

Household Energy Conservation in Ireland – lessons from two jurisdictions.

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Household Energy Conservation in Ireland – lessons from two jurisdictions.

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It is always interesting to compare how different political jurisdictions deal with challenges. The whole area of ‘comparative studies’ has emerged to give some sort of philosophy and analytical structure to these comparisons. In such analyses we can distinguish the descriptive, i.e. the ‘what is’ and the normative, i.e. ‘what ought to be.’ In the latter the lessons to be learned are identified and distilled. But the transferability of lessons from one jurisdiction to another is fraught with issues of differing values, politics and institutions, traditions and priorities. When we come to the matter of drawing lessons from the experiences in Northern Ireland and the Republic of Ireland to mutual advantage, it would appear on the surface that the fact that we share this island implies that we also share common priorities and cultural values. But there are many differences. For Northern Ireland, the sharpness of the religious and associated ethnic divide is a defining challenge, the fact that substantive legislative and fiscal responsibility still originates in Westminster shapes both what can be done, and how it is done, and much policy and its execution is centrally controlled. In the Republic, the devolution of powers and responsibilities to local level in areas such as housing is a defining characteristic. Further policy distinctions can be observed at the macro and micro levels.

Macro Policy

At this level, the crucial distinction is that, relative to Northern Ireland, the Republic has a high degree of fiscal autonomy; it can set and change its rates of corporation and personal income tax, Value Added Tax, and excise duties. All of these must operate in the context of EU competition and other law, and in the case of VAT and excise duties on energy products within upper and lower bounds, but the degree of autonomy relative to Northern Ireland is nevertheless profound. The Republic also has a direct voice in shaping policy at EU level, although this will weaken in relative terms as the Membership of the Union expands. Thus, in the Republic, these policy instruments are endogenous, under the control of the policy system, while in Northern Ireland, they are exogenous, givens with which those in the Northern Ireland policy process must work.

At macro level, decisions about fuel use at household level are shaped by two key variables - disposable income and fuel prices - and policy affects both.

The more disposable income people have, and the lower fuel prices are, other things being equal, the less likely they are to suffer from fuel poverty.

Income

Since the early nineties, the Republic has followed a very successful mix of policies aimed at raising disposable incomes, including a prudent management of the public finances, strong focus on facilitating growth in sectors such as financial services, information technology, pharmaceuticals and tourism, facilitated by low corporate taxes and a rapidly growing skilled labour force associated with substantial investment in human capital. This was facilitated by substantial transfers from the European Union, strong economies in main export markets, notably the US and the UK, a favourable exchange rate in those two countries and low energy prices.

As a result, there has been a dramatic rise in real disposable incomes, and the absolute levels of poverty have appreciably declined. Distribution of income also bears on performance relating to fuel poverty. There is a lively debate as to whether and to what extent relative poverty – the gap between those on higher and lower incomes – has increased, but there is no doubt that a much higher proportion of the population in 2002 has the capacity to provide some minimum energy comfort level than was the case in 1992.

Growth in real disposable income over this period has also occurred in Northern Ireland, but at a lower rate. The weaker performance relative to the Republic is a product of higher corporate taxes, a less advantageous exchange rate in main markets, and a perception of political instability that weakens tourism and the attractiveness of the jurisdiction as a destination for inward investment generally.

Looking forward, the factors that have given the Republic a rapidly growing full employment economy are now under threat, notably economic growth in main export markets; the favourable exchange rate vis a vis the US dollar and Sterling may not continue, transfers from the EU will diminish, growth in the indigenous labour force is tapering off and - at least in the short run – energy prices are likely to increase in real terms. Conversely, with more skilled labour available, if Northern Ireland can achieve a perception of political stability, it may begin to narrow the gap.

Price

In both jurisdictions, a primary influence on fuel prices is global markets. Both have benefited from the decline in real energy prices over the past decade, and this has been a key motive force in reducing the degree of fuel poverty. Boardman notes that ‘the price of electricity in the UK in real terms is now down to the level that it was in 1970’ (while real incomes have more than doubled). Tax and excise duty policy also plays a key role in this regard. Everyone who travels between these jurisdictions is familiar with the role of differential excise duties in shaping the price of petrol and diesel, to the advantage of consumers in the Republic. Less familiar is the price advantage – in the opposite direction – for home heating fuel, where the combination of lower VAT and excise duties favours households in Northern Ireland.

Competitiveness is also an important shaper of price. As a general rule, the more competitive a market is, the more likely it is to advantage consumers with lower prices. However, as noted later on, for particular categories of consumer, this is not always true. Both the Republic and Northern Ireland are governed by the competition rules of the European Union, but the UK has moved more quickly than the Republic in this regard to open up competition as regards electricity to domestic consumers.

Micro Level

While income and price are the most important determinants of fuel poverty, there are a variety of factors at the regional and micro level that also shape performance. These include the thermal efficiency properties of the housing stock, the quality, relevance, and timeliness of information available to consumers, and the variety of supports and transfers to households that influence both building quality and household behaviour. At this level, there is more to directly compare across the two jurisdictions.

