

Cynulliad Cenedlaethol Cymru / National Assembly for Wales  
Y Pwyllgor Cyllid / The Finance Committee  
Future Funding For Wales Inquiry / Ymchwiliad i Ariannu Cymru yn y  
Dyfodol

FIN(4) FF04  
Ymateb gan NEA Cymru  
Response From NEA Cymru

**Finance Committee Inquiry into Future Funding: Written evidence from NEA Cymru**

In response to the Finance Committee's inquiry into Future Funding for Wales I have pleasure in submitting evidence from National Energy Action Cymru.

NEA is the UK fuel poverty charity which for more than 30 years has campaigned for action and for greater investment in energy efficiency to help those who are poor and vulnerable. The charity works to eliminate the scourge of fuel poverty by enhancing knowledge and understanding of energy efficiency and fuel poverty, developing and progressing solutions to improve access to energy efficiency products and services, and campaigning for policies to address the issue. NEA Cymru is the dedicated Welsh arm of NEA.

NEA Cymru broadly welcomes further devolved powers for Wales, in particular on devolving decisions over energy policy to the Welsh Government as stipulated in the framework of the previous Government's St David's Day Agreement.

**Barnett formula**

1. Many campaigners have criticised the Barnett formula's failure to take into account needs based action, instead making contributions relative to population disparity.
2. Currently 30% of Welsh households (equivalent to 386,000 households) live in fuel poverty – this is greater than the proportion in both England (10.4%) and Scotland (27%)<sup>1</sup>.
3. Wales also hold the highest proportion of individuals living in households with less than 60% of contemporary median household income in real terms after housing costs (24% – versus 23% in England, 22% in Northern Ireland, and 19% in Scotland<sup>2</sup>).
4. Regardless of Wales need for greater spending, Public Expenditure Statistical Analyses have continually shown that the Barnett Formula is failing Wales, as pound per-head spending has been lower than Northern Ireland and Scotland since 1985 (currently at £9,709 – £10,152 in Scotland and £10,876 in Northern Ireland<sup>3</sup>).
5. As such the need for greater funding for Wales is significant as the extent of cold temperatures, cost of cold homes, and lack of suitable household insulation is greater than in England.

**Tax raising powers & convergence funding**

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<sup>1</sup> <http://gov.wales/docs/caecd/research/2015/150310-evaluation-nest-energy-efficiency-scheme-en.pdf>

<sup>2</sup> <https://www.gov.uk/government/statistics/households-below-average-income-hbai-199495-to-201213>

<sup>3</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/330717/PESA\\_2014\\_-\\_print.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/330717/PESA_2014_-_print.pdf)

6. Now the Smith Commission has developed into the Scotland Bill, it is clear that Scotland will receive a half share of revenue generated from VAT receipts. It is necessary that the same deal is made for Wales so it can adequately fund its poverty alleviation schemes that have been hit from Westminster austerity.
7. Over the current Westminster parliament Wales will contribute £690m<sup>4</sup> (see annex) from VAT and generated carbon taxes from domestic energy bills to HM Treasury – none of these resources are invested towards insulating Welsh homes which would reduce energy costs for consumers, benefit receipts in other areas for government, demand times for the industry, and carbon emissions for the nation.
8. The Welsh Government's energy efficiency schemes – Arbed 2 & NEST – have shown a high return for government on the investment made insulating the homes of those in fuel poverty. NEST has overall received an investment of £58,023,822 and achieved a return of £1.29 back for each £1 spent; supported 46 SMEs, creating a total of 83 apprenticeships, trainees and jobs over the length of the scheme; while accruing annual energy savings of a total £7.48m for low income households over the course of the scheme<sup>5</sup>.
9. 'Whilst this investment is providing real returns and value for money for the Welsh Government, funding on energy efficiency is inadequate to meet the statutory target to eradicate fuel poverty in Welsh households by 2018. Currently total funding by the Welsh Government amounts to only 8.4% of the money that will leave Welsh domestic consumers' pockets through VAT and carbon taxes - as previously stated - £690m over the next 5 years.
10. Similarly, the Welsh Government's Arbed 2 programme is delivering an estimated return to the Welsh economy of £2 for every £1 invested<sup>6</sup>.
11. NEA Cymru welcomes further European Union European Regional Development Fund (EU-ERDF) to support energy efficiency programmes in Wales from 2015-2020. The £33million invested into Arbed 2 by the Welsh Government has enabled the Welsh Government to develop a far greater strategic and focused energy efficiency programme, helping more households living in fuel poverty.
12. The Welsh Government is to be commended to date for maintaining Arbed and NEST schemes despite a difficult economic climate. The new UK Government must recognise that austerity and welfare reform have had a real impact on the ability of the Welsh Government's work to eradicate fuel poverty and poverty in general. The UK Government must show its support and use revenues the UK Treasury receives from levies on energy bills to ensure funds are pledged to increase resources within the Welsh Government's energy efficiency programmes thereby bringing an end to fuel poverty for Wales.

