ENERGISE: Enhancing the transition to energy citizenship: Connecting households with low disposable incomes

MABS policy briefing

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Irish policy context in brief

Ireland has several policies aimed at improving the energy efficiency of the building sector, including the National Retrofitting Plan, the Strategy to Combat Energy Poverty 2016-2019, National Energy Efficiency Action Plan for Ireland 2017-2020 (NEEAP) and the National Energy and Climate Action Plan (NECP) 2021-2030. The Programme for Government (2020) further supports these policies and retrofitting efforts in Ireland. While these policies are comprehensive, the European Commission found Ireland's NECP to modestly contribute towards energy efficiency by 2030.

Slow progress on energy efficiency is undermining efforts to achieve SDG 7 (Affordable and Clean Energy) targets (SEforAll, 2020:43). Energy efficiency improvements, such as insulation, new windows and doors, heating controls and solar panel installation, help reduce energy expenditure and increase energy affordability in poorer households (UNDP, 2016:34). The Irish government has introduced measures to promote domestic energy efficiency to support lower income households, such as the Warmer Homes Scheme. Energy efficiency grants and loans are offered to households to incentivise homeowners to retrofit. Free energy upgrades are available to those in receipt of certain welfare payments. About one third of the cost of an energy upgrade is grant-aided for all others.

Budget 2022 committed €202 million in carbon tax revenue to fund the Sustainable Energy Authority of Ireland (SEAI) residential and community retrofit schemes. €109 million of this will be used to provide free energy efficiency upgrades to households that experience, or are at risk of experiencing, energy poverty. The Irish government has also committed to introducing a new low-cost loan scheme for residential retrofitting. Green energy home improvement loans are currently available to homeowners from many Irish banks and credit unions. These loans are often used to supplement the SEAI grants, as money is required for the works upfront and the actual grant is received after the works are completed. Therefore, many of the measures require additional capital investment by the household. Even where additional capital investment is not needed, reports show that there is limited uptake among lower income households due to the requirement for upfront payments, ineligibility, lack of accessible information, fear of taking the next step, or competing priorities. Carbon taxes will punish those who cannot afford to upgrade their homes, appliances or heating systems (SVP, 2018; ESRI, 2018). Flat carbon taxing will deepen the divide for lower income households and inhibit progress towards energy citizenship.

Energy poverty and household variables

In Ireland, energy poverty arises due to inadequate household resources to cover living costs and low energy efficient homes. Those most vulnerable to energy poverty include the elderly, disabled, young children and single parents, with low-income households being the most affected. According to TASC (2021), carbon taxes, based on the consumption of carbon-emitting fuels such as coal, peat, oil and gas, directly impact those living in energy poverty and in inefficient housing. The Programme for Government states that Irish carbon tax will continue to increase annually by €7.50 per tonne until 2030. To ensure these increases do not further exacerbate energy poverty, €3 billion will be spent on social welfare

and energy poverty initiatives and €5 billion will part fund a socially progressive national retrofitting programme with a focus on social and low-income tenancies.

Amongst household variables, household income plays one of the most influential roles in energy consumption and the willingness to invest in energy efficiency measures (Dillman et al., 1983). Consequently, a lack of access to finance is considered a key barrier for low income households to invest in energy efficiency measures. This, in turn, prevents a reduction in energy bills which could increase disposable income. The availability of grant assistance and tailored loans is seen as a way to offer supports to low income households to engage in energy upgrades. Homeownership, additionally largely affects household's investment decisions, bringing up the issue of split incentives for renters which characterise a significant portion of low-income households (Gillingham et al., 2021). Finally, being able to access information that is considered trustworthy may greatly impact a household's decision to invest in energy efficiency. Previous studies find that outreach programmes and social networks should be utilized to facilitate these behaviours (Testa et al., 2016; Hall et al., 2013). Empowering citizens for sustainable energy behaviour is a key factor in the transition to sustainability. Household-level face-to-face advice and support on improving energy efficiencies for low income households is needed and charities can operate effectively in the space between providers, funding agencies and households to provide this support (Ramsden, 2020).

Survey with MABS clients

A survey completed by 128 households experiencing low disposable income who are active clients of the North Dublin Money Advice and Budgeting Service (MABS) (mostly) was carried out in early Autumn 2021 to gather information on the views and practices of respondents in terms of household energy efficiency and to establish the barriers and supports needed to engage in greater energy efficiency practice in the home. An overview of some of the key findings of this survey are now set out under the following headings: energy efficiency practices in the household; barriers to increasing household energy efficiency; and supports needed to enable households to increase energy efficiency.

By way of general context, 64% of respondents (n=82) had a mortgage or owned their own home. Most of the remaining respondents were renting their homes privately or through the local authority. 59% (n=75) of respondents were in receipt of a social welfare payment although the vast majority of these were in receipt of the fuel allowance. Only 15% (n=19) were in receipt of job seekers allowance, suggesting that most respondents were likely to be in employment. The survey was conducted during the Covid pandemic although few restrictions were in place at the time of the survey. Respondents were asked about the impact of Covid on their household energy use and bills. 81% (n=104) said it was harder to pay energy bills during the pandemic. Increased usage was a much more common reason cited than reduced income.

Energy efficiency practices in the household

Barr et al. (2005) identified two types of energy behaviours: 'habitual and daily actions or curtailment behaviours' and 'purchasing activities and energy efficiency choices'.

All but one household in the survey reported that they participated in habitual energy saving activities in the home, demonstrating a strong awareness of, and an active approach to, reducing household energy. The most commonly cited approaches were turning off unnecessary lights, boiling as much water as needed in the kettle, unplugging unused electronics, and buying energy efficient appliances. Despite this active approach to reducing energy consumption, 45% (n=58) of respondents disagreed or strongly disagreed with the statement that they did not know how to reduce their household's energy use. This would suggest that, while they were taking action in their households, they did not feel this was enough.

