EUA Manifesto 2019
The Energy and Utilities Alliance Manifesto 2019

Foreward

The Energy and Utilities Alliance (EUA) works with political parties across the UK, representing our members and advising on key issues facing our country today, such as providing affordable, secure and low-carbon energy in the 21st century. Across the energy sector, EUA work to establish a political consensus that can deliver the long-term policy framework required to reach Net Zero by 2050.

A just transition away from high carbon fuels, must be both sustainable and economic, and should not create unrealistic upfront costs for consumers.

Consumers must be front and centre of future heat strategy and the industry must consider what they really want, and if it can be delivered. EUA believe that the only sensible, cost effective and deliverable solution to decarbonising the hard to tackle heat sector is by using low or zero carbon clean gases such as hydrogen. The gas infrastructure is already in place for nearly 9 out of 10 homes and can deliver the carbon reductions we need to make without any major disruption to peoples’ lives.

EUA stand ready to meet with and discuss any aspect of this manifesto with those seeking office in December 2019 and those advising politicians. We trust you are inspired by our manifesto and desire to reach Net Zero by putting consumers at the heart of decarbonisation.

Michael Foster
In order to achieve decarbonisation EUA believes that there are 5 priority areas that should be acted on. EUA would like the next Government to commit to the following policies:

**A new infrastructure**
- Put consumer choice at the heart of the decarbonisation agenda
- Greening the gas grid with the aim of 99% hydrogen before 2050
- Launch a national infrastructure project to extend the gas grid to all homes that are within 25 metres from a gas mains pipe
- Increase the amount of Carbon Capture Usage & Storage, CCUS
- Increase the amount of Gas Storage

**Ambitious heat policy**
- Work with Industry to determine the best way to move to clean gas boilers
- Legislate for the recommendation of hot water storage where appropriate.
- Reformulate the Renewable Heat Incentive, RHI
- Increase participation in the energy market by a new generation of workers, by appealing to younger people, graduates and BAME’s.

**Stronger action on transport**
- Provide new infrastructure support for new gas fuelling stations
- Roll out more city Clean Air Zones, with a charging element to encourage the take up of gas powered vehicles
- Support diesel scrappage of Euro V or earlier HGVs

**Making fuel poverty history**
- Widen the fuel poverty definition to include the fuel poverty ‘churn’ so that schemes target all low income and vulnerable houses, most in need
- Take a central funding approach to fuel poverty alleviation
- The government should increase the PRS cap to £5,000 and review the amount for every EPC milestone
- A dedicated energy efficiency programme for England
- Refocus the winter fuel payment to helping those most in need pay their energy bills and use the surplus funds for energy efficiency measures for the fuel poor
- All aspects of energy policy should contain an assessment of the implications for fuel-poor households
- Ensure the smart meter roll out is completed

**Building better homes and enforcing standards**
- Fund appropriate policing of building standards and regulations
- The Future Homes Standard should embrace a technology neutral approach and not exclude the potential for hybrid heating and hydrogen.
- Build 300,000 low carbon homes
The Energy and Utilities Alliance (EUA) is a not-for-profit trade association which provides a leading industry voice helping shape the future policy direction within the sector.

Using its wealth of expertise and over 100 years of experience, it acts to further the best interests of its members and the wider community in working towards a sustainable, energy secure and efficient future.

EUA has eight organisational divisions - Utility Networks (UN), The Heating and Hotwater Industry Council (HHIC), The Industrial & Commercial Energy Association (ICOM), The Hot Water Association (HWA), The Manufacturers’ Association of Radiators and Convecors (MARC), The Natural Gas Vehicle Network (NGVN), The British Energy Efficiency Federation (BEEF), and The Manufacturers of Equipment for Heat Networks Association (MEHNA). EUA also provides secretariat services to several other organisations within the sector.
Executive summary

Government have already committed the UK to Net Zero by 2050 recognising the great threat of climate change. EUA are calling on the next government to make the big decisions on the future of heat now. In conjunction with infrastructure projects such as the Green New Deal, whereby the government works with industry to fix all cold and leaky homes, ensure no homes are lower than an EPC C by 2035 and ensure all homes have a zero carbon central heating system well before 2050. A joined up approach could eradicate fuel poverty, if it simultaneously encompasses some moderate reforms in the private rented sector (PRS).

