol.nsf/0/48bc4a2b3cb6210380256f0f003bc858/\\$FILE/Final%20Press%20release.DOC](http://www.environ.ie/DOEI/DOEIPol.nsf/0/48bc4a2b3cb6210380256f0f003bc858/$FILE/Final%20Press%20release.DOC) or

<http://www.friendsoftheenvironment.net/papers/article.php?sid=8762&mode=thread&order=0> or [http://www.unison.ie/irish\\_independent/stories.php3?ca=9&si=1611983&issue\\_id=14030](http://www.unison.ie/irish_independent/stories.php3?ca=9&si=1611983&issue_id=14030)

<sup>27</sup> 2004 figures. See Energy Consumption and CO<sub>2</sub> Emissions in the Residential Sector 1990 – 2004. SEI.

<sup>28</sup> Source, EPA

<http://www.epa.ie/OurEnvironment/ClimateChange/GreenhouseGasEmissions/#d.en.8906>

<sup>29</sup> Energy Consumption and CO<sub>2</sub> Emissions in the Residential Sector 1990 – 2004, SEI 2004.

<sup>30</sup> Using figures from: Determining the Share of National Greenhouse Gas Emissions for Emissions Trading in Ireland 2008-2012: Summary for policymakers. March 2006. ICF Consulting & Byrne Ó Cléirigh. Actual saving might be higher if renewables and CHP are extensively used.

supported by a recent fuel poverty study in Balleyfermot, where the CO<sub>2</sub> emissions from the average house could be reduced from 8.26 to 4.05 tonnes per year.<sup>31</sup>

There are additional benefits from such a scheme: excess winter deaths and illnesses can be significantly reduced, high quality employment is provided to fitters and surveyors, the money saved on fuel bills can re-enter the economy in other ways, boosting growth.

These figures are somewhat tentative, and the costs and benefits of the range of measures proposed by the Academy of Engineers requires review, yet it is clear that a National Energy Efficiency Action Plan should include a major drive to increase the uptake of domestic energy efficiency measures. It benefits the economy, the individual, the climate and the nation's security.

It has been reported that increased receipts on fuel duty, arising from the increase in energy prices, amount to some €60m. We believe this would make for an ideal source of funding for an energy efficiency drive and that using these monies in this way would attract considerable public support. Similarly, the present All Ireland Energy Project is bringing greater security in energy supply through new North-South interconnectors and much more. It also provides an opportunity to bring the best of practice in the fight against fuel poverty and for energy efficiency from both sides of the border. Moreover, it is necessary to create a level playing field between the two energy markets, which, amongst other issues, implies a standardisation of tariffs and levies – in the North substantial finances are raised through a levy upon the suppliers, and these funds are used to combat fuel poverty and promote both energy efficiency and renewables. The introduction of similar measures in southern Ireland would thereby complete a further stage of harmonising the energy market and provide much of the funding to drive major fuel poverty and energy efficiency.

We note that FoE Ireland have proposed that 'The "Greener Homes" grants should be extended and enhanced to cover insulation and other energy saving measures as well as the current renewable energy options.'<sup>32</sup> This approach may be valuable, yet grants schemes alone have inherent problems. Firstly, they still require considerable investment by the householder and many are unable to meet this. For this reason grants should be tapered, such that more support is available to those with low incomes. Secondly, uptake can be unpredictable, as witnessed by the present problems with wood pellet supply after the high level of response to Greener Homes.<sup>33</sup> For energy efficiency, we believe that the scheme would require careful management, both to ensure that the installer industry can be expanded and trained to appropriate levels, and that installations be quality assured.

Improving energy efficiency in homes is a clear 'win-win-win' endeavour, and it makes sense to start with the most vulnerable, the fuel poor, first.

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<sup>31</sup> The Balleyfermot Residential Energy and Fuel Poverty Report, Alembic Research and Energy Action Ltd. See Table 2.

<sup>32</sup> Friends of the Earth's climate change strategy for Ireland, October 2006  
<http://www.foe.ie/documents/index/20061031141921.html>

<sup>33</sup> <http://www.boards.ie/vbulletin/showthread.php?t=2055017884&referrerid=59211>

## 5. Conclusions

- Research demonstrates that fuel poverty in Ireland is amongst the highest in Europe, regardless of the method of calculation. Combat Poverty's report should pinpoint an accurate figure.
- Eaga would support the introduction of a commitment from the Government to eradicate fuel poverty by a certain date, possibly 2016, in line with the UK target.
- Eaga would also support the expansion of the Warm Homes scheme, to include heating measures.
- Current action to eradicate fuel poverty, the fuel allowance, is effective to a point, but unsustainable in the long term, and expensive to the Taoiseach.
- Eaga would support a fuel poverty programme to support the fuel allowance. A fuel poverty programme would deliver real cost effective savings, and bring benefits to the lives of thousands of fuel poor people in Ireland. Furthermore, the energy efficiency measures provided by such a scheme would make a significant contribution to Ireland's commitments under the Kyoto Protocol.
- We believe that, as well as changing behaviours, the key to energy sustainability in Ireland is the implementation of energy efficiency improvements to the housing stock on a large scale.