35% (n=45) of all respondents (an equal proportion, 36%, n=27 of those with social welfare allowances) were aware of home retrofit grants being available to improve household energy efficiency. As noted earlier, 59% qualified for free upgrades as qualifying social welfare recipients but a mere 9% (n=11, 10 of whom qualified for free upgrades) had availed of the supports, mostly in the form of lagging jackets, low energy light bulbs and attic insulation, which would be deemed to be relatively minor works.

Almost 60% (n=76) of households said they checked their energy bills. Most paid their bills by direct debit or cash although 25% (n=32) used pre-pay meters, which are usually considerably more expensive than bill pay options.

Barriers to increasing household energy efficiency

There are numerous barriers that are seen to contribute to a low rate of deep retrofit measures, including financial limitations, high upfront costs, availability of grants, long-term payback periods, complex funding structures, information asymmetry, technical difficulties, and disruption caused by energy efficiency works (Reddy, 2020; Trotta, 2018). It is noted in the literature that income, home ownership and access to and trust in information are key determinants affecting low-income household energy behaviours.

Half of the survey respondents said they were unlikely or very unlikely to invest in home retrofit measures. Strong sentiments emerged in terms of the important factors in making a decision to invest and not surprisingly, the cost of the work emerged as a factor for almost 90% of respondents (n=114). However, other very significant factors included understanding the benefits, the information provided, knowing that it would improve health and well-being and the grant application process. Respondents were much less concerned about the disruption that might be caused or needing to feel motivated to engage.

Affordability emerged strongly in the comment sections in the survey:

"I cannot afford to do any upgrades; I need to do them but cannot."

"If you can't afford the co-payment, which I can't, and you don't have money to pay upfront and then claim, none of the other factors are relevant. How can they expect low income people with no access to credit to do this?"

"I am very eco conscious and would love to do work in my home but I cannot afford it."

"I want to be energy efficient but cannot afford to be. I am worried about carbon taxes."

"We had work done, but we self-financed all of it through loans, which we are now in difficulty with."

An additional barrier that was raised was the ownership status of their home, where some of those in rented accommodation stated that their landlord (or the local authority) would not be open to energy upgrades:

"Not my house to upgrade; my landlord not open to it."

"Council own my house and they are not doing energy upgrades they tell me."

"In rented house, so I would not be inclined to spend and my landlord is not great."

Supports needed to enable households to increase energy efficiency

Almost all respondents were able to identify measures that would encourage them to engage in energy saving activities in the home, suggesting huge willingness but also a strong need for a variety of supports. More grant aid was the most highly cited support needed, at 62% (n=79), although not as high as might have been reasonably expected. One-to-one advice (56%, n=72), more information on the benefits accruing (53%, n=68) and more information on energy saving activities (53%, n=68) were the other highest cited supports that were needed. Some of the additional comments suggested that help with form filling would be a useful support:

"I would like information but not in forms as I find them confusing; someone to talk to face to face.*"*

"I would need help with forms as I am not good at that."

"I think information on climate change and eco would also be an incentive to people."

Access to and trust in information provided on energy use and energy saving programmes greatly impacts a household's energy saving behaviours. When households are provided not only with more information on their energy behaviours but also an understanding of how to control and monitor their energy use, they have a greater propensity to invest in lower cost mobile energy efficiency technology and participate in curtailment activities (Testa et al., 2016; Ameli and Brandt, 2015). Testa et al. (2016) found that personal norms and trust in

information provided by companies, friends and family strongly influence the adoption of energy saving technology and curtailment behaviours.

It emerged in the survey that respondents put the greatest level of trust in family and friends, well above all others, for the provision of energy efficiency information. Energy companies ranked least trusted.

Hall et al. (2013) contend that information alone is not enough to make a meaningful impact. Rather, outreach programmes should focus on facilitating knowledge acquisition through group discussion and social participation, ideally in pre-existing social groups or within groups from similar backgrounds, enabling a comfortable learning environment therefore adding meaning and motivation to change energy behaviours.

Conclusion

According to the Nevin Institute[1], a just transition requires social interventions to prevent poorer households from bearing the burden of the transition to a low-carbon economy. A more holistic approach to the provision of supports, taking into account individual circumstances and capacities, is needed to boost energy citizenship.

The findings strongly suggest that financial incentives alone, or indeed, free retrofitting, as provided for in Budget 2022, will not be enough. A wider range of tailored measures that complement what is proposed in the Budget will be necessary to reach and support low disposable income households to transition to energy upgrades.

Clients of MABS usually present with difficulties in meeting credit commitments and are overindebted to a variety of creditors, including banks, credit unions and utility providers. Such clients are financially squeezed with neither the scope nor the appetite to access credit to upgrade their homes. A broadening of the qualifying criteria for free retrofitting is likely the only hope such households have of upgrading the energy efficiency of their homes. And while the provision of financial supports is fundamentally important, one on one advice will be critical to provide more information on how to save energy and on the benefits that can accrue to households from doing so. The introduction of Community Energy Advisors, as recommended by the SVP in its submission[2] to the Climate Action Plan 2021, will greatly help in reaching households that are least able to avail of existing schemes. And as advised by Hall et al. (2013), outreach programmes that support group discussion and social participation, ideally in pre-existing social groups or within groups from similar backgrounds, can also play an important role. This could perhaps take place in local communities through pop-ups in community centres or housing estates where people gather, perhaps in Summer-time.

[1] https://www.nerinstitute.net/our-work/climate-and-just-transition

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