In Table 1, the points which emerged at the conference are identified. The reader should not infer from blanks in this table that there is no relevant policy or issue in the jurisdiction. It simply means that none were raised in the written papers presented. The source of the point made is in brackets. The comparison raises a number of fascinating issues and questions:

Extent of Fuel Poverty:

The Taoiseach estimates that there are 70,000 ‘fuel poor’ households in the Republic, but almost 300,000 receive the means tested fuel subsidy, while the Electricity Supply Board (ESB) agrees ‘extended payment arrangements’ with 150,000 customers annually. In Northern Ireland, McCluskey estimates that 170,000 cannot afford to heat their homes. A common definition that spanned both jurisdictions would be valuable in evaluating progress within jurisdictions, and provide a basis for comparison between them.

Effectiveness of Policy Interventions:

The effectiveness of policy can be judged according to a variety of criteria, including cost-effectiveness – achieving progress at minimum cost – dynamic efficiency (encouraging innovation), energy effectiveness (making progress in improving energy efficiency), fairness (meeting the needs of the most vulnerable as a matter of priority) and administrative and political feasibility. An assessment of the very diverse initiatives in information provision, direct investment in public housing, subsidies for the private sector and regulation in both jurisdictions would be both valuable and interesting.

Institutional and Legislative Differences:

With the Home Energy Conservation Act, it appears that Northern Ireland has a

strong and specific statutory basis for intervention that does not have an equivalent in the Republic. Likewise, in NI, the centralised nature of housing provision in NI facilitates and perhaps explains the lead role which the Northern Ireland Housing Executive (NIHE) plays there in implementing the provisions that flow from this legislation. A more detailed analysis of the benefits and costs of such statutory and administrative arrangements could be very valuable in informing the choices in the Republic.

Local and Non Governmental Focus:

Energy Action in the Republic, and NEA Northern Ireland play important roles in their respective jurisdictions in both animating consideration of the issues and ensuing actions, and in the direct delivery of services. Local authorities in the Republic, and a variety of Non Governmental Organisations (NGOs) in Northern Ireland, are likewise heavily involved. Such endeavour is an important form of social capital from which society benefits. How to maximise its contribution is an important issue and challenge.

The Future

The unique concatenation of circumstances that made the Republic of Ireland the fastest growing economy in the developed world in the 1990s are unlikely to be repeated,^[2] and Northern Ireland likewise is unlikely to experience boom economic conditions. It is likely therefore that the ‘rising economic tide’ which has been so important in moving many out of absolute poverty will be less effective in the future in addressing all forms of poverty. Therefore, the micro policies addressed at this conference are likely to move to centre stage as the keys to continuing progress. In this context, there are a number of initiatives in the pipeline that deserve attention.

Focused information:

As regards the saliency of information as a policy instrument, Gardner and Stern (1996, p. 85)^[3] report that ‘non specific reminders generally have little effect on actual behaviour. But timely and specific reminders can be effective’ In the Republic, the findings of the Housing Conditions Survey, 2002 will provide crucial facts in both identifying the magnitude of the problems in that jurisdiction, and in shaping where to put our efforts. The Home Energy Rating scheme under development by Sustainable Energy Ireland will provide ‘timely and specific’ information on energy performance to household holders and prospective purchasers.

R&D and Innovation:

The technologies for improving energy performance are in general ‘mature’ but there is plenty of room for further innovation. As resources become scarcer, it is necessary

to do things better at lower cost, and it is the role of R&D is to produce these new and better choices. Sustainable Energy Ireland is initiating an applied R&D programme which will be important in this regard.

Multiple Benefits:

At the conference, both Healy and Chada highlighted the health benefits that would flow from a reduction in fuel poverty. There are also potentially important benefits as regards reduced emissions of both greenhouse gas - carbon dioxide – and acid precursors - SO_x and NO_x – and these multiple benefits need to be consistently part of the template used to justify effective action.

De-regulation:

The UK experience provides very important insights as to how to design de-regulation so that those most vulnerable – the poor and ill informed – can at best take advantage of the benefits, and at least avoid incurring extra costs. The Republic of Ireland can benefit immediately from the fruits of this experience.

Funding:

the use of levies in Northern Ireland – albeit at a modest level – provides an interesting funding model with possible application in the Republic.

Thus, we face into interesting and challenging times, which will be characterised by resource scarcity and difficult choices. This conference provided a great stimulus to thought as to how we can learn from each other in shaping a better energy future for the most socially and financially vulnerable residents of this island.

Energy Action deserves great credit for moving our knowledge from anecdote to information, and we can expect that the insights and reflections thereby engendered will lead to effective action.

Table 1. Fuel Poverty in the Republic of Ireland and Northern Ireland.