In order to achieve decarbonisation EUA believe that there are 5 priority areas that should be acted on:

- A new infrastructure
- Ambitious heat policy
- Stronger action on transport emissions
- Making fuel poverty history
- Building better homes and enforcing standards
A New Infrastructure

Our infrastructure needs reforming and so schemes such as the Green New Deal must, at the very least, accelerate our progress towards net zero, reduce social and economic equalities, create green jobs, and upgrade our poor housing stock.

The amount of work required to fulfil this will be on a similar scale to the post WW2 rebuilding of Britain, however it is entirely possible to do this in a fair and cost effective manner.

This should have cross party attraction, similar to the Climate Change Act. Schemes like the Green New Deal should also recognise that neither the state, nor the private sector should be left alone to manage decarbonisation; a joint partnership will be the best way forward.

First and foremost EUA believe in reducing emissions from the gas industry to zero as soon as possible, but industry will need government support to do this.

Decarbonising heat is one of the key challenges facing UK energy policy in the coming decades.

This section explores the unique position that gas holds in providing the vast majority of the UK’s heat demand and how new opportunities for a future hydrogen can form a major part of the green new deal.

As a result of natural gas abundance, the UK has the world’s leading gas grid infrastructure already in place, directly supplying the energy to heat 85 per cent of UK homes.

It would be a travesty not to use this existing infrastructure as part of the solution to the trilemma (above), and EUA believe that clean gas could be the key.

Gas has, for the past two hundred years been a fuel that has offered the UK flexibility, be it for street lighting, industrial processes, power generation or heat demand. Gas currently accounts for nearly 50 per cent of UK primary energy needs, for power generation and heat.

It also offers the flexibility to back up renewables (wind and solar) when our weather patterns dictate and can be used as baseload too if nuclear becomes unaffordable. However, the undeniable environmental cost is that gas accounts for 40 per cent of the UK’s greenhouse gas emissions. This needs to change and therefore clean gas must be central to the UK’s future energy mix.
An all-electric scenario requires householders to fit an entirely new alternative heating system. These are costly changes that the vast majority of consumers can ill-afford, and polling shows most are happy with gas appliances. The UK would also need to be entirely re-wired, from power stations to the home in order to keep people warm.

The cost of this huge infrastructure upgrade, equivalent to more than doubling the current electricity grid, would also inevitably be borne by the consumer. All the time, underground and becoming redundant sits the UK’s gas distribution grid, which would need to be fully decommissioned in order to ensure safety, a process with costs that would run into the billions.

Clean gases such as hydrogen are an exciting long term solution that could eradicate carbon emissions from heating. Investing in hydrogen will protect and create thousands of jobs in the industry. The areas identified for hydrogen production are in the North, therefore a commitment to hydrogen would also help to reduce regional inequalities, by bringing huge national infrastructure projects to them.

Put consumer choice at the heart of the decarbonisation agenda

Currently there is very low public awareness about the UK’s need to decarbonise heat to reach our carbon emissions targets. The public need to be made aware of the implications and their views made central to any decisions being made.

The Department for Business Energy and Industrial Strategy, BEIS, public attitude trackers have shown that many do not want heat pumps, and instead would prefer to keep their gas based appliances. Clean gas allows them to do just that, with minimal disruption and behavioural change.
Greening the gas grid with the aim of 99% hydrogen before 2050

The new government is bound by legislation to reduce emissions from the heating industry to Net Zero. EUA believe this should be done with hydrogen, as this would cause the least impact for consumers in terms of disruption and upfront cost.

Moreover, investing in the gas grid means that people in the industry will not lose their jobs, instead, new green jobs will be created to deliver the change, similar to the conversion from town gas to natural gas.

