

EVIDENCE TO THE ENVIRONMENT SCRUTINY PANEL ENERGY POLICY REVIEW

1. Background

1.1 I would like to thank the Scrutiny Committee for giving me the opportunity to provide written evidence because I was unable to attend the hearing on 21 May 2013 due to flight problems. I was the founding Chair of the Jersey Energy Trust in 2009, having been asked to fulfil this role by Senator Cohen, who at that time was responsible for policy relating to energy and the environment. I remain a Board member under the current Chair, Sir Nigel Broomfield.

1.2 I would like to make it clear that these are my views about how energy efficiency services should be delivered in Jersey in the future. They are based on the following relevant experience, which has included oversight for the delivery of energy efficiency improvements in the homes of 4,000,000 low income consumers in the UK:

- Non-Executive Director of the Energy Saving Trust (2009-13);
- Chair and Founder of the Eaga Partnership (now part of Carillion plc) (1990-1998);
- Member of DFEE's Advisory Group to the New Deal Task Force (1997-2001);
- Adviser to the Climate Change negotiations in Kyoto (1997);
- Adviser to the UN Earth Summit on Poverty in New York (1997);
- Member of the DTI's Renewable Energy Advisory Committee (1995-2002);
- Member of the UK Round Table on Sustainable Development (1995-1999);
- Chair of Energy Action Northern Ireland (1991-1994);
- Trustee of Energy Action Scotland (1988-2000);
- Member of the Executive Council of the Energy Conservation & Solar Centre (1988-1992);
- Chief Executive, NEA, the national charity which promotes energy efficiency initiatives to tackle the heating and insulation problems of low-income consumers.

2. Introduction

2.1 Sir Nigel has set out in his evidence the terms of reference and objectives of the Jersey Energy Trust. My task in 2009 was to establish the Trust and to ensure that appropriate and robust delivery mechanism were in place for it to complete work in the homes of people who were poor and vulnerable. With the support of officials at the Department of Planning and the Environment, particularly Dr Louise Magris, we were operational and able to meet the demands of the installation work very quickly, and much more so than has been the case historically in the UK. I made it clear from the beginning that whilst I would continue to be committed to the development of the Trust – which it was envisaged at that time would evolve into an 'arms length' public body – there should be a Jersey-based Chair. I have grown to know and enjoy Jersey over a period of some 25 years and I felt it important that someone with more

extensive local knowledge and who would be respected as a local figure of stature should lead the Trust once the infrastructure was in place.

2.2 At this point I would like to highlight two things which happened which I think had a major influence on the Trust's development. The first was the very helpful stimulus from Jersey Electricity plc of a 'seedcorn' grant of £500,000. The second was the establishment of Vehicle Emissions Duty which provides income to the Trust of approximately £1 million pounds per year. It is very unusual for hypothecated taxation to be used in this way and there is no doubt in my mind that this has given the Trust a greater level of security.

2.3 I share the view of the Scrutiny Committee in approaching this review that reductions in energy use in buildings, especially housing, are needed to provide a very substantial proportion of the carbon reductions to deliver the draft Energy Plan by 2050. The Trust has delivered very important work in directing its resources towards people who are poor and vulnerable because of age, disability etc, however the clients of such work often need to take the benefits of improved energy efficiency in improvements in comfort and warmth. They may be at home all day, would like to keep their heating on at a higher temperature for longer because of illness and frailty and therefore whilst this work meets important social objectives it is unlikely to achieve the maximum benefits in carbon reduction.

2.4 The Trust has also used what flexibility it has within its current remit to carry out what I consider to be extremely important work to improve the energy efficiency of community buildings. This reduces carbon emissions in buildings which are wasteful in terms of energy use, helps the largely voluntary organisations who use such buildings to maximise what are usually limited resources for the upkeep of the buildings, but perhaps most importantly can educate the individual and collective users of the buildings about the benefits of energy efficiency to the environment and in terms of reduced costs.

2.5 The Trust has also done much preparatory work through its Island map and the development of energy audits to prepare for the time when energy efficiency services are delivered to what is described as the 'able to pay' sector. Its objective to help small businesses which are often on the margins of profitability will also be of great benefit in helping them to reduce costs and carbon emissions. A parallel programme of advice for larger businesses is probably unnecessary because such companies employ their own experts, however they could be encouraged to be advisers or mentors to the small business community through the Chamber of CBI, under the umbrella of the Jersey Energy Trust.