Issue or Policy	ROI	NI
Extent of fuel poverty	70,000 (Taoiseach). Poor housing stock – 64 per cent no double glazing, over 50 per cent no wall insulation, 75% no floor insulation. (Downey) 300,000 receiving the National Fuel Allowance (O’Raghallaigh)	170,000 (28%) of households cannot afford to heat their homes (McCloskey)
Information and awareness	Home energy rating being piloted - €9.15 million. Also appliance labelling and general information (Taylor).	Advice Centres, e.g. Belfast Energy Efficiency Advice Centre (McMullan)
Direct investment in local authority housing	By end 2007, adequate heating systems will be installed in all local authority rented dwellings occupied by senior citizens (Taoiseach)	NI housing executive administers the <i>Home Energy Conservation Act</i> . Programme to replace all solid fuel heating systems with natural gas or oil. 8000 done to date.
New Investment in social housing	Design guidelines – ‘all social housing is to be provided with properly designed and efficient whole house heating’ (Taoiseach)	
Investment in general re-furbishment	€27 million allocated to local authorities in 2002 to upgrade housing and run down estates (Taoiseach)	NI Housing Executive (NIHE) included energy efficiency in the private sector renovation grants, aimed at improvement or replacement of unfit owner occupied and private rented sector dwellings, including cavity wall insulation Approx. £42 million and 8000 dwellings completed. (Downey)
Investment in further insulation	One third of social housing stock does not have central heating. National Housing Conditions Survey 2002 will inform us of housing conditions (Minogue). A target of 18,000 fuel poor dwellings over 4 years. Financial commitment of €7.62 million for fuel poverty (Taylor)	Warm Homes Scheme: End March 2002, 4,093 insulation jobs, 1,312 heating improvements – financial investment of £5.840. Focus is on fuel poor households in the private rented and owner occupied sectors. Grants in the range of £750 to £2000 per household.(Downey)
Fuel Subsidies (cash)	Fuel Allowance Scheme: Means tested payments (~€9 per week) operating between October and April. Received by almost 300,000 in 2002. (Taoiseach). At the end of 2001, total annual cost was €85.6 million. [Tenants receive rental subsidies of 214 million)	Winter fuel payments, totalling £57 million annually (Downey)
Fuel subsidies (in kind)	ESB agrees an ‘extended payment arrangement will customers with overdue bills (150,000 arrangements made annually).	
Regulation of new houses	High insulation standards introduced in 2002. (Taoiseach). Will reduce space and water heating bills by 23 and 33 per cent, bringing Ireland ‘close to the top of the EU league’	
Levies		Levy of £2 paid by every electricity

		and gas consuming household to rise to £5. Administered by Northern Ireland Electricity (NIE). With matching funds, brought in more than £6 million. Energy Saving Trust says that 120,000 customers have benefited directly.
NGOs and partnerships	Energy Action City of Dublin has installed central heating for all 2600 senior citizen tenants. 10 year action programme with Energy Action to install insulation and draught proofing.	NEA Northern Ireland – lobbying, hiring energy advisers, improvement of energy efficiency in community buildings, leading <i>Keep Warm Keep Well</i> campaign. NIHE works with 41 registered housing associations. Reasons why people apply to be housed by Housing Associations are dominated by bad health. (Williamson). Bryson House and the Beechmount project (West Belfast). Willowfield project (Belfast Community Housing Association) – big reduction in gas bills. (Williamson). Armagh and Dungannon Health Action zone Partnership (Gill).
Research and Development	€10 million on shared cost basis for best practise (2000 new homes), innovative practise (500 new homes), upgrading (500 existing houses).(Taylor)	
De-regulation of electricity and gas markets	Not due to come into effect for households until after February 2005. Market of 1.6 million households. Issue of diseconomies of scale. Residential ‘paying less than it costs to supply them.’ (Reeves)	Market of 0.66 million. Full liberalisation of electricity in Great Britain since May 99. Cost of liberalisation £35 per household. In UK 20 companies supplying 24 million households.(Boardman, Whiteside). Three payment methods, but direct debit the cheapest since liberalisation. Households on direct debit who switch the main beneficiaries. Households on pre-paid meters benefit the least. ‘There is nothing inherent in the liberalisation of supply that benefits fuel poor households.’
Health Effects	Very significant association between bad health and fuel poverty (Healy)	Investment in health and fuel poverty eradication and mutually supportive (Chada)
Legislation	Provisions of Sustainable Energy Ireland Act, 2001 (Halpin)	Warm Homes Act 2000, and UK Fuel Poverty Strategy (Gillis) But fuel poverty not at heart of NI strategy (Heaney)

Ireland. These comments are offered in a personal capacity and should not be attributed to any other organisation or affiliation.

[2] See; *After the Celtic Tiger*, by Peter Clinch, Frank Convery and Brendan Walsh, O'Brien Press, Dublin, 2002, for elaboration on this theme.

[3] See: Gardner, Gerald T. and Paul C. Stern, 1996. *Environmental Problems and Human Behaviour*, Allyn and Bacon, Boston.