**Launch a national infrastructure project to extend the gas grid to all homes that are within 25 metres from a gas mains pipe.**

Connecting homes to the gas grid will help to lower fuel poverty, given the lower price of gas compared to electricity. Further, it will also help the government reach its EPC targets if schemes which install first time central heating systems are used in combination with this, given an efficient heating system reduces the cost of heating the home.

A connection to the gas grid leads to the most significant bill savings – providing a saving of £1,386 for a home with a heat demand of 10,000 kWh, with the average being 8000-12,000⁴.

By contrast, cavity wall insulation saves £233, solid wall insulation would save £430 and loft insulation would save just £58². The Energy Saving Trust (EST) estimates that the cost of external solid wall insulation ranges between £8,000 for a small flat to £22,000 for a large detached house.

It is estimated that 54% of properties in the UK are within 23 metres of the distribution network. Overall, nearly 80% of properties are within half a kilometre of the distribution network.

**Increase the amount of Carbon Capture Usage & Storage**

Carbon Capture Usage and Storage, CCUS, is essential for the majority of low carbon and renewable energy projects to operate effectively. EUA urge the new government to reverse the previous decision to axe the £1bn CCUS competition. We believe more resources should be dedicated to ensuring CCUS becomes a commercial reality in the UK by 2030.
Increase the amount of gas storage

Gas storage is essential to ensure we have enough backup in the winter months. If the UK is to pursue an independent, post Brexit heat policy, gas storage will be essential. Currently storage sites are operating at a loss with limited capacity.

The government should reduce the business rates to encourage more site operators into the UK. Gas storage will also be necessary to store hydrogen, assuming the government does decide to go down this path.

Ambitious Heat Policy

The heat decarbonisation policies in the last ten years have had only a limited impact on the vast majority of households. Expensive policies targeted at encouraging the public to switch to a renewable heating source or boost their EPC rating, such as the Renewable Heat Incentive and the Green Deal, have markedly failed to make a meaningful impact on the millions of heating systems installed in the UK.

Meanwhile, policies which were simple and focused on affordability, such as the Boiler Scrappage Scheme, have been met with a far more positive response.

The new government will have a significant opportunity to implement ambitious and far-reaching policies on domestic and non-domestic heating which will genuinely appeal to the average household who have so far not been swayed by current measures. This section details our proposals for a variety of steps which could be taken to help the UK meet its net zero 2050 emissions targets.

Figures from BEIS suggest that heating accounts for over one third of all greenhouse gas emissions in the UK. Consequently, the decarbonisation of heat is a vital issue that must be addressed if the UK is to meet its 2030 and 2050 emissions targets.

From April 2005, Building Regulations meant that all new domestic gas boiler installations must be condensing. Arguably this was one of the most successful government interventions into the energy market. Today 99% of all new boilers sold are condensing and there are over 17 million installed in UK homes. However if we are to decarbonise our heating we are going to need another bold intervention from government. Industry is currently developing a range of exciting products and services that could help with the transition.
Work with Industry to determine the best way to move to clean gas boilers

Business and industry need certainty and targets to work towards, otherwise there is no incentive to bring something to market if its future is not clear. Government must commit to a clean gas future. Industry can then plan to deliver products such as hydrogen ready boilers. Consumers would be unlikely to notice any difference with these products, as they would operate in the same way as current boilers, except they would have the capability to be switched to burn hydrogen in the future. A decision on the future of heat must be made as soon as possible to provide market certainty.

Legislate for the recommendation of hot water storage where appropriate.

The government also needs to recognise the importance of hot water storage. Hot water storage cylinders are the perfect companion for renewable energy sources, which can be inflexible in terms of their energy supply.

Cylinders can heat water when the renewable source is generating energy and store it, for use when it is needed. If government are serious about supporting energy storage then they need to legislate for the installation of hot water storage cylinders where appropriate, rather than more expensive and experimental battery technology.

Reformulate the RHI

The successor to the Renewable Heat Incentive, RHI, will need to be more widely available than its predecessor to medium and low income families, with a wide range of eligible technology. The current RHI is limiting with regard to which technology can be installed and is predominately used by higher income households. Future policy must overcome these issues.

