

A Vision for Ending Energy Poverty in British Columbia

Background

There are at least 250,000 households in British Columbia that experience a lack of affordable access to basic energy services like heating, lighting, and cooking as a daily reality. The consequences of energy poverty can be severe, including poorer health outcomes and heartbreaking choices — like having to choose between heating one’s home and feeding one’s family.

As people’s lives have shifted toward spending more time at home, the impacts of energy poverty have only become more striking, and the links to housing adequacy and affordability made all the clearer. Fortunately, the policies best suited to tackle energy poverty also address a number of other urgent priorities – including the rejuvenation of BC’s housing stock, reducing carbon emissions, and making our homes and buildings more resilient to a changing climate.

With the recent announcement of a new income-qualified home energy retrofit program to be developed as part of CleanBC Better Homes, the BC Government has demonstrated its intention to take meaningful action in addressing these issues. We believe that a clear plan with a bold target to eliminate energy poverty in British Columbia will support the success of this program while providing guidance on the development of complementary programming.

Impacts of Energy Poverty

Households that spend a disproportionate amount of their income on energy bills often do so because they live in drafty and inefficient housing. This contributes to a whole host of problems such as mould, moisture and underheating, with corresponding health issues including asthma, cardiovascular disease, and increased vulnerability to diseases like COVID-19.

Households that experience energy poverty also typically have less discretionary income that might be used to improve energy efficiency or address health issues in their homes. The impacts of energy-inefficient housing are especially pronounced in low- and middle-income households, where limited funds for upgrades and higher energy bills create a vicious circle that perpetuates the cycle of energy poverty.

Rural and Indigenous communities can face higher rates of energy poverty, with an electricity cost burden that is often two to three times the provincial average. With a greater share of incomes flowing to utilities based outside the community, energy poverty can compound economic development challenges in rural areas.

Current Policy Landscape

A credible long-term strategy for addressing energy poverty would include two major components:

- 1) a plan to improve energy efficiency and reduce consumption across households facing energy poverty;
- 2) direct financial support for households facing excessive energy cost burdens.

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Until the new Better Homes program is launched, BC's only energy efficiency program targeted to income-qualified homes will remain the Energy Conservation Assistance Program (ECAP), administered by utilities. Unfortunately, ECAP has not achieved widespread adoption or significant bill savings, with only around 5% of the 350,000 eligible households having participated in the program to date. Of households that do participate in ECAP, the average bill savings amount to less than \$100 per year, and participants are often not eligible for more substantial upgrades that could meaningfully impact their monthly bills. We welcome a review of ECAP by BC Hydro in light of these deficiencies, and will be releasing a research report with our recommendations for the program in March 2021.

Another important strategy for addressing energy poverty is direct billing relief to households facing high energy cost burdens. BC currently has no such program for income-qualifying households, putting it behind many jurisdictions including Ontario, New Brunswick, Nova Scotia and California. Compounding this problem, BC's only emergency energy bill relief program, the Customer Crisis Fund, appears at risk of being discontinued as a utility-administered program. This could leave hundreds of thousands of low- and moderate-income British Columbians with nowhere to turn if they fall behind on paying their utility bills.

We are pleased to learn of plans to develop a standalone energy efficiency and electrification incentive program within Better Homes that is targeted to income-qualified households. The new program, as outlined in a recent RFP issued by the Ministry of Energy, Mines and Low Carbon Innovation, contains several key design elements that Ecotrust Canada has advocated for over the past year. We are hopeful that this program can be refined and built-upon to meaningfully contribute to the elimination of energy poverty in BC. We look forward to working further with Government and the successful Proponent to ensure that this program delivers meaningful energy cost reductions for the individuals and families that need it most, particularly those in rural and Indigenous communities.

Recommendations to Government

We call on the Province to develop a clear plan and targets to eliminate energy poverty in BC within ten years. This effort will require a step change in ambition, but we believe that this Vision is achievable. The measures required to achieve it will also support significant progress toward other priorities including poverty reduction, economic recovery, and climate action.

Based on our extensive experience working on energy justice policy, Ecotrust Canada proposes the following recommendations for innovative, cross-ministry policy that will complement the new income-qualified Better Homes incentives, and have the potential to significantly reduce energy cost burdens for low and middle-income households. **The Ministries of Energy, Mines and Low Carbon Innovation, Social Development and Poverty Reduction, and Environment and Climate Change Strategy should collaborate to:**

1. Ensure that the income-qualified CleanBC Better Homes program reaches those who need it most
 - The full incentive amount should be made available for homes switching from electric resistance heating to an electric heat pump as part of the program, as well as homes switching from labour-intensive wood stove systems that can impact indoor and local air quality. This is a

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particularly critical measure for rural and Indigenous communities that rely on these heating sources as their only practical option.