### **Multiple benefits of energy efficiency**

13. As mentioned above, both Arbed and NEST have shown the multiple benefits of investing in an energy efficiency scheme directed at the fuel poor.

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<sup>4</sup> [http://www.nea.org.uk/Resources/NEA/Publications/2013/MANIFESTO%20FOR%20WARMTH%20\(LO%20RES\)%20CS6.pdf](http://www.nea.org.uk/Resources/NEA/Publications/2013/MANIFESTO%20FOR%20WARMTH%20(LO%20RES)%20CS6.pdf)

<sup>5</sup> <http://gov.wales/docs/caecd/research/2015/150310-evaluation-nest-energy-efficiency-scheme-en.pdf>

<sup>6</sup> <http://gov.wales/newsroom/environmentandcountryside/2015/welsh-government-energy-investment-is-cutting-fuel-bills-while-boosting-the-economy-says-carl-sargeant/?lang=en>

14. The International Energy Agency (IEA) research – *Capturing the multiple benefits of energy efficiency* – recently highlighted and quantified the potential for energy efficiency to deliver jobs and economic growth, reduce pressure on health services, improve energy security and reduce carbon emissions – at the same time as providing a long-term, sustainable solution to unaffordable fuel bills for all consumers. In particular, their report demonstrated that large scale energy efficiency programmes can lead to increases in GDP of up to 1.1 per cent per year; can create significant employment (8-27 job years per €1million invested); and can have a benefit to cost ratio of 4:1<sup>7</sup>.
15. Furthermore the CCC's (Committee on Climate Change) response to DECC's consultation on the Fuel Poverty Strategy<sup>8</sup>, noted there was a greater potential for national policies to meet the fourth carbon budget as well as achieving the new fuel poverty targets. However the report also noted that while realigning existing national policies to explicitly target the fuel poor could help improve synergy between decarbonisation policy and social justice, new funding sources would be needed.

### **Key Recommendations**

16. NEA Cymru calls on the Welsh Government to secure fairer funding from the UK government to enable it to develop effective policies to invest in fuel poverty in Wales.
17. NEA Cymru calls on the Welsh Government to utilise its future funding arrangements to invest in energy efficiency programmes to help improve the energy efficiency of homes and alleviate fuel poverty in Wales.

### **Annex – UK levies on energy bills from VAT, EU Emissions Trading Scheme, & UK Carbon Floor Price**

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<sup>7</sup> [http://www.iea.org/bookshop/475-Capturing\\_the\\_Multiple\\_Benefits\\_of\\_Energy\\_Efficiency](http://www.iea.org/bookshop/475-Capturing_the_Multiple_Benefits_of_Energy_Efficiency)

<sup>8</sup> <http://www.theccc.org.uk/publication/letter-fuel-poverty-strategy-consultation-response/>

**TABLE 1: FUTURE TAXATION FROM DOMESTIC ENERGY BILLS**

	PER DOMESTIC ELECTRICITY CUSTOMER (£)	NATION	COMBINED CONTRIBUTION (£BILL) PER YEAR	TOTAL 5YR COMBINED CONTRIBUTION (£BILL)	TOTAL 10YR COMBINED CONTRIBUTION (£BILL)
VAT	£31.50	UK	£2.83	£14.16	£28.33
CFP	£27.94	GB	£2.77	£13.87	£27.73
ETS	£11.05	ENGLAND	£2.36	£11.82	£23.63
TOTAL	£70.49	SCOTLAND	£0.27	£1.33	£2.65
PER DOMESTIC GAS CUSTOMER (£)		WALES	£0.14	£0.69	£1.38
VAT	£36.45	NI	£0.04	£0.19	£0.38
<b>TOTAL</b>	<b>£106.94</b>				