Increase participation in the energy market by a new generation of workers, by appealing to younger people, graduates and BAME’s.

This will require a multifaceted campaign to inspire people to join the energy industry and destroy some of the stereotypes about the industry and the type of people that currently work within it. Firstly, a campaign led by the companies will need to be run to highlight the benefits of working in the industry, such as pay and flexible working. Similar incentives could be offered, like they are in sales roles, such as company organised holidays, days out and a good work, life balance. Such a campaign could be run with the help of the government, with posters and TV adverts encouraging young people and BAMEs to join.
Stronger Action on Transport Emissions

There is no doubt that transport-related emissions, and the poor air quality that they can produce, has rightly been rising rapidly up the political agenda.

However, focus amongst politicians and government has so far been largely on electric vehicles. Whilst personal vehicles make up the bulk of transport emissions, heavy goods vehicles, HGVs, have been overlooked, despite contributing a disproportionate amount to the nation’s transport emissions and air quality issues. Diesel engines have been singled out as the worst offenders because of their high concentrations of nitrous oxide and particulate emissions, thought to be particularly harmful to respiratory and cardiovascular health.

There are around 39 million vehicles operating on UK roads. HGVs are estimated to account for around 18% of UK greenhouse gas (GHG) emissions from road transport and around 21% of road transport NO\textsubscript{x} emissions, while making up just 5% of all vehicles and miles driven\textsuperscript{4}.

If just one per cent of diesel HGVs, light commercial vehicles, buses and coaches were replaced by natural gas-powered equivalents, the UK would benefit from a CO\textsubscript{2} saving of over 64,000 tonnes per annum and a reduction in NO\textsubscript{x} emissions of some 13 tonnes\textsuperscript{5}. Unsurprisingly, the emission implications for each of these vehicle classes is disproportionately higher the heavier the vehicle.

EUA believe that Clean Air Zones need to use the same criteria as London’s Ultra Low Emission Zone, and gas-powered vehicles should be exempt given that they perform far better on the pollutants being targeted. The obligation placed on certain local authorities to set up these zones needs to be backed up with funding and centrally developed charging systems to enable them to carry out feasibility studies and fund the necessary infrastructure to properly set up and maintain the zones.

Mandating certain cities to introduce tough new rules on air quality will only work with proper support from central government. This ought to be viewed as an issue that crosses multiple Government departments, such as transport, health, education, local authorities, etc. A joined up approach is needed.
Roll out more city Clean Air Zones, with a charging element to encourage the take up of gas powered vehicles

Poor air quality plagues people’s health and reduces productivity. Tackling this issue and taking steps to improve the quality of the air we breathe will improve quality of life and, inevitably saves money in the long run, as the burden on the NHS caused by poor air quality reduces. Clean Air Zones, CAZs, are designated areas whereby the local authority attempts to improve the air by a series of enforced measures, such as traffic flow management, bans on vehicle idling, and charges on certain types of vehicles entering the area.

Such a charging scheme should attract funding from the Department for Environment, Food and Rural Affairs, and secondly support itself from revenue generated from the charges. Local Authorities funding for CAZs comes from a £225 million DEFRA implementation fund. CAZs should be rolled out country wide.

Support diesel scrappage of Euro V or earlier HGVs

This policy would cost around £5,000 a unit and would only be awarded if a dedicated Euro VI gas model was purchased in its place. As outlined on the previous page, this would deliver significant emissions reductions by targeting the most polluting HGVs but would be a familiar format for consumers given that similar schemes have previously been implemented by government.

Provide new infrastructure support for new gas fuelling stations

Any major change in transport fuel necessitates investment in alternative infrastructure to support uptake. Just as charging points for electric vehicles have received funding from the government, strategic investment should be made available for gas filling stations, primarily to serve HGVs.