3. Domestic Energy Efficiency

3.1 I was asked by Mr Levett to think in particular about A1, Action Statement 3, which envisages reducing emissions from existing homes by in the order of 80% by retrofitting existing homes with energy efficiency measures.

3.2 I have to say that I think reductions of that magnitude will be a huge task. It is my view that this will require a significant level of incentive, which I would support, or much stricter building regulations and legalisation around energy efficiency standards which I think could deter and irritate consumers. I have 25

years of experience in the energy, financial, legal and water sectors representing the views of consumers and I think the psychology they respond to is around persuasion, education and where they might feel that they are getting a good deal. More of a carrot diet than the use of sticks, although these have their place! I believe that savings of this magnitude have been delivered elsewhere, for example Scandinavian countries and within the USA, however my understanding is that they have required mandatory insulation schemes, with very strict regulation.

3.3 Historically grants of around 66% of the cost of energy efficiency improvements which were available in the 1980s in the UK achieved the most positive response from the 'able to pay'. Unfortunately there were many companies who 'took advantage' of some less than robust administrative arrangements of schemes run by local authorities. It is for this reason that I was asked by the then Secretary of State John Wakeham (now Lord Wakeham) to develop and have oversight for the Home Energy Efficiency Scheme in 1990 (subsequently called the Warm Front. Time has moved on since then. Products are better, there is a skilled, trained workforce and range of NVQs and other qualifications to underpin work and the public is much more aware of issues around climate change and energy efficiency. I nevertheless remain of the view that for anyone other than the poor, where 100% grants are needed, the level of incentive needs to be 'enticing'.

3.4 The stimulus may not need to be of the magnitude of 66% but I believe that it needs to be around the 33% to 50% level, that access to a trained skilled workforce is still required (ideally with the provision of apprenticeships for the island's young people and that it must be accompanied by public information and education which engages the island's residents. Ideally this should be accompanied by qualitative and quantitative research so that what is developed represents the views of consumers, and not simply what we think they need, together with a Strategy for Consumer Engagement. I would also suggest that the public need to know about potential scenarios for Jersey – without being alarmist – if the targets in the draft Energy Plan are not achieved.

3.5 I am extremely sceptical about the ability for energy efficiency improvements to be paid for out of energy savings. I believe this works against the psychology of consumers who prefer things to be as simple as possible. The added complication of any loan arrangement is seen as a barrier and an unnecessary complication when selling a home and this was borne out by a pilot scheme that the Energy Saving Trust ran called 'Pay as you Save'. Despite a generally low and negative response to this, Government went ahead with the Green Deal and early indications are of a much lower level of take-up than was envisaged. In the past few weeks the first Green Deal company has gone into administration. This company had signed an agreement with a residential landlords scheme to upgrade more than 10,000 properties over five years under the Green Deal – it is not clear what the principle barriers have been in this case. The Department of Energy and Climate Change have countered this by saying that energy efficiency improvements can lift domestic property increases by between 14% and 38%, however I remain unconvinced. It is suggested that the number of people who have signed up to the Green Deal is still in single figures and even Decc acknowledges that it is 'only in the hundreds', which is hardly inspirational. In an island such as Jersey, with a relatively low

comparative population size, there is also a more limited ability to achieve economies of scale.

3.6 I believe that there is scope to examine whether a more innovative range of tariffs can be developed to support the objectives of the plan. This could look at how large consumers of energy are asked to pay more above a particular threshold. This is not an area where I have great knowledge of what happens in Jersey, or of the barriers which exist, and I am sure that this will be covered by others in their evidence. However I would wish to emphasise that whilst I would welcome innovation in this area this would need to be in conjunction with safeguards to protect those who are more vulnerable. The poor pay more for essential utility services – recent research has indicated this is by as much as 20% - and government and regulators should do more to implement strategies which address consumer vulnerability. Within the UK I have been critical of the continued prevalence of pre-payment meters which result in self disconnection when people have no money to pay for fuel and these are usually a more expensive tariff. This may be a useful area in which to take further evidence.

3.7 I am also of the view that any development of a competitive market for fuel should not simply be about price but about quality of service. In a purportedly competitive market in the UK, in real terms there is a 'cartel' of six suppliers who have 'cherry picked' the more affluent customers. I would support the Scrutiny Committee or relevant Departments in extending the scope of work in the future to look at best practice in the delivery of services which are sensitive to the needs of the vulnerable through an examination of tariffs, payment plans, policies on the management of debt etc.

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