- The successful Proponent should ensure that incentives are available for homes facing structural and safety issues that should be addressed alongside energy efficiency retrofits, including mould remediation, adequate ventilation, and weather-sealing.
- We strongly support a contractor-driven or hybrid delivery model that would provide the option of paying rebates directly to the contractor, lowering the upfront cost paid by participants. We believe that consumer-driven models are unlikely to be successful when targeting populations that often have limited financial resources to cover up-front expenses.
- If successful, the program should be extended beyond the planned two-year period, and scaled up appropriately. We consider a tenfold increase in the number of homes targeted under a second phase of the program – from 1,800 to 18,000 homes – to be a reasonable objective.
- Government should continue to work with utilities to expand the scope of the Energy Conservation Assistance Program (ECAP) for low-income households and encouraging more substantial retrofits measures, particularly where those interventions can improve air quality and ventilation in homes and meaningfully contribute to the province's electrification goals.

2. Reinstate the Customer Crisis Fund and implement an ongoing bill assistance program

- Taking action on energy efficiency and retrofits in low- and moderate-income homes is an important step. However, the new Better Homes program's target of reaching 1800 homes over two years will not be sufficient to reach the majority of the 272,000 BC households in core need of energy bill relief. These households remain in need of immediate relief.
- Government should take over the administration of BC Hydro's Customer Crisis Fund, making it a permanent program with transparent eligibility criteria and a streamlined application process.
- Government should introduce a permanent, ongoing monthly bill subsidy for qualifying households, taking into account factors such as household income, and energy demands that cannot easily be reduced. Such a program could be administered alongside, and delivered in conjunction with existing forms of income assistance.

3. Consider equity objectives as part of a larger review of the BC Utilities Commission (BCUC)

- The BCUC is guided by an outdated model of regulation that takes an extremely limited, cost-of-service view of ratepayer protection, forbidding it from approving or prescribing expenditures that might advance key policy goals including:
 - Decarbonization of the energy system consistent with BC's legislated emissions targets
 - Electrification of key sectors of the economy including buildings and transportation
 - Advancing equity and anti-poverty goals by ensuring low-income households have secure access to energy
- As a review of the *Utilities Commission Act* is likely necessary in order to implement the recommendations of the BCUC's *Indigenous Utilities Inquiry*, the mandate of the BCUC should be reconsidered in light of these broader objectives as well.
- The prevailing inclining block residential rate structure penalizes those heating with low-carbon electricity, and also actively discourages electrification of transportation. As a result, those without the means to improve home energy efficiency are driven toward the use of polluting natural gas appliances as the lowest cost choice.

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- We recommend that the BCUC be empowered to direct the creation of an income-qualified electricity rate (sometimes called a “lifeline rate”), based on the principle of an essential services consumption block. The introduction of a new rate class could eventually eliminate the need for a government-administered ongoing bill assistance program.
- We also recommend that the BCUC be given more regulatory tools to gradually phase out the use of fossil natural gas, and prevent the lock-in of any new gas pipeline infrastructure, in the absence of a clear plan to fully meet this demand with renewable natural gas and/or hydrogen.

4. Implement a justice-based housing renewal strategy

- Government should develop a long-term strategy to ensure that every home and building in BC is healthy, low-carbon, and climate resilient, consistent with the setting of a sectoral emissions reduction target for the building sector and considering principles of equitable access and program design.
- In conjunction with this sector-wide strategy, Government should adopt a clean plan and targets to eliminate energy poverty in BC within the next ten years, utilizing all of the measures described above. Such a strategy will require a step change in funding – at least an order of magnitude greater than current levels.
- Government should ensure that any forthcoming economic stimulus and recovery measures are consistent with BC’s health, climate mitigation and resilience goals.
- The Provincial and Federal Governments should provide additional housing and infrastructure support to Indigenous communities.
- Government should mobilize public investment to provide immediate employment and training support for out-of-work British Columbians in implementing these strategies.

Conclusion

The intention to develop an income-qualified incentive program under CleanBC Better Homes is a welcome and much-needed development, and has the potential to meaningfully improve energy affordability for the households that are able to take advantage of it. In particular, we applaud the intention to expand rebate eligibility to households switching from expensive, inefficient electric resistance heating to heat pumps. We expect that this measure will have a particularly transformative impact in rural and Indigenous communities that rely on electricity for heating, and would otherwise be unable to overcome the cost barrier of a heating system retrofit.

We strongly encourage Government to build on this momentum, and adopt a Vision to eliminate energy poverty in BC within the next decade. In order to achieve this goal, policies and programs must begin to address the other systemic drivers of energy poverty – including high energy prices and low incomes. Our recommendations for cross-ministry policy priorities include meaningful reform of utility regulation and rate-setting, the reinstatement of a crisis fund for utility bills, and the development of an ongoing bill assistance program for those that are not yet ready or able to complete home energy retrofits.

We look forward to collaborating with Government across all relevant ministries, in order to make this ambitious, yet achievable Vision a reality – ensuring energy justice for all across British Columbia.

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