These filling stations will be the backbone of the rollout of cleaner HGVs, and so they must be viewed as a long term strategic investment. Alongside this, the government should reduce the cost of connecting filling stations to local transmission systems. Building the infrastructure for natural gas fuelling stations will also ensure they are able to become hydrogen ready and easily switch over when the technology is ready.
Making Fuel Poverty History

The UK must step up the discussion in relation to fuel poverty at a national level, in order to drive change. Government has in some cases exceeded expectations in being a force for change, for example the smoking ban. Smoking inside, and arguably at all, goes against social norms, because of legislation and debate. Government has the power to make fuel poverty history by making it a norm that no one should ever go cold in their home. This will require significant changes to legislation, investment and the promotion of the right to live in a warm home.

Fuel poverty is an issue which is frequently raised by politicians, charities and public sector bodies. However, very little is understood, or communicated, about the link between warm homes and good health.

Studies have shown that many chronic illnesses, particularly respiratory ones, are made far worse by living in a cold home. This means that being unable to adequately heat a house unnecessarily impacts the poor health of sufferers. In an age of restricted government spending, getting the best value for public money is essential.

This is why preventative measures to stop worsening health is vital to public services, particularly in the healthcare sector. This section looks at the ways in which the government could deliver better health outcomes, better standards of living and better value for the taxpayer through innovative energy policies.

According to BEIS in 2017, 10.9 per cent of households in England (2.532 million households) were classed as fuel poor. In 2018, 155,000 households in Wales were living in fuel poverty, equivalent to 12 per cent of all households. In 2016 (the latest available figures), an estimated 160,000 households were fuel poor, 22 per cent of the total. In 2017, in Scotland, 613,000 households (24.9% of the total) were in fuel poverty.

The depth of fuel poverty increases with age. In the 2017 to 2018 winter period, there were an estimated 50,100 excess winter deaths in England and Wales. The number of excess winter deaths in 2017 to 2018 was the highest recorded since winter 1975 to 1976.

EUA is calling on the next government to take the innovative step of marrying up energy policy with health policy in order to deliver better health outcomes and better value for public money.
Widen the fuel poverty definition to include the fuel poverty ‘churn’ so that schemes target all low income and vulnerable houses, most in need

BEIS analysis of the English Housing Survey suggests there is considerable ‘churn’ in the housing market (i.e. people moving house) and movements in household income, meaning people may move in and out of fuel poverty over time. Given this fact it seems arbitrary to deny assistance to those low income vulnerable households who make up the churn statistics, and much fairer to instead widen the fuel poverty definition to incorporate them into assistance schemes.

Take a central funding approach to fuel poverty alleviation

All fuel poor funding should be joined up and entered into a single centralised fund to provide a one stop shop for fuel poor customers. The money should be administered by a central or regional body, working with partners to deliver the government’s fuel poverty strategy. This approach would help to avoid the confusion in the customer experience when having to deal with individual organisations. A similar approach was taken with the Warm Homes Fund, and this has been a proven success. Also drawing on lessons from Scotland and Wales where they have a more joined up approach for funding can give a valuable insight into how fuel poverty alleviation can be better managed.

This approach will help to avoid the additional administrative costs that are currently generated by each eligible energy supply company looking for and marketing to potential applicants. It is often difficult for these companies to identify those that are eligible and also to match the most appropriate measures. Often this has led to generic measures being installed into homes regardless of need.

The proposed approach would allow a central or regional body to coordinate several departments and community organisations to identify households most at need and also the most appropriate measures to reduce energy bills and alleviate fuel poverty. The savings made from reduced administrative costs can be used to increase the number of vulnerable households assisted under the fuel poverty scheme.

The government should increase the PRS cap to £5,000 and review the amount for every EPC milestone

Nearly 60% of fuel poor households are in the rented sector. We agree with the committee on fuel poverty that ‘as landlords run a business, they should be held accountable to rent out properties that are affordable to heat’.

The current landlord contribution cap stands at £3,500, however by the government’s own analysis, this is not high enough to hit the EPC targets for every 5 year period. This will upgrade 48% of F/G homes to Band E, which is not high enough to meet the milestones. Indeed, the government’s analysis shows that a £5000 cap would get the closest to the EPC targets, given the cost of a new central heating system and some insulation exceeds the current cap.
If government are serious about hitting the EPC targets and reaching net zero, they will be minded to increase the cap to £5000, or more based on the milestone and timescale.

**A dedicated energy efficiency programme for England**

In the UK, England is the only country that does not have a government funded household energy efficiency scheme, despite being the greatest contributor to the overall UK budget. A dedicated energy efficiency scheme for the UK should start with £1billion funding for 2020-2021, and be reviewed annually to assess its impact, and be amended accordingly. The review process should analyse how much funding is needed to bridge the gap between reaching EPC milestone targets.

**Launch a review into the winter fuel payment to assess whether it is practical or fair to expand the scheme to cover people of all ages in need**

The Winter Fuel Payment (WFP) has worked well so far, however there are some in need who are not eligible because of their age. We believe a comprehensive review should be launched into the current WFP to assess its scope and to consider reports which have suggested widening the scope to all those in need.

This review should carefully consider all the available evidence and then report back to government before any decisions are taken.

Aside from the review, we do believe that The Government should move the date the allowance is paid to the summer. Purchasing heating oil or LPG during the summer months could enable consumers to benefit from lower prices and allow central heating systems to be serviced at a quieter time for installers, improving efficiency and reducing energy consumption.

**All aspects of energy-policy should contain an assessment of the implications for fuel-poor households**

Whilst we are supportive of the government’s ambitions to decarbonise heat, there does need to be careful consideration that any polices do not increase costs for the fuel poor, and if they do, there must be some sort of government redress to level the playing field.

For example, if the government mandated a new type of low carbon heating appliance, it should be provided at no cost to the fuel poor. A lack of such consideration risks a regressive tax hike on the most vulnerable in society.
Decarbonisation must go hand in hand with tackling fuel poverty and be a socially just transition.

Ensure the smart meter roll out is completed

In order for the UK to transition to a smart energy system, it is essential smart meters are deployed widely across the UK. Government needs to keep on top of the roll out and ensure help is given to suppliers who are struggling to meet the targets.

Building Better Homes and Enforcing Standards

Britain has some of the oldest and inefficient housing stock in Europe, as well as some of its coldest winters. Yet government schemes aimed at increasing the number of energy efficiency measures installed have not met their stated goals.

EPC ratings enable us to identify the location and causes of homes with low levels of energy efficiency. However, there is still a lack of appealing government incentives that would overcome consumers’ unwillingness to commit to high upfront costs and long payback times.

Improving the energy efficiency of Britain’s homes will be a vital part of an effective energy policy. Any new policies must be able to demonstrate the value of greater efficiency to a wide range of consumers.

Some of most inefficient homes can be found in the private rented sector, so this should be an area of interest for any government wishing to tackle both energy wastage and high energy bills. This section explores some suggested policies in this area.

In addition the building of new homes is falling short of demand. It is widely recognised that we need to be building around 300,000 new homes a year, yet current numbers are significantly below these. EUA would like the new government to tackle both these issues in a sensible and pragmatic manner, ensuring new homes are thermally efficient and have low carbon appliances installed.

Fund appropriate policing of building standards and regulations

We are calling on the next government to provide greater funding to the agencies that are currently tasked with policing standards and regulations. Local Building Control and Trading Standards offices need greater funding to be able to carry out their job properly.

A well-functioning regulatory framework needs effective ‘policing’ and in recent years that has not been the case. Industry has introduced schemes such as the Benchmark scheme for heating appliances, to bring installation and servicing in line with existing regulations. However, greater government support for these initiatives is required in order to raise standards further.
The Future Homes Standard should embrace a technology neutral approach and not exclude the potential for hybrid heating and hydrogen.

Demands on the electricity grid are rising rapidly. Excluding energy sources from the future mix risks energy security. Net Zero is achievable with a whole energy systems approach. In addition new homes will be more affordable to heat and build.

**Build 300,000 low carbon homes**

The homes of tomorrow should be built to the highest standards, but should also be technology neutral. This means they should be ready for all low carbon heat technologies, including hydrogen. This is a low regrets option because it is low cost and will ensure the homes can be ready for which ever heating technology future governments decide on.
References


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